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Metering Steering Group



On-train metering - funding options

At the metering steering group meeting of 22 March 2010 we agreed to confirm our position with respect to the funding of on train meters using Network Rail's regulatory asset base (RAB).

General Issues

We support the timely roll out of on-train meters, both because it can deliver cost savings to the industry (and the tax payer) and because it helps strengthen rail's position as a more environmentally friendly form of transport.

With this in mind, we support Network Rail's allocation of c.£8 million of its Safety and Environment (S&E) fund to provide support to operators switching to on-train metering. Network Rail made a preliminary proposal for the allocation of grants at the steering group meeting of 19 April. It proposed a flat-rate grant per train set, allocated at the level of the fleet type for each operator. We believe that these grants should provide a major impetus for the installation of on-train meters.

We consider that many operators have a good business case for installing on-train meters. Operators may have various options for financing the start-up costs, after the deduction of the S&E support, and the metering steering group is exploring these.

In addition, we are providing support to Virgin Trains and Network Rail in their negotiations to agree changes to Virgin Train's track access agreement to permit on-train metering. In this process, we are looking to develop a template that may be applied, with minimal alteration, to other operators. In particular, when eventually approving amendments, ORR is concerned to balance its duties and responsibilities to all operators.

RAB Funding

With the exception of the funding provided through the S&E fund, we do not in general expect meters to be financed through the RAB. We do envisage certain circumstances, however, where we would permit such funding. The costs could then be recovered from benefiting train operators by levying of an appropriate facility charge over the life of the asset.

Consistent with the wider policy on Network Rail capital expenditure, we would permit such an approach where the applicant was able to demonstrate:

- that it did not have a business case for installing meters based on its benefits and costs alone, but
- that in the wider “whole industry” business case, the benefits exceeded the costs. These benefits would include benefits to Network Rail, for example forecast reduced power supply enhancement costs.

We would expect Network Rail to provide timely assistance to the operator in preparing the business case, not least by providing adequate supporting evidence on infrastructure costs.

We would need reasonable assurance that the rolling stock fitted with meters would continue to be used throughout the period assumed in the business case.

I am happy to clarify this further should you require.

Yours faithfully

Ekta Sareen