



Freight Customer Panel

3 May 2017

Summary

The freight customer panel is part of ORR's wider commitment to engage directly with freight customers. The panel provides a structured forum for engagement and helps to ensure that our policies and regulatory decisions take into account the commercial environment that freight customers work within. The panel members will assist us by contributing views, expressing opinions and advising us on freight customer interests or issues.

This note summarises the main themes and issues discussed at the fourth meeting of the Freight Customer Panel. The meeting was chaired by John Larkinson, Director of Railway Markets and Economics at ORR.

Themes

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The panel focused on freight specific issues in the PR18 Programme.

Discussion

Key reforms to PR18 approach:

- Route-level regulation
- National System Operator
- Charges and Incentives

Key aspects of final determination:

- Assessment of Efficient Costs
- Setting Output Levels
- Financial Framework.

Route level regulation

1. Chris Hemsley explained that Network Rail is currently reorganising routes including the Freight and National Passenger Operator (FNPO) route. ORR has set out its objectives for the review. These have informed our key priorities for reform: in particular the focus on route-level regulation and reforming our approach to regulating the National System Operator (NSO).

2. The panel discussed the role of freight representatives at the FNPO level. John Larkinson explained that there is a FNPO draft strategic business plan in place however there is not yet a strategic business plan in place for the System Operator (SO). There is increasing attention on the System Operator function. Panel Members commented Network Rail should consider developing an internal soft governance to look at customer issues during control periods.
3. There was further discussion about Network Rail's strategic business plan, specifically in respect to outputs and scorecards. Network Rail should ensure transparency in changes to the business plan. It was suggested that further should be done around scorecards capturing freight. It was also noted that KPI's are applicable to freight but they are weighted differently to passenger traffic.
4. The panel discussed the potential loss of economic value of freight transport/rail freight activities based on the environmental and wider social benefit calculations. The implications of HS2 were also raised.
5. ORR will be looking for ideas, improvement and further scrutiny of route level/national system operator scorecards/governance. He confirmed that ORR will be publishing a summary of the output scorecards and output measures. There will be publications about Network Rail's efficiency as part of the PR18 programme.
6. Looking ahead, ORR will increasingly focusing on the scrutiny of Network Rail's route and NSO business plans. This will determine what it will be expected to deliver; the funding needed; and the mechanisms for managing risk. Throughout, ORR will look to prioritise, take decisions as early as possible, and provide clarity.

Variable Usage Charge (VUC), Coal Spillage Charge (CSC) and Electrification Asset Usage Charge (EAUC)

7. Chris Hemsley explained that there is no planned fundamental reform of the charges. There will be simplification and recalibration. Chris Hemsley explained that there arguments for changing the capacity charge. There are a number of areas for improvement with regards to complexity, incentives and to make best use of the network and incentives for Network Rail to grow traffic etc.

Fixed cost charges

8. Alex Bobocica explained that ORR is proposing to improve transparency around fixed network costs and apply fixed cost charges to all operators. ORR will undertake a market can bear test for passenger operators, and ORR will also update its analysis underpinning the market can bear test for freight operators. ORR also proposes to simplify freight mark-ups into a single charge. John Larkinson affirmed that ORR is open and transparent. The RDG working group will be updated as this progresses.
9. The panel discussed intermodal market advantages for freight and the consultant technical analysis with regards to implementing a charging structure and geographical charges.

National Infrastructure Commission

10. Jonathan Hale and Anesu Bwawa, from the National Infrastructure Commission, explained that they are setting up a number of engagement events over the next few months including a potential expert roundtable to discuss current and long-term UK freight transport issues. The panel discussed current key challenges for freight operators.

Any other business

11. It was generally agreed that this longer format focussing on PR18 had been useful. Panel Members were invited to send ideas for the next panel and the 2017 freight customer event to Gordon Herbert (ORR freight track access manager), who will organise these sessions.