



## **THE BRISTOL PORT COMPANY**

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Office of Rail Regulation  
One Kemble Street  
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For the attention of - Tim Griffiths Senior Economist

9<sup>th</sup> August

Dear Sirs,

### **Periodic Review 2008: Charge to recover the cost of freight-only lines.**

I am responding to your letter of 22<sup>nd</sup> June on behalf of the Bristol Port Company.

- 1) We do not accept your conclusion that the industry can bear the fixed cost of freight-only lines as they relate to the movement of ESI coal.

We believe that your assessment of the ability to bear the cost is flawed and is discriminatory. There is already a major switch to burning gas and any additional cost related only to coal can only increase the rate of transfer.

We have seen no evidence that the same test of ability to bear the fixed cost of freight only lines has been equally applied to other freight sectors. Again we believe this discriminates against the ESI coal sector.

- 2) We believe that the range of costs indicated for both the freight variable usage charge and the fixed cost freight only charge are so wide as to leave no confidence in their accuracy.

There is clearly scope for major cost savings in both categories and we find it completely unacceptable that the ESI coal industry is expected to accept charges based on the top end of the cost estimates with Network Rail enjoying a "bonus" on any cost savings.

There clearly needs to be greater scrutiny of their cost proposals and a major overhaul of their methods of work without them benefiting from their initial exaggerated cost estimates.

If the industry is obliged to carry the higher “ capped “ cost then the industry should have the benefit of cost savings.

- 3) We accept that your proposal for allocating fixed costs using trains per kilometre is the fairest method of identifying the proportion of fixed cost of freight only lines related to ESI coal movements.
- 4) We note that you have opted to apply the charge to freight only terminal lines and have therefore excluded freight only through lines. While this reduces the overall cost to the sector it could, depending on the charging system selected, produce yet another level of discrimination.
- 5) Without prejudice to the foregoing we find that the only charging system that avoids further unacceptable discrimination is the application of an increment to the variable charge across the whole network.

Finally, whilst we understand that you are seeking to consult on the principal, the views of the sector will be coloured by the level of charges determined by your cap on both variable and fixed costs and your closing date for response is well before any announcement on charges. We reserve the right to comment further when the proposed level of charges are made public.

Yours sincerely,

Thomas M. Carmichael  
Commercial Director  
The Bristol Port Company.