Periodic Review 2013:

Fixed Charges in CP5 - Conclusions

Network Rail

March 2013

CONTENTS

1. EXECUTIVE SUMMARY

Fixed Track Access Charges (FTAC) or Fixed Charges are payable by franchised passenger operators and recover our net revenue requirement. The net revenue requirement is the revenue required to run our business, after accounting for the income we expect to receive from charges, other single till income and the network grant. Fixed Charges make up around 15% of our total funding. In 2011/12, Fixed Charges income was £887M. In the absence of government grant, our Fixed Charges income would be £4,876M (79% of our total funding) for the same period.

In November 2012, we consulted on our proposed methodology for calculating and allocating Fixed Charges to franchised operators in CP5. We consulted on a number of questions relating to our proposed methodology and received six responses – these were received from train operators and industry stakeholders.

This document responds to comments and issues that were raised in the consultation responses, and provides further details where required. It also sets out our conclusions on Fixed Charges in CP5 and forms our final proposal to ORR. In conclusion, we propose:

- To use an approach similar to the one used in CP4 to allocate Fixed Charges, with two key differences:
    - In line with the newly devolved structure of Network Rail, the majority of our cost and income forecasts will now be devolved and calculated at a route level (which may include some allocation), and not strategic route sections (SRS) as was the case for CP4.
    - We propose including an extra step in the methodology which will split Fixed Charges by route before allocating it to relevant franchised passenger operators.
- To use the allocation metrics, for each of the cost categories for allocation of the Fixed Charges to franchised passenger train operators, which were proposed in Annex B to our November 2012 consultation with some minor refinements.
- To, as far as is possible, reflect any operator-specific income to make the individual Fixed Charges as cost reflective as possible.
- To use the same approach as was used for the CP4 charges to determine the Scottish Fixed Charge for CP5.
- To use the same approach as was recently used to remap LOROL and Southern services, for any franchise remappings during CP5.
- That any facility charges that are in place should continue to the end of their agreed period.
- To recover the costs of the Welsh Valley Lines’ electrification through a facility charge, charged to the Welsh franchised passenger operator.

- To assume no open access fixed charges at the start of CP5.
- To assume that there will be no Crossrail operator in CP5, so Crossrail costs will be absorbed into other train operators' Fixed Charges for CP5.
- Consistent with devolution, to illustratively apportion the Regulatory Asset Base (RAB) by route, to generate indicative route-based RABs.
- To forecast the England and Wales average RAB return, and then calculate the indicative route-based RABs such that each route's RAB return is the same as the average England and Wales forecast return.

Ultimately, all decisions with regards to charges for CP5 are subject to ORR's determination.

The draft Fixed Charge price lists, setting out Fixed Charges by franchised passenger operator and route, are set out in Annex B and Annex C, respectively. Our final price lists will be published in December 2013, following ORR's Final Determination on charges for CP5, which is due in October 2013.

2. INTRODUCTION & BACKGROUND

2.1 Background

Fixed charges are payable by franchised passenger operators and recover our net revenue requirement. The net revenue requirement is the revenue required to run our business, after accounting for the income we expect to receive from the following:

- variable track access charges;
- station charges;
- other single till income; and
- network grants.

In 2011/12, Fixed Charge income was £887M. Fixed Charges makes up around 15% of our total funding. In the absence of government grant, our Fixed Charge for 2011/12 would have been £4,876M (79% of our total funding). The choice of classifying some of our net revenue requirement as grant is largely a matter for the Scottish and E&W governments and ORR.

2.2 Fixed charges and PR13

In its May 2012 publication, 'Setting the financial and incentive framework', ORR said that fixed charges should be disaggregated at route level.

In November 2012, we consulted on our proposed methodology for calculating Fixed Charges for franchised passenger operators for CP5[1]. We also consulted on our approach to setting out an indicative split of the Regulatory Asset Base (RAB) by route for CP5.

2.3 Purpose of this document

The purpose of this document is to conclude on the issues raised in our November 2012 consultation, and to address any points or concerns that were raised in the responses that we received. Each section provides a brief overview of:

- what we proposed and our key conclusions;
- a summary of any relevant points raised in responses to the consultation; and
- discussion of these points.

2.4 Responses to consultation

We received six responses to our November 2012 consultation. Responses were received from the following organisations, and have been published on our website[2]:

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[1] Periodic Review 2013: Consultation on Fixed Track Access Charges in CP5, November 2012

[2] Responses to our consultation are accessible here: http://www.networkrail.co.uk/publications/delivery-plans/control-period-5/periodic-review-2013/pr13-closed-consultations/

- Southern; Southeastern; London Midland and the Go-Ahead Group;
- PTEG;
- Transport for London (TfL);
- Transport Scotland;
- Northern Rail; and
- First Group.

2.5 Next steps

Draft price lists, which set out the Fixed Charge for each operator and route, are set out in Annex B and Annex C. These have been calculated in accordance with the methodology set out in this document. It is important to note that they make an assumption of no government grant, and are subject to refinement following the confirmation of individual stations long-term charges, and of course the entire revenue requirement.

Although we make conclusions on our proposed policy for Fixed Charges in this document, ultimately it is a matter for ORR to determine on any charges as part of PR13.

We aim to publish the final Fixed Charges price list for CP5 in December 2013, following ORR's Final Determination on charges for England & Wales and Scotland for CP5 (due in October 2013). The final price lists will take account of ORR's decisions, including the split between government grants and Fixed Charge in recovering the net revenue requirements for CP5.

Ultimately the level of each operator's Fixed Charge will reflect the level of each of our income and cost lines. This means that changes in any of these income and cost items will affect the final level of Fixed Charges determined by ORR. In reviewing the draft Fixed Charges, stakeholders are encouraged to bear this in mind.

3. CONCLUSIONS ON FIXED CHARGE METHODOLOGY

3.1 Summary of key conclusions on methodology

Our key conclusions on the Fixed Charge methodology for CP5 are:

- We propose using an approach similar to the one used in CP4 to allocate Fixed Charges, with two key differences:

    - In line with Network Rail's recently devolved structure, the majority of our cost and income forecasts will now be devolved and reported at a route level (which may include some allocation), and not SRS as was the case for CP4; and

    - We propose including an extra step in the methodology which will split Fixed Charges by route before allocating to relevant franchised passenger operators.

    This is discussed in further detail in Section 3.3.

- We will use the majority of the allocation metrics, for each of the cost categories for allocation of the Fixed Charge to franchised passenger train operators, which were proposed in Annex B to our November 2012 consultation. We have made some small changes to the proposed metrics which have come to light following the development of our FTAC model. These are discussed in further detail, in Section 3.2. A revised list of allocation metrics can be found in Annex A.

