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Copy to:  
Tim Hedley-Jones  
Tim Kavanagh

Date: 16<sup>th</sup> May 2011

Dear Emily,

## **Consultation on the policy on variable usage charges for modified vehicles**

Thank-you for your letter dated 6<sup>th</sup> April regarding the above issue, although your original letter was not sent directly to East Coast Trains, please accept this response on behalf of East Coast.

East Coast has been actively pursuing proposals to modify our Mk4 fleet to reduce the stiffness of the primary suspension on these vehicles. Working with colleagues from both Network Rail and Eversholt Leasing we have now negotiated revised variable track access charges (VTAC) which will allow us to commence modification and in turn reduce the effects of these vehicles on Network Rail's infrastructure. These revised rates will shortly be under review by the ORR, so this consultation is both very timely and exceedingly helpful.

Regarding the specific areas of consultation:-

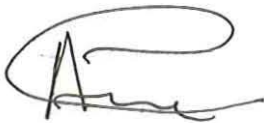
**Proposed Treatment in Charging Period 4 (CP4)** – We concur with the statements made in paragraphs 6 through to 11 of your letter. For the Mk4 application we have used ORR endorsed VTAC calculation spreadsheets, though from the history of this project these have been subject to frequent amendment as scale issues associated with calculating these revised rates have changed. In all cases, whether the PR08 charging model is used or not, agreement between the train operator and Network Rail is a prerequisite before any change request is submitted to the ORR for approval.

**Proposed Treatment in Charging Period 5 (CP5)** – We strongly welcome the ORR's views set out in paragraphs 13 and 14 and urge the ORR to continue to preserve the differentials agreed. This removes the last commercial impediment to the Mk4 project going ahead now that the remaining life of this fleet can be considered and the period over which the modification costs can be recovered increased. This will allow operators to continue to benefit from reduced rates, it also encourages vehicle owners to provide the initial investment to start the whole process off.

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**Bespoke deals under the track access framework** – in this regard East Coast recognise that operators and Network Rail cannot just agree revised track access terms without first seeking ORR approval. But there might be specific cases where such deals might be necessary to support marginal business cases or cases for non franchised operators. East coast also agree that the previous statements regarding CP5 treatment will reduce the need for such deals being required, but don't wish to rule out anything for specific cases in certain circumstances which can be reasonably demonstrated to be to the greater good of the industry in reducing costs.

Yours sincerely,



Andrew Cope  
Non Executive Director  
For Directly Operated Railways