Station Long Term Charge Proposals

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

Please note, these slides will be published online and will be available, here.

Introduction

Workshop purpose

- This is the seventh of our workshops exploring options for GBR's future charges scheme. We will build on the discussion and feedback from the first station charges workshop (16 June) and explore how station LTC options could be structured in practice.
- The session is intended to **test whether the emerging Long Term Charge (LTC) options align with stakeholder priorities and simplification objectives**, alongside GBR's wider objectives and practical delivery considerations for Funding Period 1 (2029–2034).
- **QX is being considered separately outside of this workshop** and will not be the focus of today's discussion. An update on current thinking is on the next slide.
- We welcome stakeholder feedback on which station LTC options represent a positive and coherent overall approach, as well as areas where further development may be needed.
- There will be opportunities throughout the workshop for stakeholders to discuss the options presented – **we ask that stakeholders come prepared to discuss the questions included throughout these slides**.

NOTE: Each of the options set out in these slides are high level and purely illustrative. If one or more options generate specific interest, further work will be done to assess feasibility and confirm the precise structure and detail.

Update on Qualifying Expenditure (QX)

Anticipated position on QX

- We currently **anticipate that QX will continue to be managed locally**.
- Our intention is to provide **central guidance and best practice** to support and drive consistency where possible.
- This approach will still allow for **local flexibility, expertise and decision-making**.
- We have **begun engaging with Station Access Managers** to collaborate and draw on their experience.
- Their input will help build a comprehensive set of considerations, which will shape the guidance document.
- We will **keep stakeholders informed of key developments in the Overview of Proposals workshop on November 10th** and provide an **opportunity to feedback as part of the Spring 2027 charges consultation**.

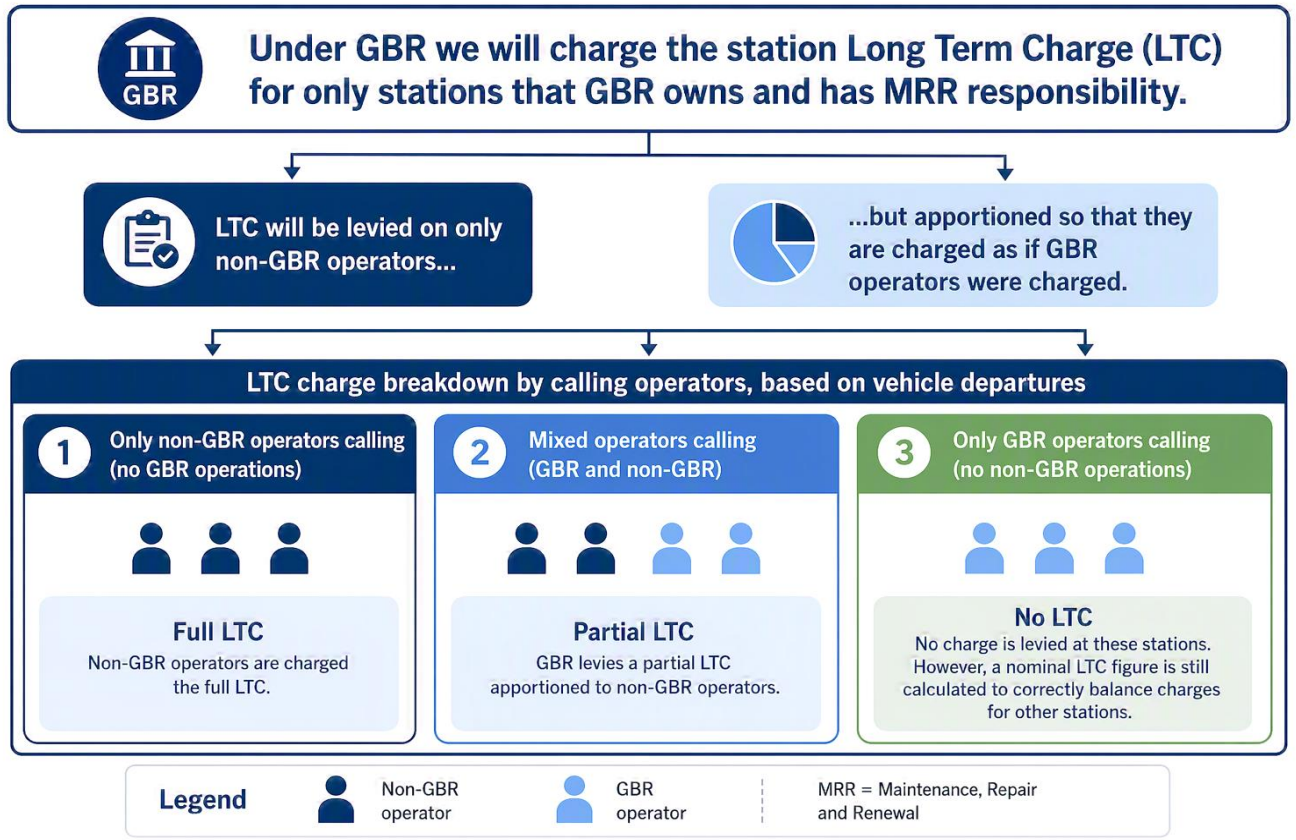
➢ **The remainder of this workshop will focus on the station Long Term Charge (LTC).**