- As far as is possible, we propose that we should reflect any train operator-specific income to make the individual Fixed Charges as cost reflective as possible. This is discussed in further detail in Section 3.4.

- We propose using the same approach as was used for the CP4 charges to determine the Scottish Fixed Charge for CP5. This is discussed in further detail in Section 3.5.

3.2 Allocation metrics

Our November 2012 consultation document stated that all route-based costs and income lines will comprise a mixture of bottom-up and top-down forecasts. We proposed that the forecast costs were allocated to train operators to establish its Fixed Charge.

Most of the cost categories will be allocated according to train miles, and will feed in to the route-based Fixed Charges.

We stated that we would use relevant allocation metrics for each cost line to allocate these costs to individual train operators.

Consultation question A

Do you have any views on the allocation metrics we are proposing to use for each of the cost categories for allocation of the FTACs to franchised passenger operators?

3.2.1 Summary of responses

TfL supported the proposal to allocate costs according to the relevant metrics as outlined in our consultation, although it stated that it was unclear as to how some of these metrics had been selected. PTEG also requested clarification of the rationale and supporting evidence for using the selected metrics.

PTEG noted that Network Rail could do more to improve overall transparency. For example, in relation to the infrastructure cost model, PTEG stated that its underlying assumptions; structure and operation; and evidence base should be more transparent. PTEG also requested that Network Rail provide a clear explanation and rationale for all the cost allocation decisions which are made outside the infrastructure cost model.

PTEG suggested that, in most cases, it would be more appropriate to use 'EMGTPA km' (equivalent million gross tonnes per annum) rather than 'train kms' as, in its view, this metric would more closely reflect the differences in the quality requirements of the infrastructure. PTEG believes that this would bring the system more closely in line with avoidable cost charging.

3.2.2 Our response

The rationale for the selection of metrics used to allocate Fixed Charges between operators is driven by their relevance to individual cost lines. For some cost categories this is a straightforward selection. As stated in our November 2012 consultation, for example, we propose that all electrification costs will be allocated on the basis of electric vehicle miles, all signalling and telecoms costs on the basis of train kilometres and all track and civils costs on the basis of EMGTPA (equivalent gross tonne miles per annum). The selection of these allocation metrics is on the basis that they are considered the most relevant cost drivers of the cost category in question. For example, it would be inappropriate to allocate electrification costs on the basis of train miles, as some non-electric operators would pick up a portion of costs which are not relevant to them. Similarly track costs are more closely related to the (vertical) mass applied to the track as opposed to mileage, therefore using the EMGTPA metric is likely to provide a closer to accurate allocation of track-based costs.

Where there is not an obvious cost driver for a particular cost category (for example, support costs), costs will be allocated on the basis of 'train km' or 'vehicle km'. The selection of train km as an allocation metric tends to be for those costs that are incurred regardless of the length / weight of a train. The selection between 'train km' and 'vehicle km' will also be consistent with the way we allocate costs internally for some route-level reporting of central costs.

We note PTEG's comments that we could improve overall transparency in the development of our cost modelling. We consider that the publication of our January 2013 Strategic Business Plans (SBPs) for England & Wales and Scotland could aid PTEG's understanding of how our expenditure plans for CP5 and beyond have been developed. A brief summary is provided in Section 3.2.3, below.

As discussed, above, the allocation metrics that we have proposed for the purpose of apportioning Fixed Charges to train operators is driven by their relevance to specific cost lines. EMGTPA is widely recognised as a traffic measure which takes into account the ‘track friendliness’ of vehicles. For example, the allocation of the Variable Usage Charge (VUC), which is designed to recover ‘wear and tear’ costs, is based on equivalent tonnage.

In addition, because it is designed to be cost reflective, VUCs also incentivise vehicle operators, owners and manufactures to develop and modify vehicles to be more ‘track friendly’. We do not consider that EMGTPA is relevant for the purposes of allocating all cost categories within Fixed Charges to operators, where the costs are not specifically related to the ‘wear and tear’ of our infrastructure. Consistent with VUC, however, for those cost categories which are driven by ‘wear and tear’, EMGPTA has been used as the relevant allocation metric, as discussed, above.

3.2.3 Updates to allocation metrics

We are proposing to broadly retain the allocation metrics we consulted on in November 2012. There are, however, a few exceptions to this. These exceptions are explained in more detail below.

Maintenance – Electrification & Plant (E&P) costs: In November 2012, we proposed the introduction of the ‘electric vehicle km’ metric split by AC and DC to allocate E&P costs. Having further considered the traffic metrics available to us and their robustness, we consider that it would be more appropriate to use ‘electric train km’, for which we have more robust traffic forecasts.

Maintenance - Fixed plant: we proposed allocating these costs based on ‘train km’ we now propose to use ‘electric train km’ this is because the fixed plant forecasts are combined with electrification forecasts in the SBP route submissions.

Maintenance - Indirects: we proposed using ‘train km’. We now propose to use ‘vehicle km’, this is because it is now part of ‘other Network Operations’ which also includes ‘O&CS’ (Operations and Customer Service).

Renewals costs: In order to be able to extract ‘fixed plant’ costs from the total ‘E&P’ costs, we have moved to the next level of disaggregation and as such have a far more detailed breakdown of renewals costs. The only changes we proposed to make to the metrics are:

- Other renewals – faster isolations[3] to be allocated by ‘electric train km’ rather than ‘vehicle km’, since it reflects work on the electrified network only; and

- E&P – we proposed to split these costs by separate metrics for AC and DC, however we now propose to allocate these costs based on ‘electric train km’; this remains consistent with maintenance and is also more robust than the AC/DC ‘vehicle km’ metric proposed.

Support costs: We now have a slightly more granular breakdown of support costs (particularly of ‘other corporate functions’). All categories continue to be allocated based on ‘train km’, with the exception of ‘RAMs’ which is now part of ‘Maintenance – Other Network Operations’ and are therefore allocated based on ‘vehicle km’.

[3] ‘Faster Isolations’ is a renewals project to reduce the time taken to take an electrical isolation on the electrified (both the AC and DC) network from approximately 1 hour to 5 minutes.

The full list of updated allocation metrics that we propose using is set out in Annex A.

3.2.4 Strategic Business Plans 2014-19

The SBPs set out what we need to do, as a business, to meet the needs of customers and other stakeholders for CP5. They explain our approach to developing our plans, in particular that they have been developed through an iterative process of ‘top down’ forecasting of our long-term activities and costs and the development of ‘bottom up’ route-based asset management plans. They also describe how ‘top down’ modelling has been used to validate our route plans and demonstrate that our policies and plans are sustainable at minimum whole-life cost.

