

Your ref:

Our ref:  
C1519825

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Ekta Sareen  
Economist  
Office of Rail Regulation  
1 Kemble Street  
London  
WC2B 4AN

Dear Ekta

### **Review of arrangements for establishing access charges**

Thank you for your letter of 25 November 2009, in which you seek our views on the review of arrangements for establishing access charges.

First of all I welcome the opportunity to comment on the review, and note that you have also included other industry partners and funders in the consultation. One of the key strengths of the CP4 process was partnership working, and we look to continue and improve this wherever we can.

The Nelson report highlighted that we should take cognisance of the lessons learned from the generally successful CP4 process as we move into our planning phase for CP5. I think this is particularly relevant with this issue, given that CP4 was the first time that Network Rail (NR) had been given the responsibility of developing charge proposals.

I would broadly agree that the CP4 charging arrangements worked well. I would also agree that while there is room for improvement, carrying on with the current arrangements allows for continuity and improvement; there is, in my view, a far greater risk in trying to make fundamental change.

In many ways, the more important task is ensuring that the ORR charging objectives are fit for purpose and that you are able to fully monitor and evaluate the process and outputs. In this respect, I would support the principles laid out in paragraph 20 of your letter. Over and above this, I would be of the view that other, more general principles should apply to the process-

- as discussed above, partnership working is key and NR should look to involve industry partners and funders at all stages of development;
- the proposals for access charges must have a strong evidence base and be transparent. Cost disaggregation needs to be a continuing priority for the ORR and NR; and
- Scottish Ministers wish to maximise the contribution that the rail industry makes to sustainable economic growth and attracting new rail traffic, particularly freight, is a

priority. Affordability and economic efficiency is clearly critical to achieving this. Equally important however is access charge arrangements which bring certainty and ease of understanding.

On a more specific issue, it would be appropriate to build on already existing work to ensure that users of electric traction are charged according to actual use, with obvious benefits to cost-effectiveness and efficiency in pricing.

I hope that these comments are useful, and look forward to the industry workshop in March.

Yours sincerely

**JONATHAN PUGH**

Head of Rail Regulation and Standards