FP1 LTC initial proposal – single methodology

Recap – LTC charging structure

This slide briefly recaps the LTC charging structure introduced in Workshop 1, reframing it as a station-level operator view to make the levy mechanism clearer.

- The station LTC will **continue to recover long-term station asset costs.**
- It will remain the mechanism through which the infrastructure manager **recovers the efficient costs** of MRR assets **at stations it owns and for which it has MRR responsibilities**.
- There will be a single and consistent approach for calculating the LTC at GBR-managed stations for GBR's own operators and non-GBR operators.
- The diagram shows how the LTC will be levied at stations based on which type(s) of operator call there.



Proposal – single LTC methodology

Workshop discussion point: Do you agree that a single LTC methodology is the right approach for GBR-managed stations in FP1?

With GBR taking responsibility for setting LTCs across a much larger portfolio of stations, we need to consider whether a simpler and more consistent methodology is appropriate at this stage, while recognising the potential trade-off with station-specific cost reflectivity.

- Our proposal: develop a **single LTC methodology** for all stations (broadly based on the current Category Averaged approach), but with the removal of 'Large' stations.
- Rationale: the station-specific methodology was developed for the 20 NR-managed stations, but with **several hundred GBR-managed stations**, a station-specific approach at that scale is not currently feasible.

Caveat: we acknowledge that this may appear to be a backwards step from station-specific LTC costs; however, it does not preclude developing a more station-specific methodology in the future, when sufficient data is available.

BENEFITS

1. **Simpler and more consistent methodology** across all GBR-managed stations.
2. Reflects business changes under reform, **moving from historic principles for 20 stations** to a **practical approach for approximately 1800 GBR-managed stations**.
3. Builds on an **existing methodology stakeholders are already familiar with.**
4. **Supports regional comparability and transparency** across the network.
5. **Could be refined over time to move towards more station-specific costs,** once the necessary station-level data becomes available.

DRAWBACKS

1. May be **less reflective of individual station cost drivers** or local variation.
2. **Further work may be needed to test and understand the impact on operators** and ensure the approach remains fair for all.
3. A single LTC approach **may not align with stakeholder appetite for more station-specific charge setting in the short term.**

LTC option development

Emerging options

Stakeholder feedback from Workshop 1 identified key areas where further development could improve confidence that LTCs are allocated fairly, transparently and in line with the underlying drivers of station costs.

- The following **LTC charging options** are **grouped into three broad categories**, each reflecting a key policy question or consideration identified in the previous workshop.