Underpinning the SBPs are summary business plans for each route. They set out the relevant outputs, activity and expenditure at route-level to achieve the specified national outputs. They also forecast long-term activity and expenditure at route-level to demonstrate that the route will be delivering CP5 outputs on a sustainable whole-life, whole-system basis. A suite of supporting documents has also been published in which we explain our specific approaches for each expenditure category, and the overall process for developing the plans[4].

3.3 CP5 methodology

In our November 2012 consultation document, we proposed a methodology to determine the route-based Fixed Charges for England and Wales. This involves three key steps:

> Step 1: Forecast the expenditure and income at route level. Note that RAB related costs cannot be forecast at route level, and so this calculation involves the following two steps.
>
> Step 2: Calculate the England and Wales RAB related costs (amortisation and RAB return), and then apportion to routes based on forecast long-run renewals.
>
> Step 3: Sum all expenditure for each route, and subtract all income.

Consultation question B
Do you agree with our proposal, to use an approach similar to the one used in CP4, to allocate FTACs?

3.3.1 Summary of responses

TfL and Go-Ahead supported our proposed approach to allocating Fixed Charges in CP5.

PTEG did not consider that the current CP4 approach to allocate Fixed Charges (and so also the one being proposed for CP5) goes far enough towards being cost reflective, transparent and simple to understand. It considered that, by not following a full avoidable cost approach, the charge would not reflect the proportion of fixed infrastructure costs that are incurred by operators. In doing so, PTEG considered that

[4] Network Rail (January 2013) ‘Strategic Business Plans 2014-2019’. Accessible here: http://www.networkrail.co.uk/publications/strategic-business-plan-for-cp5/

it undermined McNulty's assessment of the level of public subsidy for different parts of the network. PTEG considered that this could bias future policy decisions.

3.3.2 Our response

We note that PTEG advocates the use of a full avoidable cost methodology. In our November 2012 consultation document we noted that ORR had asked us, as part of PR08, to consider the use of an avoidable cost approach to allocating Fixed Charges for CP4. While we considered that, as part of PR08, this approach provided a number of insights into the construction of Fixed Charges and we reflected aspects of the approach in the development of our ICM, we did not consider that applying the avoidable cost approach was directly appropriate, because:

- it would have been complex and unwieldy as it relies on significant expert judgement and is not capable of being 'automated'. We believed this could actually serve to reduce transparency and user-friendliness;
- it would not necessarily have been cost reflective, as it considered only the costs that would be avoided if that operator was to cease services which may not be the basis on which decisions are made; and
- it could not fully incorporate the building block components to determine Network Rail's net revenue requirement in its analysis.

For the above reasons, we do not agree that the CP4 or proposed CP5 approaches undermine the Rail Value for Money Study's assessment of the level of public subsidy for different parts of the network.

We have also made further improvements to the methodology for CP5, in light of our newly devolved structure. As our November 2012 consultation highlighted, the majority of our cost and income forecasts have been developed at a route level (which may include some cost allocation). In the development of our January 2013 Strategic Business Plan (SBP), routes and supporting functions led the creation of the business plans for their areas, resulting in more robust plans than ever before, including clear outcomes and initiatives. Each route set out its relevant outputs, activity and expenditure for CP5, which was a key building block into the SBP. Such planning at the route level enabled us to call upon each route's local expertise and knowledge of the areas which, we consider, will strengthen the ability to make robust cost assessments at the local level.

3.3.3 Updates to methodology

An issue that we detected as part of building our FTAC model is that the costs of large electrification projects, such as the electrification of the Great Western main line, may not be allocated to routes correctly because electric traffic may commence at a different time. Our proposed methodology uses long-run (35 years) annual average pre-efficient renewals expenditure to apportion England and Wales CP5 RAB-related costs to route and a variety of metrics to allocate route costs to TOCs, one of which is 'electric train km'.

A proportion of the total costs of the new great western electrification project are apportioned to the Wales Route, some of which are allocated to TOC based on 'electric train km'. However, electric traffic in Wales is due to commence in 2017/18. First Great Western (FGW) is the only train operator forecast to run electrified services in Wales - therefore we have made a manual adjustment to the electrified traffic forecast so that the model allocates these costs to FGW in CP5.

3.4 Operator specific adjustments

Consistent with the approach to calculate the CP4 charge, we proposed reflecting any train operator specific income, for example facility charges and stations long term charges, to make the Fixed Charges as cost reflective as possible. We proposed allocating the TOC-based Fixed Charges on the basis of the allocation metrics, but where possible making train operator specific adjustments.

Consultation question C
Do you have any views on our proposal to reflect operator-specific income where possible?

3.4.1 Summary of responses

TfL noted that it is content with the proposal to reflect train operator-specific income where possible.

Go-Ahead considered that all charges to train operators which form part of Network Rail's single till income should be taken into account.

3.4.2 Our response

In response to Go-Ahead's comments, we consider that the inclusion of all charges to operators that form part of our single till income could reduce the cost-reflectivity of individual Fixed Charges. For example, the accuracy of an operator-specific adjustment for its forecast Variable Usage Charge income would be contingent on the operator meeting a baseline level of traffic. In the event that this was not met, it would undermine the cost reflectivity of the operator's Fixed Charge. We consider that it is appropriate, therefore, to make train operator-specific adjustments for only those charges that have a known, fixed value over the control period, and can be attributed to a specific train operator. These charges are listed, below:

- franchised stations long term charge[5];
- TOC sponsored stations and depots facility charges;
- TOC sponsored track facility charges;
- stations and depots lease charges; and
- TOC insurance premia.

Currently, or FTAC model reflects each of these charges except for the franchised stations long term charge. We have, temporarily, used the CP4 stations LTCs to pro-rate the total stations LTC income (forecast as part of the SBP), to each franchised

[5] We do not consider that it would be appropriate to make a TOC specific adjustment for Managed Station LTCs and Qualifying Expenditure (QX). These are calculated for each station for the control period and then allocated to station users in accordance with their percentage share of overall services at each station. The Independent Station Access Conditions require that this allocation is reviewed annually.

passenger operator. We expect to update this once the franchised stations long term charges have been formally proposed.

3.5 Scottish Fixed Charge

We proposed that the Fixed Charge for the Scottish franchise will be exactly equal to the net revenue requirement for Scotland, which will include the RAB return and amortisation in relation to its own RAB. We assumed that we will charge this Fixed Charge in full to the current single Scottish franchise (First ScotRail). We also proposed to reflect the variable track access charges we expect to receive from the Scottish franchise in both the Scottish and English and Welsh net revenue requirements in relation to the areas which the services operate.

