

Track Access Charge Discounts – GBR's Charges Scheme

*Industry Engagement ahead of Funding Period 1
(2029 to 2034)*

Please note, these slides will be published online and will be available, [here](#).

Introduction and purpose

– Caitlin Scarlett

Workshop purpose

- This is the second of our workshops exploring options for GBR's future charges scheme: today we will focus on future policy options for Track Access Charges Discounts.
- During the workshop we will provide an overview of **the provisions in the Railways Bill** that permit GBR to offer Track Access Charge Discounts, and the broader context of the **Subsidy Control Act 2022**.
- We will also summarise **our current early-stage thinking** about the potential design principles for GBR's approach to offering discounts, as well as potential outcomes that GBR may want to deliver through discounts.
- The main priority for this work is to seek stakeholder views on potential options and policy choices for discount schemes in Funding Period 1. There will be time in the workshop for stakeholders to share their ideas – **we ask that stakeholders come prepared to discuss potential proposals and future options.**
- Caveat: All policy options discussed during the workshop carry no legal weight or commitment that they will come into effect. We are seeking industry views to help shape our proposals, ahead of formal consultation. We will not be discussing detailed eligibility criteria or budgets for future discounts. This workshop will inform discussions with decision-makers about the scope of GBR's future approach to discounts.

Legislative context

– *Conor Murrells*

Key legislative principles of the Railways Bill – discounts

- The Railways Bill permits GBR to set charges at a lower amount than Costs Directly Incurred in circumstances that GBR considers appropriate.
- The scope available to GBR to offer Track Access Charge Discounts is broad, especially compared to the conditions outlined to Network Rail in the Access & Management Regulations (A&MRs).
- Key differences from the A&MRs:
 1. There is a subtle shift from “under-utilised lines” to “spare capacity”;
 2. The scope can now respond to Directions and Guidance, or reflect “any other reason”;
 3. Previously there was reference to time-limited support and non-discrimination (relevant to the Subsidy Control Act).

CLAUSE 64 (4) – PROVISIONS FOR DISCOUNTS

The scheme may provide for a lower amount to be charged in circumstances in which GBR considers appropriate –

(a) to encourage the use of GBR infrastructure where there is spare capacity

(b) to promote new services for the carriage of passengers or goods by railway

(c) to give effect to Directions set by the Secretary of State or by Scottish Ministers

(d) to give effect to Guidance set by the Secretary of State or by Scottish Ministers

(e) for any other reason

Subsidy Control Act (SCA) 2022

Any future Discount Policy needs to be assessed against and compliant with the SCA.

There are four conditions that qualify support as a subsidy:

1. Financial assistance using public resources;
2. Conferring an economic advantage;
3. Assistance specified to a beneficiary;
4. Competition or investment distortion.

Assistance given by GBR (or GBR subsidiary) to external parties will therefore qualify as a subsidy and must conform with the Act.

When determining a Discounts Policy, GBR must undertake a self-assessment against the subsidy principles – *see right*.

Subsidy Control Act 2022 - principles

Subsidies should **pursue a specific policy objective** to remedy an identified market failure or address an equity rationale (e.g., distributional concerns)

Subsidies should **be proportionate to their specific policy objective** and limited to what is necessary to achieve it

Subsidies should drive a change of economic behaviour of the beneficiary, conducive to achieving its policy objective – crucially, for **something that would not happen otherwise**

Subsidies should not compensate the beneficiary for **costs they would have funded in the absence of any subsidy**

Subsidies should be an appropriate policy instrument to achieve an objective that **cannot be achieved through other less distortive means**

Subsidies should be designed to achieve their specific policy objective while **minimising negative effects on competition**

Subsidies' beneficial effects should outweigh negative effects

Overview of our current thinking

– Conor Murrells

Our current thinking – objective-driven discount schemes

The Railways Bill and Subsidy Control Act make clear that any future Discounts Policy must be grounded in clearly defined strategic objectives and policy outcomes.

In balancing its legal duties, GBR will have regard to:

- The Long-term Rail Strategy, set by UK Government,
- The Wales Transport Strategy,
- Strategy published by Scottish Ministers, and
- The local transport plans set by Mayoral Combined Authorities and the Mayor of London.

GBR should be cognisant of how discounts can help to deliver against the Charging Objectives outlined in its Access and Use Policy. It should also holistically consider wider Government incentives to avoid duplication or policy misalignment.

GBR'S STATUTORY DUTIES

- 01 Promote the interest of users and potential users of railway passenger services
- 02 Promote the use of the railway network for the carriage of goods
- 03 Promote high standards of railway service performance
- 04 Enable railway service providers to plan the future of their business
- 05 Exercise functions in a manner best calculated to be in the public interest
- 06 Consider the costs that will need to be met from public funds and the need to use these funds efficiently

Workshop discussion point: Looking at these principles in the context of the Subsidy Control Act, where do you agree with the direction of travel, and where might you challenge our thinking?

DESIGN PRINCIPLES



Targeted and evidence-based

Target market failures or policy objectives, underpinned by evidence of the issue and how the discount will address it.



Proportionate and time-limited

Discounts should be proportionate to the outcome sought, public funding affordability, and the time needed to deliver change.



