



# Freight Charges Review and Freight Specific Charge

## Impact on Customers

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# ORR freight charging proposals are raising serious concerns.

- 10% principle.
- Direct impacts.
- Wider impacts.
- Complexity.
- What is at stake?





# 10% principle is a worrying change in regulatory policy.

- Is it acceptable to ‘price off demand’?
- 10% is not trivial, 10% p.a. leads to spiral of decline.
- Concern over who is next – captive /non captive sectors.
- Already being picked up by other policy shapers

# Freight Specific Charge will have direct impacts on customers.

- Lost business for generators, ports, coal and steel producers etc.
- Potential for job losses / closures.
- Rail costs only part of decision making process – tipping points.
- Competitive impacts.



# Freight Operators will be highly exposed.

- Even if costs passed on, reduced volumes undermines efficiency.
- Loss of bulk business impacts across all sectors
- Significant financial risk exposure in companies with thin margins



# There are wider impacts across all rail freight markets.

- Charging uncertainty will prevent investment and damage confidence.
- Development of new markets jeopardised e.g. biomass.
- Complexity is a deterrent to new business.



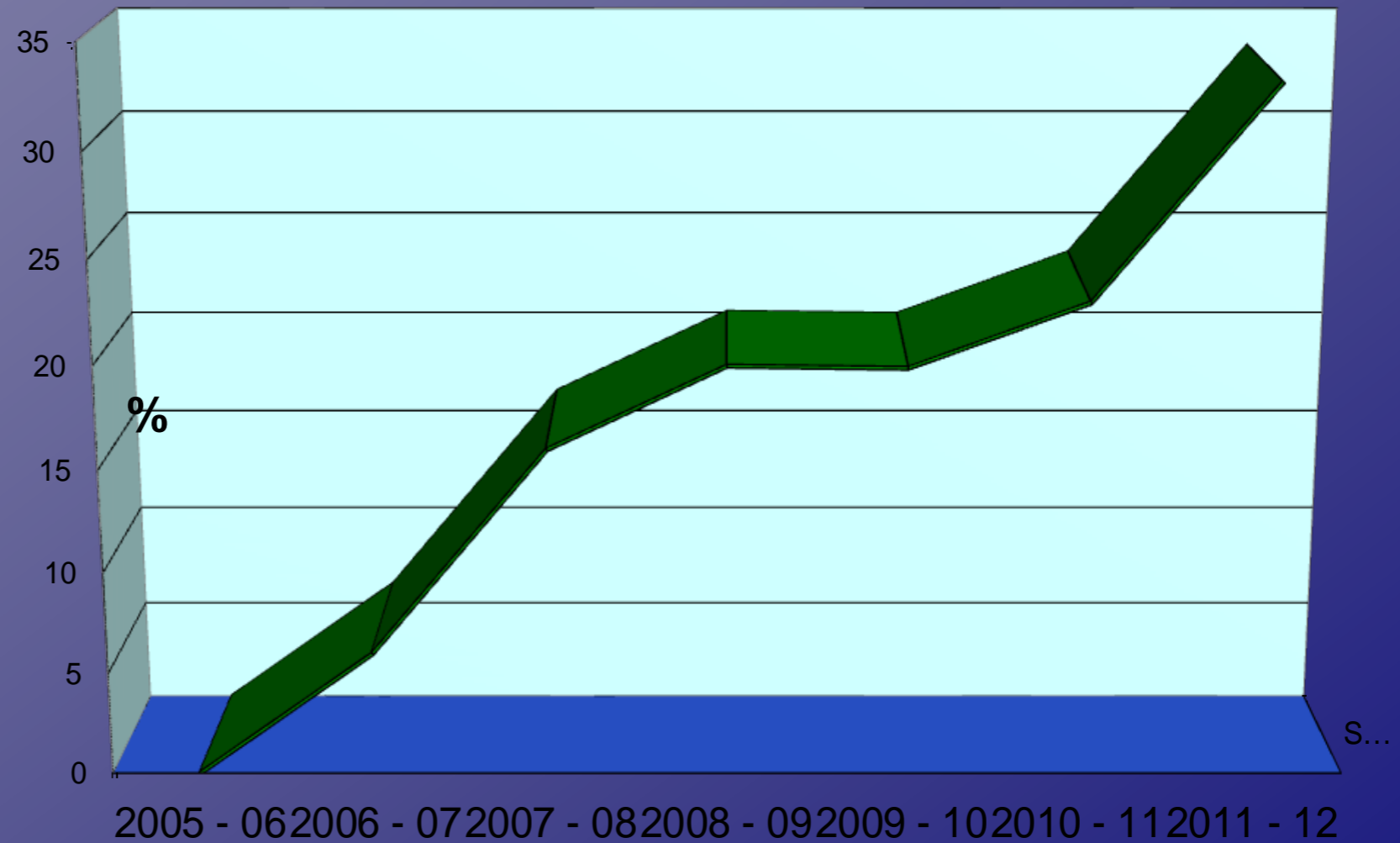
# Complex charging is a disincentive to using rail.