Transport Scotland plans to let a separate franchise for the Caledonian Sleeper service which is currently specified as part of the single Scottish franchise. Whilst we consider that it would be a matter for Transport Scotland and ORR to agree on the methodology to implement the 'split' of the Fixed Charge between the two Scottish franchises, we consider that the total Scotland net revenue requirement will need to be recovered fully through the two franchises.

If the Scottish franchise is split during CP5, it could be considered to be a 'remapping'. If this is the case, we proposed to adjust the Scottish Fixed Charge according to the split of vehicle mileage in Scotland, acknowledging that this may not be as cost reflective considering the cross boundary nature of the sleeper service.

Consultation question D
Do you agree with our approach to calculating the Scottish FTAC?

3.5.1 Summary of responses

Transport Scotland noted that the approach to calculating the Scottish Fixed Charge is in line with the basis on which the rail devolution settlement was negotiated and agreed with our proposal. It also noted that the current approach is simple, well-established, and widely understood and accepted by the industry.

However, Transport Scotland stated that alternative approaches should be considered by Network Rail, with the following objectives:

- to strengthen incentives;
- to better align with new and emerging industry structures; and
- to ensure that no opportunities are missed to improve the running of the Scottish railway for the benefit of passengers.

Transport Scotland and FirstGroup noted that ScotRail runs on the England & Wales network, and similarly trains which operate predominantly on the England & Wales network also run on the Scottish network. Transport Scotland stated that the amount of Fixed Charges foregone in each network is not equal, which results in an imbalance in the system. It also noted that, in the current state, it does not reflect the value that cross-border operators derive from operating to Scotland, and does not deliver any income to Transport Scotland.

FirstGroup questioned the legality of charging the Scottish franchise for lines over which it does not operate any trains. It stated that it would like to see ScotRail services paying Fixed Charges for their use of the England & Wales network, and operators from England & Wales to pay Fixed Charges for their use of the Scottish network.

Transport Scotland also proposed allocating Scottish Fixed Charges to cross-border operators on the same basis as the current allocation of Fixed Charges in England & Wales. It also considered that a variation to this model could be to differentiate between Fixed Charges on sections of the track infrastructure predominately used by cross-border operators north and south of Edinburgh and Glasgow.

3.5.2 Our response

We understand the concerns that have been raised by Transport Scotland and FirstGroup. In responding to these comments we consider that it is important to reiterate the purpose of the Fixed Charge: to recover the residual revenue requirements[6] after charges and single till income[7] have been deducted from the total costs of providing track and station infrastructure on the two networks.

The funding split between England & Wales and Scotland is based on the assumption that the Department for Transport (DfT) and Transport Scotland specify the services operated in their respective countries and fund their networks on the same basis. This means that Transport Scotland funds the operation, maintenance and renewal of the Scottish network through fixed charges paid by the Scottish franchisee and variable charges paid by all operators using the Scottish network. Each country’s net revenue requirement (after variable track access charges and other single till income have been taken into account) is ultimately funded, therefore, by the Fixed Charges paid by the franchisee(s) in each country.

While, in our view, the approaches proposed by Transport Scotland and FirstGroup have some merit, changing the current arrangements would not be straightforward. A different approach could have been taken at the time of the separation of the funding of Scotland from the GB network at the beginning of CP4. However, a pragmatic approach was adopted at that time, which was consistent with the funding / franchise specification arrangements in each country. We consider, therefore, that the continuation of the current approach in CP5 is appropriate, as well as being consistent with the approach taken in PR08 and also for the original funding split in 2006.

3.5.3 Caledonian Sleeper service

In relation to the Caledonian Sleeper Service, Transport Scotland stated that, following the franchise separation, it may be appropriate to treat this service in the same way as an open access operator due to the relative scale of the proposed franchise. This would mean that the operator of the sleeper service would pay variable track access charges but not Fixed Charges, on both sides of the border. It stated that if this approach were to be implemented, it would not expect the rights of the franchisee to overnight paths and station access to be compromised in any way.

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[6] In practice, governments could conclude that they may wish to substitute some of the FTAC with Network Grant.

[7] Single till income comprises property, freight, open access, stations and depots income.

We are open to this proposal for how the Caledonian Sleeper service could be charged when Transport Scotland lets that franchise. As we stated in our November 2012 consultation, however, we consider that it would be a matter for Transport Scotland and ORR to agree on the methodology to be used to implement the 'split' with respect to Fixed Charges between the two Scottish sponsored franchises. We consider, however, that the total Scotland net revenue requirement will need to be recovered from the total of the two Scottish franchises' Fixed Charges, in aggregate.

3.6 General comments on our proposed approach

Consultation question E
Do you have any additional comments to make in relation to our proposed approach to calculating FTACs?

3.6.1 Summary of responses

Transport for London and PTEG considered that it would be more appropriate to calculate Fixed Charges by Strategic Route Section (SRS) rather than at route level as this would increase transparency and better meet the needs of Network Rail's customers. Both stated that these figures could then be aggregated to Network Rail route level as required.

Northern Rail supported the cost and income forecasting being devolved at route level, although it stated that this may reduce the ability to analyse Network Rail's cost and revenues by specific line section. It noted that this could have implications on future alliancing work streams, and would need to be carefully considered by Network Rail.

3.6.2 Our response

In responding to these comments, it is important to note that in PR08, the methodology for calculating Fixed Charges did not split all costs by SRS before allocating them to individual operators. As discussed in our November 2012 consultation, splitting the Fixed Charge by route (before allocating to individual operators) is an extra step in the methodology, consistent with the expectations set out by ORR in its May 2012 publication on setting the financial and incentive framework for Network Rail in CP5[8], that Network Rail would calculate route-based Fixed Charges.

As our November 2012 consultation noted, in line with our newly devolved structure, the majority of our cost and income forecasts have been developed at route-level and not SRS as was the case before. We understand respondents' concerns that the move from SRS-level to route-level constitutes a more aggregated approach which could undermine the ability to understand costs at a greater level of detail. However, we consider that the development of route-level plans is a significant advance and, as noted above, has resulted in more robust plans than has been the case previously.

While parts of our CP4 plans were developed at SRS-level during PR08, this was on the basis of a 'top-down' modelled approach. As noted, above, our plans for CP5 have been developed on much more of a 'bottom-up' basis, calling on the relevant

[8] ORR (May 2012). 'Periodic review 2013: Setting the financial and incentive framework for Network Rail in CP5'. Accessible here: http://www.rail-reg.gov.uk/pr13/publications/financial-incentives.php.

route’s local expertise and knowledge of the areas which, we consider, will strengthen the ability to make robust assessments at the local level.

