

# ERFA General Assembly Meeting

15 March 2016

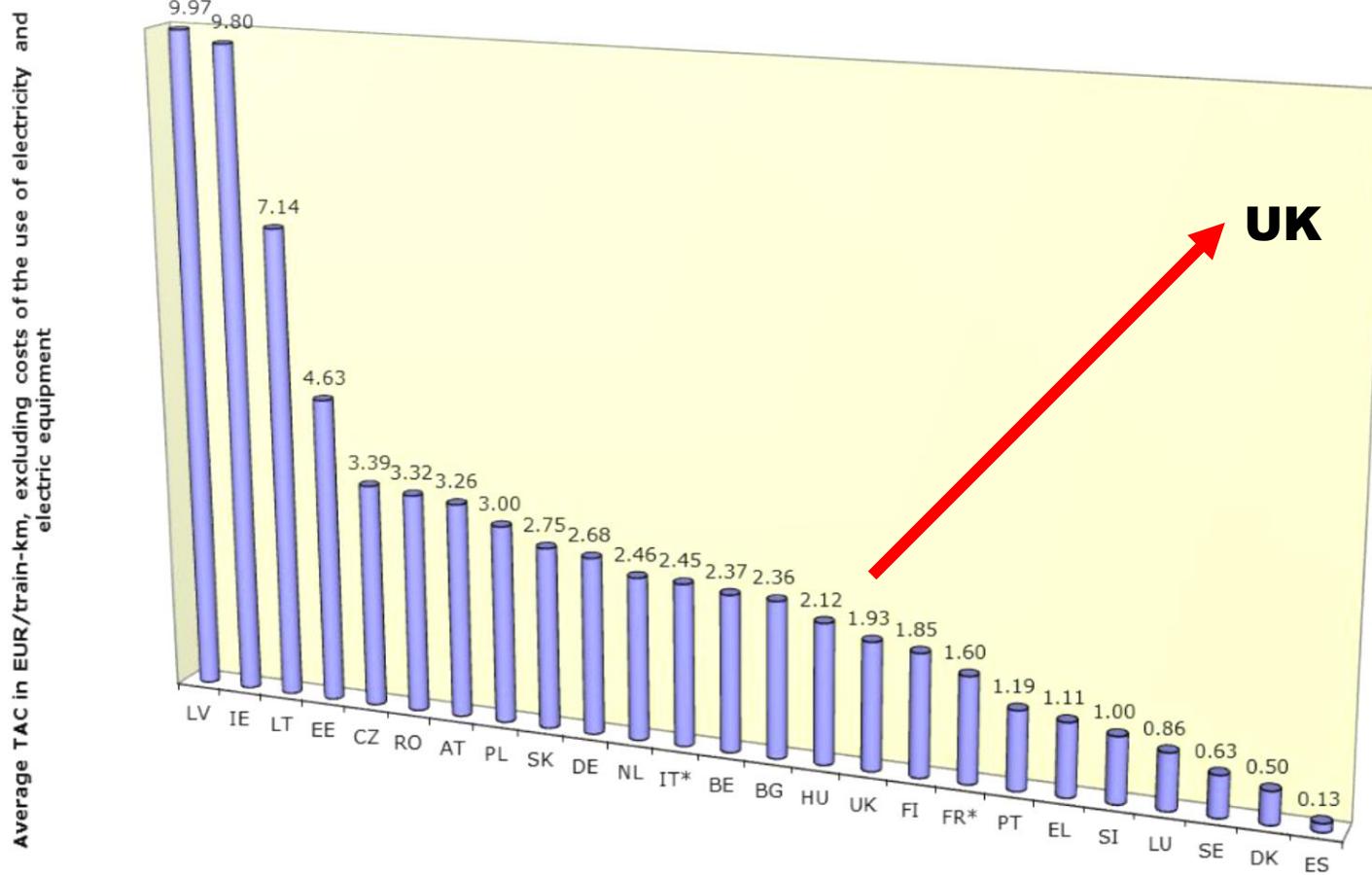
## Structure of Track Access Charges in the UK

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Chairman, Rail Freight Group