Not unduly discriminatory

Discounts should be available on equivalent terms to operators undertaking comparable activities.



Transparent and well-governed

Eligibility criteria should be published, and decisions should be based on clear governance arrangements.



Incentive compatible

Discounts should seek to deliver lasting behavioural change consistent with the policy objective.



Distortion-minimising

Discounts should minimise distortions to competition, investment, and efficient pricing signals

Workshop discussion point: Which strategic objectives should GBR's future discounts policy (or policies) prioritise? Where do you see the greatest opportunity for discounts to influence behaviour in the market?

Rail users

Meeting customer needs

Connecting people and goods

Reducing regional and national inequality

Service quality, safety & innovation

Market growth

Support economic growth

Support planning & investment

Efficient use of infrastructure

Modal shift

Public finances & environment

Financial sustainability

Proportionate and sustainable cost-recovery

Reducing carbon emissions

Environmental sustainability

Caveat: This is a non-exhaustive list of strategic rail objectives for illustrative purposes, and does not include all the objectives of funders and rail users.

Stakeholder discussion – Discount Policy Ideas

– *Conor Murrells*

Potential outcome area (1): Modal Shift

Market growth incentives – our current thinking to help shape discussion

Rationale: modal shift (passenger and freight), economic growth, efficient use of infrastructure and long-term investment

Overarching principle: Modal shift incentives to encourage new traffic.

Delivery: Best delivered through discounts to the Variable Usage Charge, either from existing GBR budgets or by schemes funded during the Funding Periodic Review (FPR).

Potential example:

- Bespoke market policies, rather than one size fits all.

Design principles:

- Support where traffic would otherwise fail to materialise;
- Distortion minimising and proportionate to the support needed;
- Sustainable rail traffic post-discount period;

Workshop discussion point: How can GBR strengthen the current approach to discounts to promote modal shift to rail in passenger and freight markets?

Potential outcome area (2): Decarbonisation

Traction incentives – our current thinking to help shape discussion

Rationale: reducing carbon emissions and environmental sustainability.

Overarching principle: Traction incentives to support governmental decarbonisation objectives.

Delivery: Best delivered through discounts to EC4T or by schemes funded during the FPR.

Potential example:

- Traction discounts for new rolling stock.

Design principles:

- Genuine price signals;
- Long-term behavioural trends;
- Long-term investment decisions

Workshop discussion point: What role could track access charge discounts play in accelerating rail decarbonisation, and how could they be applied?

Potential outcome area (3): Rail system efficiency & innovation

Whole-system incentives – our current thinking to help shape discussion

Rationale: efficient use of infrastructure; service quality (e.g., journey time improvements); safety initiatives.

Overarching principle: Incentives to drive efficiency and innovation in the rail system, including for operators, end-customers and the infrastructure provider.

Delivery: Most likely to require upfront investment and best delivered by schemes funded during the FPR.

Potential example:

- Discounts to support ETCS fitment.

Design considerations:

- Evidence-based investment decisions with tangible and demonstrable benefits;
- Strong governance arrangements;
- Genuine price signals and lasting incentive properties;

Workshop discussion point: Are there wider rail system outcomes that discounts could help support?

Next steps

– Caitlin Scarlett

Summary and next steps

- GBR has a significantly broader scope to offer Track Access Charge Discounts. We are currently exploring the design principles that should shape GBR's future policy or policies, in a manner that is compliant with the Subsidy Control Act 2022.
- Future discounts policy will have to accord with a stated policy ambition or strategic objective. Our current thinking is that there are three broad categories of priority outcome: Modal Shift, Decarbonisation, Rail System Efficiency & Innovation.
- We will reflect on the feedback and discussions in this workshop to develop a proposal or set of proposals for formal consultation in 2027.
- **Outcome of our engagement in 2026: the information shared and gathered during these workshops will help to shape our thinking on GBR's future approach to discounts, which will inform GBR's Charges Scheme Statement in FP1.**

Key dates / Look ahead – upcoming charges workshops

Price Lists and Simplification on 22 April – this will be an opportunity to explore when GBR should publish price lists and potential simplification proposals.

AUP objectives and trade-offs on 13 May – this will be an opportunity to discuss the development of the AUP and to highlight important trade-offs or tensions.

Fixed Charges on 26 and 27 May – this will be an opportunity to explore how GBR may set future mark-ups and its approach to fixed cost recovery through charges.

VUC Phasing-In on 21 July [Freight & Charter] – this will be an opportunity to understand previous decisions to cap or phase-in VUC rates, and discuss potential options for FP1.

For more information on our charges and performance workshops, please visit this link: [GBR's Charges and Performance Schemes](#).

How you can help shape GBR's Charges Scheme and Performance Scheme Statements for FP1

Ways to get involved:

- Technical workshops on important charges and performance scheme topics.
- Targeted engagement with freight, devolved bodies, open access, other infrastructure managers, and funders.

We are committed to:



Early visibility of emerging approaches.



Open feedback and transparent reporting.



Listening to concerns and perspectives.

For more information on our emerging proposals for charges and performance , please visit this link:
<https://www.networkrail.co.uk/industry-and-commercial/developing-gbrs-charges-and-performance-schemes/>

If you have any questions or would like to discuss this further, you can contact the team via our dedicated inbox:
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