PTEG stated that it would be keen to see the intermediate outputs of the calculation of Fixed Charges. Following the publication of this document and the draft Fixed Charges by operator, we would be open to further discussions on their calculation with any interested operator/industry stakeholder, as required.

4. CONCLUSIONS ON OTHER FIXED CHARGE ISSUES

4.1 Summary of conclusions on other issues

Our key conclusions in relation to other issues regarding Fixed Charges are:

- We propose using the same approach as recently used to remap LOROL and Southern services for remappings during CP5.
- Any facility charges that are in place should continue to the end of the agreed period.
- We propose to recover the costs of the Welsh Valley Lines electrification through a facility charge, charged to the Welsh franchised passenger operator.
- We propose assuming no open access fixed charges at the start of CP5.
- We propose assuming that there will be no Crossrail operator in CP5, so Crossrail costs are absorbed into other train operators' Fixed Charges for CP5.

These issues are discussed below.

4.2 Franchise remappings

In our November 2012 consultation document, we proposed agreeing a pragmatic approach upfront to ensure consistency across franchise remappings, which may occur during the control period. We suggested that the approach used to remap LOROL and Southern services in June 2010 is used for any remappings during CP5 (i.e. on the basis of network usage).

Consultation question F
Do you agree with our approach to calculate FTACs for remapped franchises based on vehicle km?

4.2.1 Summary of responses

TfL agreed with this approach as the methodology is clear and easily understood. PTEG also agreed with this approach, but suggested that there may be more allocation metrics, as stated in its response to consultation question A, above.

4.2.2 Our response

We note the responses we received to this question. We have responded to PTEG's comments on allocation metrics in section 3.2, above.

We note that there may be some remappings that need to occur early in CP5. For example, the new Essex Thameside and Thameslink, Southern and Great Northern franchises are due to commence in September 2014[9]. We consider that the starting

[9] Department for Transport, 'Fresh Start for franchising' https://www.gov.uk/government/news/fresh-start-for-franchising

point for recalculating their Fixed Charges should be on the basis of usage, as explained above.

4.3 Facility charges

We proposed that any facility charges that are in place should continue to the end of the specified period, and should not be incorporated into the Fixed Charges at control period changes.

We considered that, in line with the investment framework, at the end of the relevant franchise the facility charge should be charged to the successor franchisee to ensure no effect on the Fixed Charge.

We considered that it was appropriate to reflect additional railway outputs procured by the funding bodies through a facility charge for the relevant train operator.

Consultation question G
Do you agree with our proposal not to incorporate any facility charges into the FTACs at control period changes?

4.3.1 Summary of responses

Transport for London, PTEG and Northern Rail agreed with the proposal to not incorporate facility charges into the Fixed Charges at control period changes.

Northern Rail noted that the levy of a supplementary Fixed Charge where appropriate would align with the ‘promoter/beneficiary pays’ concept.

4.3.2 Our response

We note the comments and support in response to this question. Our conclusion, therefore, is to not incorporate any facility charges in place into the Fixed Charges at control period changes.

4.4 Welsh Valley Lines electrification

In the consultation, we proposed to recover the cost of the Welsh Valley Lines’ electrification project through a facility charge which would be charged to the Welsh franchised passenger operator only. This would mean that we could recover the specific costs associated with incremental outputs from the operators which benefit from the investments.

Consultation question H
Do you agree with our proposal to recover the Welsh Valley Lines electrification project costs through a facility charge?

We did not receive any specific responses to this question. Therefore, we continue to propose this approach for CP5.

4.5 Open access

We assumed that there will be no open access fixed charge at the start of CP5, therefore the Fixed Charges which we have referred to relate to charges for franchised operators only.

Consultation question I

Do you agree with our approach to the treatment of potential open access fixed charges?

4.5.1 Summary of responses

Transport for London noted that the outcome for open access operators depends on ORR's proposed treatment of these operators in CP5, and stated that we were correct to assume that they will not be paying a fixed charge in CP5.

4.5.2 Our response

We understand that ORR will be consulting further on open access fixed charges. If possible, we will review our methodology accordingly.

4.6 Crossrail

As Crossrail construction will not be finished until just before the end of CP5, we have assumed that there will be no Crossrail operator in CP5. We therefore proposed that the costs are 'absorbed' into the other train operators' Fixed Charges for CP5, and so will be reflected in the Anglia and Western routes.

Consultation question J

Do you agree with our approach to the treatment of Crossrail costs in CP5?

4.6.1 Summary of responses

TfL stated that the Crossrail sponsors will transfer responsibility for certain franchised services to TfL during CP5. As such, at this time it will be necessary to partition the relevant access rights and liability for certain access charges. It noted that this should be done using similar principles as were applied to the transfer of North London Line services to TfL in CP3.

4.6.2 Our response

We note TfL's comments in response to this question, and its announcement on 12 March 2013 regarding the letting of a concession for the operation of existing rail services between London Liverpool Street and Shenfield from May 2015 (which will result in the successful bidder taking over the stopping services currently operated by Greater Anglia)[10] .

We propose to treat the transfer of these services (and any other subsequent transfers of services relating to Crossrail) as a franchise remapping and as discussed in Section 4.2, above, calculate the Fixed Charges for remapped franchises based on network usage.

4.7 Other

In addition to the consultation questions, we welcomed comments from stakeholders on any other aspects of the Fixed Charges for PR13. These are summarised, below.

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[10] http://www.tfl.gov.uk/corporate/media/newscentre/27439.aspx, 12 March 2013.

Northern Rail noted that the proposals do not appear to indicate a significant policy change. The outlined methodology is broadly acceptable to Northern Rail, but this relies upon the neutrality of the impact on TOCs which, it noted, is a governmental/regulatory issue.

PTEG noted that franchising devolution will lead to a growing need for funders and operators to better understand the impact of service changes on infrastructure costs. It noted that currently, the Fixed Charge calculations lack the required transparency and supporting evidence base to enable this process.

As discussed earlier, the purpose of the Fixed Charge is to recover the residual revenue requirements[11] after charges and single till income[12] has been deducted from the total costs of providing track and station infrastructure on the two networks. Essentially it is a means of allocating the remaining revenue required to run the respective networks.

[11] In practice, governments could conclude that they may wish to substitute some of the FTAC with Network Grant.

[12] Single till income comprises property, freight, open access, stations and depots income.