# The variation across Europe

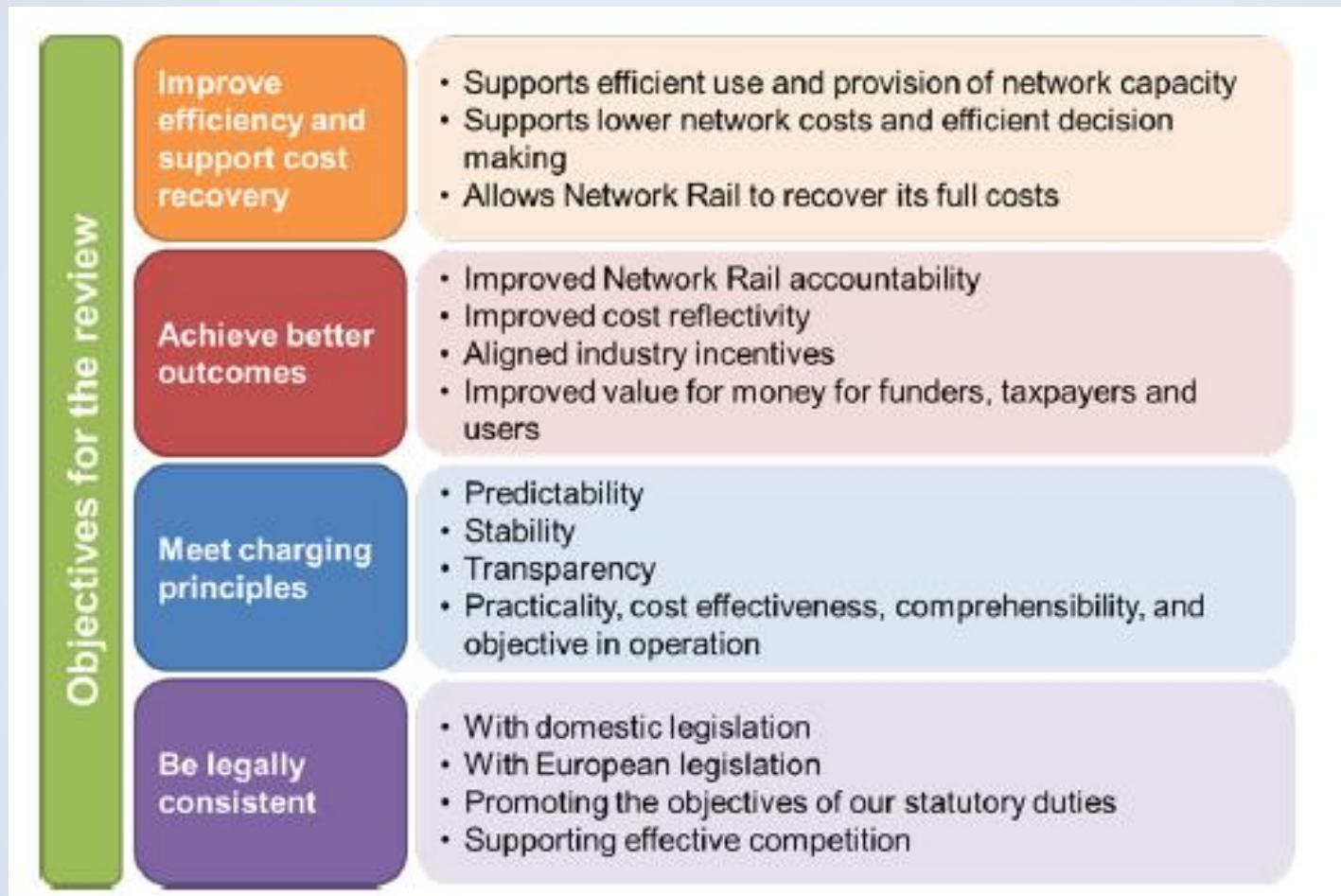
**Graph 17 - Track access charge 1000 gross tonne freight train (EUR/train-km) in 2014**



# UK – Who Does What?

- Office of Rail and Road sets the framework of charges, Network Rail sets the charges and ORR has to approve them.
- Government can issue Guidance to ORR. ORR's duties defined in law.
- Charges must comply with Directive 2012/34/EC (as transposed into UK law).
- ORR - '*Network Rail is a monopoly, and is therefore incentivised to have higher prices and be less efficient than if it were in competition*'

# ORR assess the framework of charges every 5 years – linked to Network Rail price control



ORR Objectives for current price control review.

# For Freight, there are a number of charges

- Variable charge = costs directly incurred. Varies with vehicle type /track damage. Paid by all traffic.
- Freight specific charge = mark up. Paid only by traffic which can ‘afford it’ ; coal, nuclear, iron ore.
- Capacity charge, electricity charges, coal spillage charge in addition.
- Performance and possession regimes.
- Remaining fixed costs of operating the network associated with freight are payed by Government to Network Rail.

# Variable costs: NR Track usage price list 2015/6 – example (coal traffic excepted)

## Passenger Variable Usage Charge default rates

Vehicle Type	Pence per vehicle mile
Locomotive	67.47
Multiple unit (motor)	30.04
Multiple unit (trailer)	14.12
Coach	12.42

## Freight Variable Usage Charge rates

Vehicle Type (Tare* / Laden**)	Commodity Type
1	Other
2	Other
3	Other
4	Other
26/1	Other
31/1	Construction Materials
31/1	Other
09/2	Coal ESI
09/2	Industrial Minerals
09/2	Other
20/3	Chemicals
20/3	Coal ESI

# Does it work?

- **Positives**
  - Variable charge generally affordable by rail freight
  - Vehicle based charge has led to investment in track friendly wagons
  - Over the last two decades charges have fallen
  - Open and transparent, all operators pay the same.
- **Negatives**
  - Perceived as complex, incentives lost in detail
  - Last price control review badly done and led to loss of confidence
  - Passenger franchises are not exposed to changes so impacts fall heavily on freight
  - Does not encourage Network Rail to reduce overall costs to freight.

## Future Changes and Risks?

- ORR's current options for the next price control include;
- More detailed analysis of costs, including long run costs, and potential to pass this on into charges.
  - Will it /can it pass into freight charges?
  - Do Network Rail have the data?
  - Can freight afford it?
- Value based charges reflecting capacity use – unlikely to be progressed
- Changes to current charges – e.g. to disaggregate by geography/ time of day
  - Unlikely to be simple for freight

# Business confidence

- Rail freight is in the private sector, with no government financial guarantees and only a very limited support for some container train flows.
- Rail freight businesses therefore need confidence for long term investments .
- We are working with Government and ORR to emphasise these points, and to press for freight needs to be considered up front in the process.

# Thank You



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