

ORR Consultation On:
Periodic Review 2013 – The Variable Usage Charge and Freight Specific Charge

Consultation Response from DP World

1. Corporate Introduction

DP World is one of the largest marine terminal operators in the world and has the widest geographic network of any, with 60 terminals spanning six continents. It provides quality services designed to enhance customers' supply chain efficiency, including bringing together container and other terminals, free zones, logistics facilities as well as infrastructure developments.

In the UK, DP World has interests in Southampton Container Terminal (SCT) and is currently constructing a new 3.5m TEU container Port and Logistics Park at London Gateway. DP World, in the UK, only operates in the container market and therefore cannot comment on proposed changes in charges in other markets such as nuclear and coal.

London Gateway is making a major capital investment in upgrading the branch line which services its site and constructing a new rail terminal within the port, therefore, it has particular interests in ensuring that such investment is fully utilised by the rail industry and that disproportionately rising rail costs do not influence customers to move more of their containers by road.

2. Variable Usage Charge

DP World welcomes the general approach of the ORR in forming the framework of Track Access Charges to Freight Operating Companies and in providing continuity of approach over successive Control Periods. DP World holds a strong view that the method of calculation and application of the Variable Usage Charge should be consistent across Control periods and additional factors should not be introduced which will indirectly distort market behaviour.e.g. Capacity charges, Regional charges etc. It is important to recognise that rail competes directly with road for the transport of containers within the UK and that road transport companies are not subject to the same regulatory pricing/costing as is required in the rail industry. It is, therefore, important for the ORR to ensure that Freight Operating Companies are not subject to "step change" movements in their costs between Control Periods. Given this background, companies like London Gateway, associated with the movement of containers by rail, can invest in rail terminal equipment with reasonable confidence that the market will continue to consider rail as an economic transportation method.

3. Cap on Freight Services Charges

DP World welcomes the concept of an announcement of an early cap on Freight Service charges, as this will give the market confidence that rail costs will not increase unreasonably in the medium future.

3. Regional Charging

It is noted that ORR are considering the introduction of “variable usage charges that are geographically disaggregated” but they do not feel that this is possible for the start of CP5.

DP World feel that different charges in different regions would be wholly disruptive in the freight market and fails to understand why the ORR feels that such regional charging would be advantageous for the industry. It is fully understood that Network Rail require to know why their costs may be different across the UK, so that “best practice” can be introduced in poorly performing areas but transferring this into “pricing” for the Freight Operating Companies could be very disruptive for the market. FOC's cannot choose to send containers to different regions because of different costs; they have to move them where their customers dictate.

Road transport operators have no reason to vary their prices across the country and, therefore, regional pricing for rail transport would put it at a considerable disadvantage.

Considering the overall rail freight market, there could be difficulties in having different regional rail charges as this may introduce inequities between the rail transport costs from different ports to/from inland destinations, putting some port locations at a competitive disadvantage.

DP World strongly urges ORR to maintain Freight charges on a national basis.

4. Specific Freight Charges

DP World is not in a position to comment on the proposed Specific Freight Charges that are being considered for the nuclear and coal industries but does find it disconcerting that the ORR considers it may be acceptable to have a 10% loss of rail market share in these markets following the application of such a charge. If such a principle was carried forward into the Container transport market then this would have major implications for congestion on the UK roads, which would not seem to fit with ORR's statutory duties.

5. Conclusion

DP would welcome the opportunity to comment on the ORR's proposals and hope that the comments above will help them reach an informed conclusion.

13.6.12