5. INDICATIVE ROUTE-BASED RABS

5.1 Key conclusions

Our key conclusions on indicative route-based RABs are:

- Consistent with devolution, we propose to apportion the RAB by route, on an indicative basis.

- We propose to forecast the England & Wales average RAB return, and then calculate the indicative route-based RAB such that each route's RAB return is the same as the average England & Wales forecast return.

These issues are discussed below.

5.2 Proposed approach

In our consultation document, we proposed forecasting the RAB return for England & Wales as a whole. Then, by rearranging the 'building blocks' and including the route-based Fixed Charges, imputing the total RAB return by route.

This approach provides similar results to the more complicated approach, used in 2005, to allocate the RAB to Scotland.

Consultation question K
Do you have any views on our approach to calculate indicative route-based RABs?

5.2.1 Summary of responses

TfL stated that it was content with the proposal to calculate indicative route-based RABs for information purposes.

PTEG noted that there would be value in producing route-based RABs to better understand the value of the existing capital stock and the variation in Network Rail's cost recovery across the network. It also noted that it may facilitate the estimation of long-run marginal costs from changes in the RAB over time.

However, it suggested that the proposed approach would provide little meaningful information on the RAB, as the accuracy of these estimates would depend on two things:

- the extent to which the current net income reflects past expenditure; and

- the level of profitability of a given route compared to the national average.

It stated that there was little reason to believe that either of these assumptions will hold.

Go-Ahead noted that, given the proposal to calculate indicative route-based RABs, it would also be logical to calculate route-based single tills so that there is greater transparency over each route's finances and the building blocks for the Fixed Charge.

5.2.2 Our response

We recognise that there may be disadvantages to using the approach we proposed, which is why we stressed that the results will be indicative only. In particular, we recognise that taking a 'forward looking' approach has drawbacks. We consider that the exercise of splitting the 'historic' RAB would require significant time and resource, and we would be unable to carefully consider and consult on this in time for the start of CP5.

In response to Go-Ahead's comments, we can confirm that we already report all other aspects of costs and income at route level[13].

[13] Network rail, (March 2012), 'Regulatory Financial Statements for the year ended 31 March 2012', accessible here: http://www.networkrail.co.uk/browse%20documents/regulatory%20documents/regulatory%20compliance%20and%20reporting/regulatory%20accounts/regulatory%20financial%20statements%20for%20the%20year%20ended%2031%20march%202012.pdf

6. STAKEHOLDER ENGAGEMENT

6.1 Key messages

We are committed to working with the industry in developing a charging structure that:

- is fully transparent;
- is practicable to administer;
- accurately reflects the costs incurred;
- does not result in unreasonable levels of risk for any party; and
- is consistent with ORR's charging objectives.

Consultation question L
Do you have any views or suggestions about our approach to stakeholder engagement?

6.1.1 Summary of responses

TfL stated that Network Rail should engage with operators and funders as soon as possible to inform them of changes to Fixed Charges in CP5 when they become apparent. It also noted that it should be consulted on any changes which will impact on London Overground and Crossrail.

6.1.2 Our response

We note TfL's comments in relation to stakeholder engagement. We have published draft Fixed Charges for each operator in Annex B and Annex C, which will be updated following the publication of ORR's Draft and Final Determinations in June and October 2013 respectively. We also presented the key points of our consultation to the VTAC Developments meeting in December 2012.

We consider that the publication of our November 2012 consultation and this conclusions document, along with the draft price lists represents a transparent and inclusive approach, and will give operators early sight of any changes to their Fixed Charges in CP5.

As previously noted, ultimately all decisions regarding charges for CP5 are part of ORR's PR13 Final Determinations.

7. SUMMARY AND NEXT STEPS

Overall, we received no substantive objections to our proposed approach to calculating Fixed Charges. Therefore, we formally propose to use the methodology we set out in our consultation document (November 2012), subject to some minor refinements. These refinements reflect responses received to our consultation and to resolve issues we detected whilst designing our FTAC model. The refinements we propose are explained in detail in Chapter 3.

Similarly, we received no substantive objections to our proposed approach to setting out indicative route-based RABs in CP5, and therefore we are also now formally proposing to use the approach we set out in our consultation document (November 2012).

7.1 Draft Fixed Charge price lists

Based on the refined methodology, we have developed an FTAC model, which calculates draft Fixed Charges. The draft price lists are set out in Annex B and Annex C, differentiated by franchised passenger operator and operating-route, respectively. We have set out the price lists under three difference cost of capital scenarios[14]:

- Full WACC;
- adjusted WACC (ORR approach); and
- adjusted WACC (with profit).

The different cost of capital scenarios have been set out as they each affect the revenue requirement, and hence the level of the Fixed Charge. The scenario set out in our SBP was the adjusted WACC (with profit). The allowed cost of capital will be determined by ORR in its Final Determination in October 2013.

We would also like to highlight some points to note in relation to the draft price lists:

- The draft Fixed Charges assume no network grant;
- the updated stations long-term charges, are not reflected in this model as the recalibration is not yet complete[15]; and
- the model may be subject to further refinement in light of ORR's Draft and Final Determinations, which are likely to affect the revenue requirement.

Ultimately the level of each operator's Fixed Charge will reflect the level of each of our income and cost lines. This means that changes in any of these income and cost items will affect the final level of Fixed Charges determined by ORR. In reviewing the draft Fixed Charges, stakeholders are encouraged to bear this in mind.

[14] Our January 2013 SBP calculates the revenue requirement for England & Wales; and Scotland on the basis of a full cost of capital and an adjusted WACC approach (with 2 scenarios). For the adjusted WACC approach, the second scenario (adjusted WACC with profit) applies a further financeability uplift (included in amortisation) to provide Network Rail with a reasonable expectation of an accounting profit. The adjusted WACC with profit approach was the core scenario underpinning our SBP.

[15] We have, instead, used the CP4 stations LTCs to pro-rate the total stations LTC income (forecast as part of the SBP), to each franchised passenger operator.

7.2 Draft indicative route-based RABs

The draft indicative route-based RABs are set out in Annex D, and are based on all three cost of capital scenarios[14]:

- Full WACC;
- adjusted WACC (ORR approach); and
- adjusted WACC (with profit).

The RAB values set out in Annex D are indicative only, and are based on the RAB forecasts, which were submitted as part of our SBP[16], plus the two additional scenarios, for completeness. ORR will determine our allowed cost of capital for CP5, in its Final Determination in October 2013. We then expect to include the indicative route-based RABs as a memorandum item in the regulatory accounts from the start of CP5.

This conclusions document forms our final proposal to ORR. We look forward to considering ORR's Draft and Final Determinations in respect to our proposed methodology for allocating Fixed Charges for CP5.