RAIL	ROAD
<p><u>Current Charges</u>            Variable Charge (by wagon and loco type)            Capacity Charge            Coal Spillage Charge            Freight Only Line Charge            Traction Electricity Charge            Schedule 4 and 8</p> <p><u>Proposed New Charges</u>            Freight Specific Charge            Capacity Utilisation Charge            Geographic Charge            REBS x 10</p>	<p><u>Current Charges</u>            VED (annual)            Fuel Duty</p>

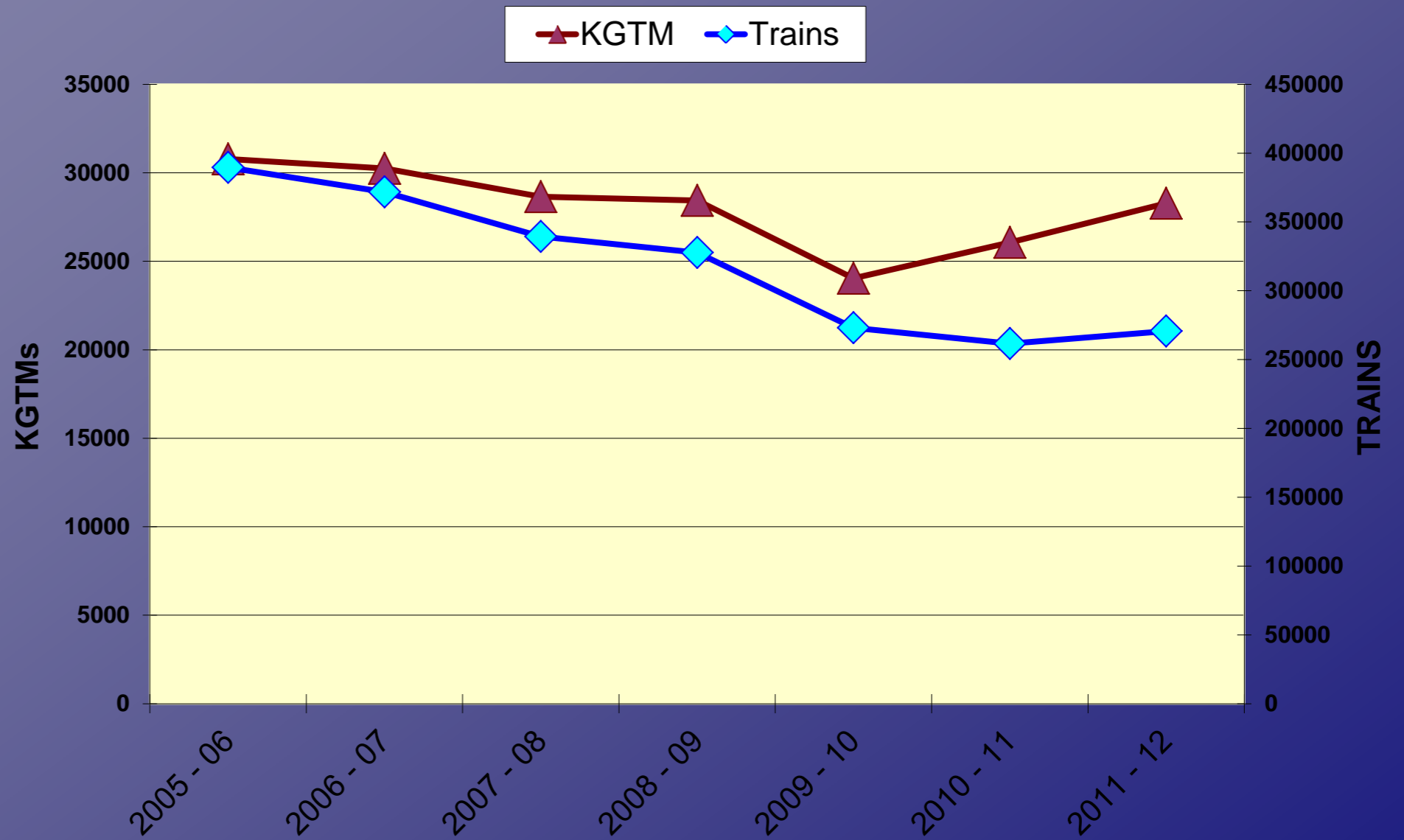
# Why undermine a growing sector?

Intermodal % growth since 2005





# A sector with a 32% productivity gain in 7 years.





**Rail Freight Group**

Delivering Choice for Business

Thank you

Maggie Simpson

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