15-25 Artillery Lane,
London E1 7HA.

Telephone: 020 7983 5174
Facsimile: 020 7983 5171
Mobile: 07818 421220
E-mail: ian.kapur@gbrailfreight.com

Ben Worley.
Senior Regulatory Economist,
Network Rail,
King's Place,
90 York Way,
London, N1 9AG.

1st March 2013

Dear Ben,

GB Railfreight Ltd. response on Network Rail consultation on the phasing in of the Freight-Specific Charge (FSC), applying the Variable Usage Charge (VUC), updating our estimate of Freight Avoidable Costs and updating/phasing in the Freight-Only Line (FOL) Charge:

General Comments:

With regard to the new Freight Specific Charge (FSC), GB Railfreight (GBRf) still does not agree with ORR's view on which market segments are able to bear the cost or how the ability of bearing the cost will affect said markets. GBRf believes that the affordability of the proposals, so far, need to be re-visited as the introduction of the Freight Specific Charge will reduce demand for affected traffics, by rail, as soon as it's introduced.

A recent OfGem report makes clear that, irrespective of any change to rail access charging, a power generation gap is predicted at 2016, exactly the time when a large chunk of new rail access charging is proposed to begin. GB Railfreight is, therefore, against the introduction and phasing-in of the Freight Specific Charge, as described. The new Freight Specific Charge, and its phasing-in, will lead to fewer power stations in the market and, as far as GB Railfreight is concerned, a reduction in FOC locomotive and wagon assets that, in turn, will affect its ability to serve other markets, including Network Rail itself.

Answers to Specific Questions:

Q1: What is your view on the illustrative profile of the FSC shown in Table 2, above (i.e. 0% in years one and two, 20% in year three, 60% in year four and a 100% of the charge in year five of CP5)?

As mentioned above, the introduction of the new Freight Specific Charge in 2016 (Year 3 of CP5) coincides with a predicted power generation gap in the energy industry and for this reason, GBRf would like to see any charges delayed as long as possible during CP5. GB Railfreight's preference would be to have this charge based heavily towards the end of CP5, perhaps with 100% of the charge in Year 5.

GBRf urges both ORR and Ofgem to urgently discuss the issues of the timing of introducing increased rail charges at the same time as power generation shortages are predicted.

Q2: What is your view on the illustrative profile of the spent nuclear fuel freight-only line charge rate shown in Table 3, above (i.e. retain the current rate for years one and two, 20% in year three, 60% in year four and a 100% of the charge in year five of CP5)?

GB Railfreight is not involved with the transportation of spent nuclear fuel and cannot comment on the proposal with any authority on how the market operates, how they might react to the proposed change and what financial implications this has for the FOC that operates these services. However, GBRf is very disappointed that Network Rail's incorrect calculations have been brought to the table at such a late stage, once again, leading to increased costs to the rail freight industry.

Q3: What is your view on how we have calculated initial CP5 freight-only line charge rates for ESI coal and spent nuclear fuel?

GB Railfreight recognises the figures shown but still believes that these estimates, along with others, need to be re-checked for validity.

Q4: What is your view on the illustrative profile shown in Table 5, above, for iron ore and potentially biomass freight-only line charges, during CP5 (i.e. 0% for years one and two, 20% in year three, 60% in year four and a 100% of the charge in year five of CP5)?

GB Railfreight is clear that a new freight-only line charge should not be introduced for the still emerging biomass market. There are already some ports and power stations, and not least GBRf, that have just invested in increased capacity and specialised equipment for handling biomass, based on current financials, and other ports and power stations that are close to "pushing the button" for using biomass, both for co-firing and burning 100% biomass. This, and the Freight Specific Charge combined, with almost certainly stop the imminent investment in the biomass market and will seriously affect GBRf's invest in its new assets.

With regard to the phasing-in profile of a Freight-Only Line charge, for commodities other than biomass, and with the proposed figures being discussed, GB Railfreight would not have an issue with this phasing profile as shown in Table 5.

Yours sincerely,

Ian Kapur.
National Access Manager.