[16] Strategic Business Plans 2014 – 19, accessible here: http://www.networkrail.co.uk/publications/strategic-business-plan-for-cp5/.

ANNEX A – REVISED ALLOCATION METRICS

The fourth column in Table 2 represents changes we are proposing to make to the allocation metrics in light of information gathered to build the FTAC model. We are proposing to retain all other metrics as proposed in November 2012 (see column 3).

Table 1: Revised proposal for allocation metrics

Cost type	Cost description	Allocation metric (Nov 2012)	Proposed changes (Mar 2013)
Renewals	Buildings	Train km	
	Civils	EMGTPA km	
	E&P: AC distribution & OLE	AC electric vehicle km	Electric train km
	E&P: DC distribution & ETE	DC electric vehicle km	Electric train km
	Fixed plant	Train km	
	IT	Vehicle km	
	Wheeled plant and machinery	Vehicle km	
	Corporate offices	Vehicle km	
	Other renewals	Vehicle km	
	Other renewals – faster isolations	n/a	Electric train km
	Signalling	Train km	
	Telecoms	Train km	
	Track	EMGTPA km	
Maintenance	Asset Management	Vehicle km	
	Civils	EMGTPA km	
	E&P: AC distribution & OLE	AC electric vehicle km	Electric train km
	E&P: DC distribution & ETE	DC electric vehicle km	Electric train km
	Fixed plant	Train km	
	Exceptionals	Vehicle km	
	Group	Vehicle km	
	Indirect	Train km	Vehicle km
	National Delivery Service	Vehicle km	
	Operations and Customer Services	Vehicle km	
	Other	Vehicle km	
	Commercial Property	Vehicle km	
	Signalling	Train km	
	Telecoms	Train km	
	Track	EMGTPA km	
Non-controllable	Cumulo rates	Vehicle km	
	Electric traction	Electric vehicle km	Electric train km
	Other joint industry costs	Vehicle km	
Operate	Non Signalling Costs	Train km	
	Signalling costs	Train km	
Property	Property	Train km	
Support	Asset Management	Train km	
	Business Services	Train km	
	Finance	Train km	
	Government and Corporate Affairs	Train km	
	Group	Train km	
	Human Resources	Train km	

Table 1: Revised proposal for allocation metrics

Cost type	Cost description	Allocation metric (Nov 2012)	Proposed changes (Mar 2013)
	Information Management	Train km	
	Insurance	Train km	
	Investment Projects	Train km	
	National Delivery Service	Train km	
	Network Rail Telecom	Train km	
	Other corporate functions	Train km	
	Group Strategy	Train km	
	Property	Train km	
	RAMs	Train km	
	Utilities	Train km	
Income	Traction electricity charge income	n/a	Electric train km
	Electrification asset usage charge	n/a	Electric train km
	All other income	n/a	Vehicle km

ANNEX B – DRAFT FIXED CHARGES BY FRANCHISED TRAIN OPERATOR

Table 2: Fixed Charges by train operator under adjusted WACC (with profit) scenario (£m, 12/13 prices)

Train operator name	2014/15	2015/16	2016/17	2017/18	2018/19	CP5 total
Arriva Trains Wales	206	217	226	236	235	**1,120**
c2c Rail Ltd	61	65	69	70	68	**332**
Chiltern Railway Company Ltd	56	62	76	77	78	**349**
XC Trains Ltd	272	280	289	312	310	**1,465**
East Coast Main Line Rail Company Ltd	357	375	393	411	427	**1,964**
East Midlands Trains	181	185	193	204	219	**981**
First Capital Connect Ltd	257	271	283	297	338	**1,447**
First Greater Western Ltd	379	383	391	426	456	**2,035**
London & Birmingham Railway	220	227	225	217	221	**1,111**
London Overground Railway Operations Ltd	43	45	47	49	51	**235**
Merseyrail Electrics 2002 Ltd	43	44	45	46	48	**226**
Abellio Greater Anglia Ltd	319	331	341	356	363	**1,709**
Northern Rail Ltd	292	303	314	326	339	**1,574**
First ScotRail Ltd	509	540	573	604	621	**2,847**
Stagecoach South Western Trains Ltd	339	356	372	388	400	**1,856**
London & South Eastern Railway Ltd	300	319	333	354	357	**1,662**
Southern Railway Ltd	257	269	280	294	292	**1,393**
First Keolis Transpennine Ltd	135	151	168	192	198	**845**
West Coast Trains	547	567	591	609	626	**2,939**
Total	**4,774**	**4,991**	**5,209**	**5,468**	**5,649**	**26,090**

Table 3: Fixed Charges by train operator under adjusted WACC (ORR approach) scenario (£m, 12/13 prices)

Train operator name	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**CP5 total**
Arriva Trains Wales	198	206	211	218	213	**1,046**
c2c Rail Ltd	59	61	64	65	62	**311**
Chiltern Railway Company Ltd	54	58	71	71	70	**324**
XC Trains Ltd	261	266	270	288	282	**1,368**
East Coast Main Line Rail Company Ltd	340	354	365	376	386	**1,821**
East Midlands Trains	172	175	179	186	197	**910**
First Capital Connect Ltd	245	256	263	272	306	**1,342**
First Greater Western Ltd	360	359	360	386	407	**1,873**
London & Birmingham Railway	211	216	211	201	201	**1,040**
London Overground Railway Operations Ltd	41	42	43	45	46	**219**
Merseyrail Electrics 2002 Ltd	41	42	42	43	43	**211**
Abellio Greater Anglia Ltd	307	314	320	329	331	**1,601**
Northern Rail Ltd	280	287	294	302	309	**1,472**
First ScotRail Ltd	514	538	561	581	587	**2,781**
Stagecoach South Western Trains Ltd	324	336	346	357	362	**1,726**
London & South Eastern Railway Ltd	285	300	309	324	321	**1,540**
Southern Railway Ltd	245	254	260	270	264	**1,294**
First Keolis Transpennine Ltd	130	144	158	178	181	**791**
West Coast Trains	523	537	552	560	568	**2,740**
Total	**4,593**	**4,746**	**4,883**	**5,051**	**5,137**	**24,409**

Table 4: Fixed Charges by train operator under full WACC scenario (£m, 12/13 prices)

