

Joel Strange  
Senior Regulatory Economist  
Network Rail  
King's Place  
90 York Way  
London N1 9AG

Hertford House  
1 Cranwood Street  
London EC1V 9QS

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Dear Joel,

**First Capital Connect (FCC) response to Network Rail first consultation on the Station Long Term charge in CP5**

FCC is pleased to respond to Network Rail's consultation on Station Long Term Charge in CP5.

The first of the two proposed principle changes, the movement of station information and security systems (SISS) costs to Long Term Charge (LTC - from fixed track access charges – where they have been recovered in CP4) would have little overall cost impact and makes the charge more representative of costs borne by Network Rail. Whilst the former is probably of little impact, even should the DfT want to let future franchises on the basis of the holder being “on risk” for changes in LTC, as the projections are for an overall fall in real terms this proposal is not of concern. Of course, this is due in part to the assumed spread of full repairing leases and the other side of this coin will be higher Qualifying Expenditure (QX) at stations where such operators are SFO.

As for the second proposed change, the movement from allocating charges to individual stations to allocating to Station Facility Owners (SFOs) on a portfolio basis latter, any element of risk for franchised train operators to LTC changes would expose beneficiaries at stations to risk of considerable fluctuations driven by the SFO's portfolio rather than any changes at the locations themselves. Under questioning at the Manchester seminar, it emerged that the claimed savings in administration costs were unquantified and based on the flawed assumption that the current arrangements create disputes and confusion – whereas the consensus of the seminar was that the actual cause of this was inaccurate and poorly documented invoicing which was much wider than LTC.

It was also evident that how the proposed portfolio based LTC would navigate through the vehicle count and station specific divisions at multi user stations had not been thought through. The worked example provided by Network Rail to outline this proposal showed clearly the complexity that this proposal would build into the LTC process, which it is our view should remain as current.

Neither were any details on how Network Rail would make planned savings at stations, so no evidence exists for accurate functioning of the improvement trajectory.

## Consultation questions

1. Do you agree that the established LTC structure should be retained in broadly its current form in CP5?

Yes

2. Do you agree that the cost of capital associated with stations should continue to be excluded from the LTC?

Yes

3. Do you agree that SISS costs should be recovered by means of the LTC rather than fixed charges in CP5?

Yes

4. As a general principle, do you agree that the industry should move to a portfolio charging structure for the LTC in CP5?

*No. As detailed above, this proposal would expose beneficiaries at stations to risk of considerable fluctuations driven by the SFO's portfolio rather than any changes at the locations themselves. Moreover, it was confirmed under questioning at Manchester that the claimed savings in administration costs were unquantified and based on a (flawed) assumption that the current arrangements create disputes and confusion. In fact the consensus of the seminar was that the actual cause of this was inaccurate and poorly documented invoicing.*

5. Do you agree with the specific approach to portfolio billing described in the preceding paragraphs?

*No. This would make secondary billing of beneficiaries at multi user stations difficult and time consuming for SFO.*

6. Do you agree with the proposed methodology for translating expenditure into charges at franchised stations in CP5?

*No. As the LTC is proposed to be calculated on a station by station basis anyway and in view of the issues described above the generic overlays should be allocated and charged on a station basis.*

7. Do you agree with the proposed methodology for translating expenditure into charges at managed stations in CP5?

Yes.

8. What are your views about the LTC in light of the transfer of MRR activities to SFOs on some routes?

*FCC would support the proposal to calculate "shadow" LTC at locations where MRR activity is transferred to SFOs.*

9. What are your views about out proposals for industry engagement as part of the process to set LTCs in CP5?

*We support the approach of holding cross-industry workshops in tandem with written consultation and found participation in the one held at Manchester very helpful. However, we are not aware of the VTAC development meeting. (We assume in this case VTAC stands for Variable Track Access Charges).*

10. Do you agree that for Managed Stations SISS maintenance and repair should be bought together as a landlord responsibility, and therefore be included in the LTC for CP5.

Yes.

This response is supported by First TransPennine Express and First ScotRail.

Yours sincerely



John Beer  
Head of Access Contracts

CC: Gabrielle Ormandy (Network Rail)  
George Thomas (First TransPennine Express)  
Colin Whyte (First ScotRail )  
Robert Jackson (First Great Western)

