

6 February 2007

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Emma Kelso
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Office of Rail Regulation
1 Kemble Street
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Dear Ms Kelso

Re: PR08: Freight and Reservation Charges

Thank you for the opportunity to comment on these proposals:

Reservation Charge Proposals

The implementation of a reservation charge could only be justified if:

- There is strong evidence that operators are holding a significant number of unused rights which have an opportunity cost and;
- The charge was effective in generating more efficient use of the network at minimal administrative cost.

Based upon the consultation document and our own experience we are not convinced that the level of unused rights is significant enough amongst passenger operators to warrant a reservation charge. Freight operators hold more unused rights reflecting the nature of their business but I am not convinced that many of these rights have a significant opportunity cost for passenger operators. They may, however, have a greater opportunity cost for other freight operators when they relate to overnight paths or daytime paths which are used on only certain days of the week.

We would support the principle, therefore, of a simple reservation charge amongst freight operators. We would also support Model 2 to prioritise efficient use of the most congested parts of the network. This would also have a consequential benefit to paths released on other 'non- congested' parts of the network.

We support the principle that freight operators should be allowed some margin to hold unused paths whether seasonal or sporadic. Freight operators should not be penalised purely because of the nature of their business.

We are concerned, however, that the proposed charging and rebate mechanism is unworkable in practice because of the practical difficulties in agreeing which rights should be deducted from charging as a result of planned engineering work and other causes. The estimate of between £75,000 and £250,000 to set up the incremental changes within Network Rail systems is worrying enough but these may be dwarfed by the



recurring systems and administration costs. Recent practical experience of the capacity charge, despite its intellectual rigour, would support this view. We have serious doubts, therefore, as to whether the network efficiency benefits will justify the additional administration costs.

We have not yet had enough experience of the effectiveness of the 'use it or lose it' mechanisms in Part J of the Network Code to determine whether a further pricing based incentive is necessary. We are also aware that the ISG is considering further modifications to the Network Code to enable Network Rail to adjust rights on the most congested parts of the network.

Combined with the RUS process we believe that an administrative process which is capable of balancing a range of criteria in the allocation of track access rights will ultimately be far more effective than a fiscal incentive approach.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Franks', written over a horizontal line.

David Franks

Chief executive Trains Division