Train operator name	2014/15	2015/16	2016/17	2017/18	2018/19	CP5 total
Arriva Trains Wales	228	232	235	239	231	**1,165**
c2c Rail Ltd	67	69	71	71	67	**346**
Chiltern Railway Company Ltd	62	67	80	78	76	**363**
XC Trains Ltd	300	301	301	316	305	**1,524**
East Coast Main Line Rail Company Ltd	399	406	412	416	420	**2,053**
East Midlands Trains	201	200	202	206	215	**1,024**
First Capital Connect Ltd	287	293	296	301	333	**1,509**
First Greater Western Ltd	425	417	412	432	447	**2,133**
London & Birmingham Railway	241	243	234	220	218	**1,156**
London Overground Railway Operations Ltd	48	48	49	50	50	**245**
Merseyrail Electrics 2002 Ltd	47	47	47	47	47	**235**
Abellio Greater Anglia Ltd	351	354	355	359	357	**1,776**
Northern Rail Ltd	322	324	327	330	334	**1,637**
First ScotRail Ltd	582	598	612	622	623	**3,038**
Stagecoach South Western Trains Ltd	377	384	389	393	394	**1,936**
London & South Eastern Railway Ltd	335	345	349	358	351	**1,738**
Southern Railway Ltd	286	291	293	298	287	**1,455**
First Keolis Transpennine Ltd	148	162	175	194	195	**875**
West Coast Trains	606	610	617	616	616	**3,064**
Total	**5,311**	**5,392**	**5,457**	**5,545**	**5,566**	**27,271**

ANNEX C – DRAFT FIXED CHARGES BY OPERATING ROUTE

Table 5: Fixed Charges by route under adjusted WACC (with profit) scenario (£m, 12/13 prices)

Route	2014/15	2015/16	2016/17	2017/18	2018/19	CP5 total
Anglia	436	452	468	489	501	2,346
East Midlands	233	242	253	266	278	1,273
Kent	350	373	389	413	424	1,949
LNE	848	891	932	983	1,023	4,677
LNW	1,100	1,151	1,203	1,263	1,304	6,021
Scotland	507	538	572	602	620	2,840
Sussex	251	264	274	289	299	1,378
Wales	277	288	301	314	318	1,498
Wessex	375	393	410	429	444	2,051
Western	395	400	406	420	436	2,057
Total	**4,774**	**4,991**	**5,209**	**5,468**	**5,649**	**26,090**

Table 6: Fixed Charges by route under adjusted WACC (ORR approach) scenario (£m, 12/13 prices)

Route	2014/15	2015/16	2016/17	2017/18	2018/19	CP5 total
Anglia	419	430	439	453	458	2,200
East Midlands	222	228	235	243	251	1,179
Kent	334	351	362	378	382	1,807
LNE	811	842	869	904	927	4,353
LNW	1,054	1,090	1,125	1,165	1,186	5,620
Scotland	513	536	560	579	585	2,774
Sussex	240	248	254	264	269	1,276
Wales	266	273	282	291	289	1,401
Wessex	358	371	382	395	402	1,908
Western	376	375	373	379	387	1,891
Total	**4,593**	**4,746**	**4,883**	**5,051**	**5,137**	**24,409**

Table 7: Fixed Charges by route under full WACC scenario (£m, 12/13 prices)

Route	2014/15	2015/16	2016/17	2017/18	2018/19	CP5 total
Anglia	478	483	487	494	494	2,435
East Midlands	260	262	265	269	273	1,330
Kent	391	403	408	418	417	2,037
LNE	941	959	974	995	1,006	4,876
LNW	1,215	1,235	1,255	1,277	1,283	6,266
Scotland	580	597	611	620	622	3,031
Sussex	281	285	287	293	294	1,440
Wales	305	308	314	318	313	1,558
Wessex	416	423	429	435	437	2,138
Western	443	435	427	426	427	2,160
Total	**5,311**	**5,392**	**5,457**	**5,545**	**5,566**	**27,271**

ANNEX D – DRAFT INDICATIVE ROUTE-BASED RABS

Table 8: Indicative route-based RABs under adjusted WACC (with profit) scenario
(£m, 12/13 prices)

Route	2014/15	2015/16	2016/17	2017/18	2018/19
Anglia	4,003	4,258	4,529	4,769	4,908
East Midlands	2,577	2,741	2,915	3,069	3,159
Kent	3,921	4,171	4,436	4,671	4,807
LNE	8,910	9,478	10,081	10,614	10,924
LNW	11,006	11,708	12,452	13,111	13,494
Sussex	2,793	2,972	3,160	3,328	3,425
Wales	2,685	2,856	3,037	3,198	3,291
Wessex	3,921	4,171	4,437	4,671	4,808
Western	4,587	4,879	5,189	5,464	5,623
England and Wales	**44,403**	**47,234**	**50,236**	**52,894**	**54,439**
Scotland	**5,066**	**5,560**	**5,996**	**6,266**	**6,391**
Total	**49,469**	**52,795**	**56,232**	**59,160**	**60,830**

Table 9: Indicative route-based RABs under adjusted WACC (ORR approach) scenario
(£m, 12/13 prices)

Route	2014/15	2015/16	2016/17	2017/18	2018/19
Anglia	4,012	4,287	4,585	4,861	5,046
East Midlands	2,582	2,759	2,951	3,129	3,248
Kent	3,929	4,199	4,491	4,761	4,942
LNE	8,929	9,542	10,206	10,819	11,232
LNW	11,030	11,787	12,607	13,365	13,874
Sussex	2,799	2,992	3,200	3,392	3,521
Wales	2,690	2,875	3,075	3,260	3,384
Wessex	3,930	4,200	4,492	4,762	4,943
Western	4,596	4,912	5,254	5,569	5,782
England and Wales	**44,498**	**47,554**	**50,859**	**53,918**	**55,973**
Scotland	**5,064**	**5,557**	**6,001**	**6,290**	**6,448**
Total	**49,562**	**53,111**	**56,860**	**60,207**	**62,420**

Table 10: Indicative route-based RABs under full WACC scenario
(£m, 12/13 prices)

Route	2014/15	2015/16	2016/17	2017/18	2018/19
Anglia	3,992	4,229	4,491	4,733	4,888
East Midlands	2,569	2,722	2,890	3,046	3,146
Kent	3,910	4,142	4,399	4,636	4,788
LNE	8,885	9,413	9,996	10,535	10,880
LNW	10,975	11,627	12,347	13,014	13,440
Sussex	2,786	2,951	3,134	3,303	3,411
Wales	2,677	2,836	3,012	3,174	3,278
Wessex	3,910	4,143	4,399	4,637	4,789
Western	4,574	4,845	5,145	5,423	5,601
England and Wales	**44,278**	**46,908**	**49,813**	**52,501**	**54,222**
Scotland	**5,043**	**5,496**	**5,905**	**6,165**	**6,297**
Total	**49,321**	**52,404**	**55,717**	**58,666**	**60,520**