3 areas for development:

1. Operational Property allocation options

- How OP costs should be allocated between stations, including usage-based allocation, station fabric weightings, and a basic charge plus weighted top-up.
- Considers alternatives to station passenger usage.

2. New station OP discount review

- Whether the current new-station OP discount remains relevant, and whether its level should be retained or adjusted.
- Should there be any exceptions or exclusions?

3. Regional cross-subsidy perception

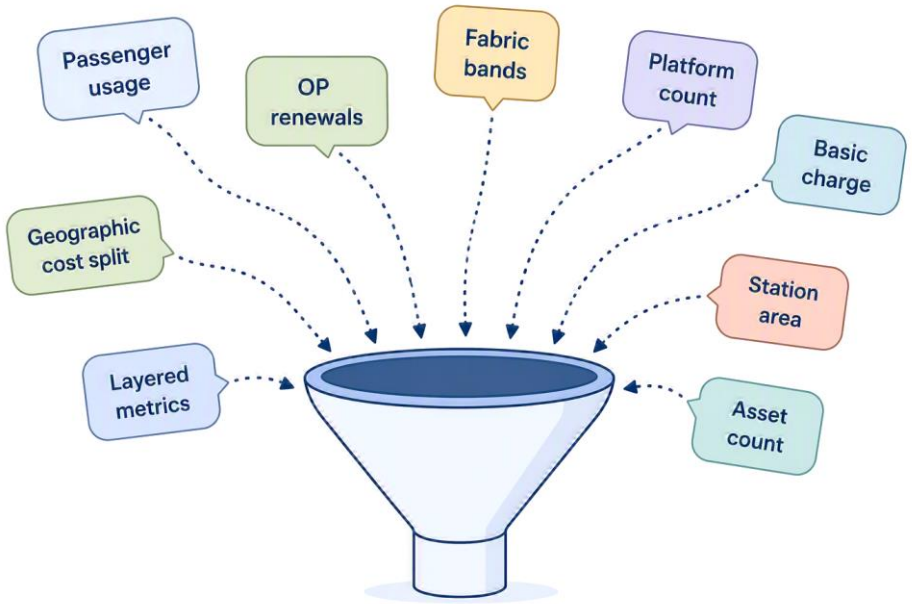
- Whether greater geographic granularity in costs could improve confidence that charges better reflect where costs are incurred.
- The category-averaged approach creates perceived cross-subsidies between route boundaries.

1. Operational Property allocation options

Operational Property allocation

In response to stakeholder feedback, we have considered the suitability of using passenger usage as an LTC allocation metric. We have developed a range of options to replace categories A-F when calculating the station LTC. We are seeking stakeholder views to help focus future analysis and narrow the most realistic and promising allocation approaches.

- Rationale: it is acknowledged that **station usage may not strongly correlate with station costs** and that a better metric may more closely represent physical properties of a station and therefore the associated costs.
- Building on prior feedback, we have focussed on approaches that aim to **better reflect physical station properties**.
- The following **options are conceptual at this stage** and require more development before any preferred option is confirmed. We acknowledge that all proxy measures are limited: none are perfect, so **trade-offs will need to be tested** and understood.
- Further **research on cost drivers will help assess which proxies are most appropriate** – considering cost reflectivity, simplicity, transparency and deliverability for FP1 – and inform the narrowing of preferred options.



Operational Property allocation options

Workshop discussion point: do the benefits of using passenger demand as a simple and transparent allocation proxy outweigh the loss of cost reflectivity associated with not using more asset-based measures?

A key question is whether OP costs should continue to be allocated using passenger demand, which is simple and transparent, or whether greater weight should be given to physical station characteristics to improve cost reflectivity.

Option 1

Retain passenger usage (i.e. no change)

Proposal: Retain passenger usage as the primary basis for allocation OP costs, using either A–F categories or regional OP costs directly.

