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Ref:

Dear Joel,

FIRST GREAT WESTERN (FGW) RESPONSE TO NETWORK RAIL FIRST CONSULTATION OF CP5 STATION LONG TERM CHARGE

FGW is pleased to respond to Network Rail's consultation on 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 (from fixed track access charges – where they have been recovered in CP4) would have little overall impact and FGW is relaxed about the implementation of this proposal.

It is important to note, that whilst the financial impact to LTC overall is minimal, if full repairing leases spreads to other operators there will be an impact to QX at stations where such operators are SFO resulting in higher charges.

The second proposed change, movement from allocating charges to individual stations to allocating to Station Facility Owners (SFOs) on a portfolio basis, 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 recent seminars, it has emerged that the claimed savings in administration costs are un-quantified and based on the flawed assumption that the current arrangements create disputes and confusion – whereas the consensus of the industry is 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.

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 SSS 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 the seminars that the claimed savings in administration costs were un-quantified 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?

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

9. What are your views about our 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. 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.

Yours sincerely,

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