



**TRANSPORT
SCOTLAND**

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Date:
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Dear David,

PROPOSALS FOR A REBATE MECHANISM FOR INVESTORS IN LARGE-SCALE NETWORK ENHANCEMENTS

Transport Scotland welcomes the publication of the Office of Rail Regulation's consultation document regarding the potential for a rebate mechanism to third-party investors in rail infrastructure enhancements. We recognise that there is a requirement to provide incentives to third parties to provide improvements to the rail network, and that the existing track access charging structure does not make provision for third parties investing to be remunerated for their capital expenditure.

Provision of a straightforward mechanism for determining the appropriate level of rebate will assist investors in determining whether there is a viable business case to be made for an enhancement. In principle, this could extend to all funders of the rail network including government bodies.

The consultation as it currently stands provides a framework for the recharging of all capital costs for an enhancement. In the case of a network enhancement that meets wider public policy objectives, for example modal shift, congestion reduction or social inclusion benefits, there may be cases where funders will wish to meet all or part of any additional track access charges if there are clear benefits following appraisal. In the view of Transport Scotland provision for this needs to be included within the mechanism.

It is likely that the rebate mechanism will need to be implemented through a Network Code change unless implementation is delayed until the start of Control Period 4 in 2009. We believe that it is in the best interests of operators, funders and potential investors that the Network Code be amended in order to achieve the implementation of this mechanism.

Yours sincerely

JP

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