Rationale: Passenger usage is independently published, widely understood, simple to explain, and provides a consistent proxy for station scale.

Key challenge: Passenger usage does not directly reflect differences in station assets, complexity, age, condition or heritage constraints.

Deliverability: High – existing data and methodology available.

Advantages	Disadvantages
Simple and familiar methodology.	Weak connection to physical cost drivers.
Uses transparent, independently published data.	Similar passenger volumes can mask significantly different asset requirements.
Easy to implement across all GBR-managed stations.	May not improve stakeholder confidence in cost reflectivity.
Provides a consistent proxy for station scale.	

Operational Property allocation options

Workshop discussion point: do the benefits of improved cost reflectivity from incorporating station fabric outweigh the additional complexity and subjectivity involved in classifying stations?

This option explores whether the additional cost reflectivity gained from considering station fabric outweighs the increased complexity and judgement required to classify stations consistently.

Option 2

Station fabric band weighting

Proposal: Allocate OP costs using broad station fabric bands (e.g., classifying stations into fabric bands such as simple, standard or complex).

Rationale: Station fabric may better reflect the physical assets that drive OP costs than passenger demand alone.

Key challenge: Requires consistent definitions, assessment & application, operator input and validation to avoid subjectivity.

Deliverability: Moderate to high – information request from SFOs required.

Advantages	Disadvantages
Better reflects underlying cost drivers and improves cost reflectivity.	Classification is subjective and requires judgement – outcomes depend on consistent approach.
Transparent and explainable – classification can be linked to observable characteristics.	Remains a proxy – stations within the same band may still have different cost profiles.
Improved stakeholder confidence – collaborative approach responding directly to stakeholder concerns.	Potential for disputes – there may be disagreements about classifications.

Operational Property allocation options

Workshop discussion point: should all stations contribute towards a common baseline level of OP costs, even if this reduces cost reflectivity for some stations?

This option explores whether recognising a common baseline level of station costs could improve stability and acceptability, whilst retaining cost reflectivity through a weighted top-up.

Option 3

Basic charge plus weighted top-up

Proposal: Apply a basic OP charge to all stations to reflect common baseline costs, with the remaining costs allocated using a weighting based on station characteristics or scale.

Rationale: Most stations incur some common operational property costs irrespective of their size, usage or complexity. A two-part charge could recognise these common costs whilst retaining an element of cost reflectivity.

Key challenge: Calibration will affect distribution and could shift costs toward smaller or simpler stations.

Deliverability: Moderate – additional analysis and engagement required to determine appropriate balance.

Advantages	Disadvantages
Recognises that many OP costs are shared across stations regardless of size or usage.	Less cost-reflective than allocating all costs through a weighting methodology.
Provides a balanced approach between cost reflectivity and simplicity.	The level of the basic charge could create cross-subsidies between station types.
May reduce extreme charging outcomes that are difficult to explain.	Determining the appropriate split between the basic charge and weighted element may be contentious.

Operational Property allocation options

Workshop discussion point: should GBR move towards a fully station-specific allocation methodology based on renewals data, or retain broader allocation proxies to provide greater stability?

This option explores whether OP costs should be allocated using station-specific renewals data, prioritising cost reflectivity and reducing reliance on broader allocation proxies.

Option 4

Use OP renewals data only

Proposal: Allocate OP costs using station-specific long-term renewals data, removing passenger demand and station categorisation from the methodology.

Rationale: Station renewals expenditure may provide a stronger link between charges and the underlying assets and infrastructure that drive long-term OP costs.

Key challenge: The approach is highly dependent on data quality, consistency and confidence in long-term renewals forecasts.

Deliverability: Moderate to high – existing renewals data is available, but further assurance may be required to address data quality and volatility concerns.

Advantages	Disadvantages
Stronger link between charges and underlying station assets & improves cost reflectivity.	Highly dependent on the quality and consistency of renewals data.
Transparent relationship between cost drivers and charges.	Less stable and predictable than broader proxy-based approaches – i.e., removal of 'smoothing' averaging stage.
Conceptually simple, removing layering and proxies.	

