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Dear Emma

PR2009 – Reservation Charge: Consultation on Issues and Options

This consultation provides Northern with the opportunity to make further comments on the proposed Reservation Charge. Where appropriate, comments include a reference to the paragraph number in the consultation document. The comments reflect Northern's current contractual position in respect of the access rights contained within the Track Access Contract (TAC); the terms of the Northern Franchise Agreement (FA) and Service Level Commitment (SLC). Northern's TAC contains only the access rights to operate the 2,500 daily services specified in the SLC.

Northern's original response to the Structure of Charges consultation paper concluded that because Northern only operates services that are specified in the SLC, and because there are no unused access rights in the TAC, the imposition of a reservation charge would operate as an additional fixed charge and would have no incentive effect.

The distinction between the "price incentive" approach and the "planning /administrative" approach to the efficient use of infrastructure is well made (2.3), but there are two elements of the latter that appear to have been overlooked. One element is the allocation of capacity contained in model clause track access contracts approved by ORR, and the second is the SLC of franchised passenger operators. The service patterns specified in SLCs and the access rights (including limits of flex) included in the TAC and approved by ORR may deliver the TOC's contractual obligations to DfT, but may not be the most efficient use of capacity.

Northern is currently involved with Network Rail and other TOCs in the production of several Route Utilisation Strategies (RUS) and recognises that it is the RUS programme that will identify potential changes to service specifications and services that could result in a more efficient use of capacity.

It is proposed to retain the existing incentives (2.3), so it is therefore correct to consider what additional incentive is provided by the proposed reservation charge. If the purpose of the reservation charge is to "provide incentives for the efficient holding of rights"(2.6), then it is appropriate to consider the rights that Northern currently holds and the circumstances in which rights may not be used:

- The access rights shown in Schedule 5 Table 2.1 of Northern's TAC are all required to deliver Northern's SLC.
- All of Northern's Schedule 5 rights are exercised to deliver the First Working Timetable. If the Applicable Timetable contains less Northern services than the full quantum of rights contained in Northern's Schedule 5, this is caused either by the exercise of Network Rail's rights contained in Rules of the Route or Part H of the Network Code.

The Schedule 8 performance regime incentivises both Northern and Network Rail to deliver the Applicable Timetable (as at 2200 the previous night), and the FA incentivises Northern to operate an SLC compliant timetable (subject to Rules of the Route) and to deliver PPM. Network Rail is further incentivised to minimise Restrictions of Use by the Schedule 4 performance regime.

Northern considers that a Reservation Charge would not incentivise it to release unused access rights because it has no unused access rights and is unable to consider releasing any of the rights held because all of its rights are required to deliver the SLC.

Irrespective of the level of charges (3.19) a reservation charge would effectively become an additional fixed charge having no incentive impact and would only create additional transaction costs.

Northern supports the proposal to exclude passenger operators from the scheme (3.15).

Yours sincerely

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