2. New station discount review

New station OP discount

Workshop discussion point: does the rationale for a 90 % OP discount for the first five years remain valid, or should new stations contribute differently towards common station costs from opening?

The current OP discount for new stations was designed to recognise that some costs increase as stations age. We need to consider whether the existing 90% discount remains appropriate in FP1.

Option A

No change to OP discount level

Approach: **Retain the existing 90% Operational Property discount** for the first five years of operation of a new station.

Rationale: Given the small number of new stations (typically fewer than 10 per year), an **overhaul may be disproportionate**. Retaining the discount also provides methodological stability.

Key limitation: Stakeholders noted that some assets may require similar MRR regardless of station age, meaning the **discount may not reflect underlying costs**.

Option B

Review OP discount level

Approach: Review whether the current **90% OP discount and five-year duration remains appropriate** and whether change is necessary.

Rationale: Some station assets may require OP expenditure from opening, meaning an age-based discount may not fully reflect underlying costs.

Key limitation: Limited evidence base due to the small number of new stations opening each year and limited asset-level cost disaggregation.

3. Regional cross-subsidy perception

Regional cross-subsidy perception

Workshop discussion point: what is more important: maintaining a simple and stable allocation methodology, or strengthening the perceived link between charges and local expenditure?

A key question is whether greater geographic granularity would improve confidence that LTC charges reflect where costs are incurred, or whether this would introduce complexity without materially improving cost reflectivity.

Proposal

Allocate forecast MRR costs using smaller geographic groupings such as routes, lines of route or SFOs

Rationale: May strengthen the link between LTC charges and the areas where forecast station expenditure is expected to occur, although the existing LTC methodology already allocates costs using long-term renewals forecasts..

Key challenge: Geographic boundaries, planning arrangements and data limitations may make more granular allocation difficult to implement consistently. Some stations span multiple routes or boundaries, creating challenges for defining allocation rules.

Deliverability: Moderate to high – existing renewals data is available, but further testing would be required to assess whether greater geographic granularity delivers materially different outcomes.

Advantages	Disadvantages
Strengthens the perceived link between charges and local expenditure.	More granular forecasting would increase complexity and may not align with regional cost management practices.
Responds directly to stakeholder concerns regarding cross-subsidy & may improve confidence in charges.	Data quality issues could result in disproportionate charges, particularly for small groups of stations.
Provides greater geographic granularity in cost allocation.	May not materially improve cost reflectivity, especially if expenditure is not planned and managed on the same geographic basis.

Summary & next steps

Summary and next steps

- The purpose of today's session has been to explore potential changes to Operational Property cost allocation and new station discount arrangements ahead of the development of GBR's FP1 charging proposals.
- It is clear that any changes to the Station LTC framework need to form part of a coherent and consistent overall methodology. We will reflect on the feedback from today's session to further develop the priority areas identified and refine our proposals ahead of formal consultation.
- The immediate next step is to reflect on the feedback from this session and to develop these proposals further, ahead of formal consultation in April 2027.

Key dates / Look ahead – upcoming charges workshops
TBC – follow-up workshops on key areas, based on stakeholder feedback. **(No invites sent yet).**
Overview of Charges Proposals on 10 November – this will be a workshop to summarise all our policy proposals for Open Access and Devolved Operators. **(No invite sent yet).**

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

- **Outcome of our engagement in 2026: the information shared and gathered during these workshops will help to shape our development of GBR's access charges, which will inform GBR's Charges Scheme Statements in FP1.**

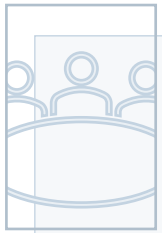
How you can help shape GBR's Charges Scheme and Performance Scheme Statements for FP1

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:
chargesandperformanceschemes@networkrail.co.uk