



Welcome to the Office of Rail and Road

Friday 20 November

Anna Walker, Chair

Agenda for the day

- 9:30 – Registration and coffee
- 9:50 – Introduction: John Larkinson, ORR
- 10:00 – Opening remarks: Anna Walker, ORR
- 10:10 – ORR's rail freight work and roads role, John Larkinson,
- 10:30 – Stephen Haynes, Colas Rail/RDG
- 10:40 – Paul McMahon, Network Rail
- 10:50 – Questions
- 11:15 – Refreshments
- 11:30 – Freight customer only question and answer session
- 12:00 – End



ORR's rail freight role

Friday 20 November

John Larkinson, Director,
Economic Regulation and
Consumers

Topics

- How we engage on freight
- Broader industry issues
- Enhancement Projects
- Access
 - Policy
 - Cases
 - Transferring rights
 - Appeals
- Competition
- Europe
- 2018 Periodic Review
- Roads

How we engage on freight

- Regular bilateral meetings between senior ORR officials and rail freight operating companies, attendance at the RDG-F meetings, and freight representative groups such as the RFG and the FTA which include site visits
- ORR's freight customer panel and annual freight event, and one off events e.g. discussion on future structure of charges
- A recent 12 month secondment by one of ORR's employees to the Network Rail freight division
- Freight customer panel questions led to structure of agenda for today
- We take all this engagement into account as we work to improve industry processes for rail freight and rail freight customers



Broader industry issues

	Scope	Approximate timing
Autumn Statement (Spending Review)	Set government spending totals for 2016-2020	25 November
Shaw Review	Structure and funding of Network Rail (and by proxy the wider industry).	Scoping report published 12 th November. Final Report Spring 2016.
Hendy Review	NR's enhancements plans for CP5	Around 25 th November
NR Business Plan review	Effectively a revised CP5 delivery plan.	Linked to the Hendy Review
PAC Report	Planning and delivery of CP5 enhancements	20 November
Bowe Review	Planning and delivery of the enhancements programme in PR13	Around 25 November
Scotland devolution	Could include accountability of NR in Scotland	Ongoing – may be linked to Shaw review context in the rest of GB.

Enhancement projects

■ Delivery

- Found Network Rail in breach of its licence due to systemic issues with its management/delivery of enhancement projects.
- Network Rail needs to improve its capability in this area, if it is to deliver Hendy review decisions and benefits to its customers.
- Network Rail has initiated an Enhancements Improvement Plan. The work streams cover wide range of areas for improvement: e.g.
 - Project portfolio monitoring
 - Project delivery capability
 - Safety by design
- We will be checking progress and implementation in projects, but it won't be a quick fix.

■ Change control

- Any changes to Network Rail's enhancements obligations arising from Hendy review will need to be consulted on and reflected in Network Rail's CP5 enhancements delivery plan.

Access policy – flexibility of rights

- Network Rail faced with an increasingly capacity constrained network
- Proposed more flexible access rights which allows more flexible timetabling. This should help use capacity more effectively
- ORR generally supportive of this approach
- RDG's work stream – difficult process over last 18 months
- Network Rail's published policy on sale of access rights – passenger and freight
- TOCs/FOCs encouraged to reach agreement with Network Rail
- Where disagreement not resolved ORR to decide
- Feature of new approach is a move to departure and arrival windows – agreed between Network Rail and the FOCs

Access policy – resolving ‘window’ sizes

- ORR consulting on revised Schedule 5 and Rights Table. Broadly speaking there is less specification of rights. Debate over the size of windows
- The new Schedule 5 and Rights Table will be included in new contracts
 - window re-opener provision
 - an opportunity to include information for NR timetablers to take into account e.g. importance of terminal timings
- Freightliner, Freightliner Heavy Haul and GB Railfreight have made s17 (i.e. contested) applications: being processed
- Network Rail: distinction between time sensitive products/bulk traffic
- FOCs: concerns over customer delivery times and Network Rail’s timetablers

Access policy – ‘protecting access’

- Concerns raised over network enhancements delivered under strategic freight network fund which could be used by passenger operators
- Raises questions over purpose of funding if freight benefit not realised
- Protections sought – how best to secure this?
- ORR/DfT/Network Rail discussions
- Common approach – contractualise through the Network Code, using usual consultative approach and with ORR approval

Case work: East Coast Open Access

- ORR is currently considering 4 applications for the limited capacity on the east coast main line (ECML) from passenger operators.
- But need to be mindful of freight implications
- We have been discussing potential impacts on freight services on the ECML:
 - In general, more passenger services could restrict future freight growth;
 - Bottlenecks such as Welwyn Viaduct;
 - Use of freight diversionary paths off the ECML dependant on upgrades which are subject to the Hendy review; and
 - Power supply constraints have been identified by NR's capacity work. New electric services may require further investment.
- Links to importance of system operator role

Transferring access rights

- Industry mechanism exists via Network Code, rights can be transferred between FOCs
- Industry concerns over the transfer mechanism and whether delivering benefits to customers
- FOCs and Network Rail have formed a working group, ORR joined
- A Code of Practice proposed on behaviours and cooperation
- Changes to Part J may be proposed over time
- Proposal for change process

Appeal role of ORR

- DBS appealed (under access and management regulations) as it was unable to agree terms with Freightliner for up to four regular pairs of train services per day with associated services. Related to Freightliner's Southampton Maritime Terminal
- Freightliner refusal based on insufficient capacity at the terminal.
- Regulations create a presumption of access.
- ORR expects reasoned and objectively justified arguments for refusing access.
- ORR took into account representations from both parties and visited the terminal.
- ORR was not persuaded that the terminal was being run inefficiently.
- Requiring Freightliner to make further investment at the terminal to create additional capacity for DBS's services would be disproportionate.
- Conclusion: there was insufficient spare capacity for extra train services.
- The parties may have been able to resolve matters at the outset had there been more transparency of available capacity.

Competition: deep sea intermodal

- Consulting on our intention to accept commitments in a case that involves deep sea intermodal traffic – follows earlier consultation.
- The commitments provide that Freightliner will:
 - Not enter into any contracts for a duration of more than five years;
 - Remove all contract clauses which provide for automatic rollover;
 - Not enter into contracts which require customers to purchase exclusively or any given proportion of their total demand from Freightliner, or place any restrictions on customers reselling unused contract capacity;
 - In contracts with a duration of more than three years, provide a unilateral right for customers to reduce wagon commitments by 10% on the third and fourth anniversaries; and
 - Not enter into specified potentially anticompetitive discounting/rebate arrangements.
- We received a number of responses to our first consultation . Key point that the release of contract capacity could not be fully utilised by competitor FOCs because of the underlying infrastructure and facility constraints.
- We are now consulting on a set of commitments of longer duration that take into account:
 - Industry plans to improve process for transferring access rights (as above); and
 - The implementation of the Recast Directive early in the New Year

Europe

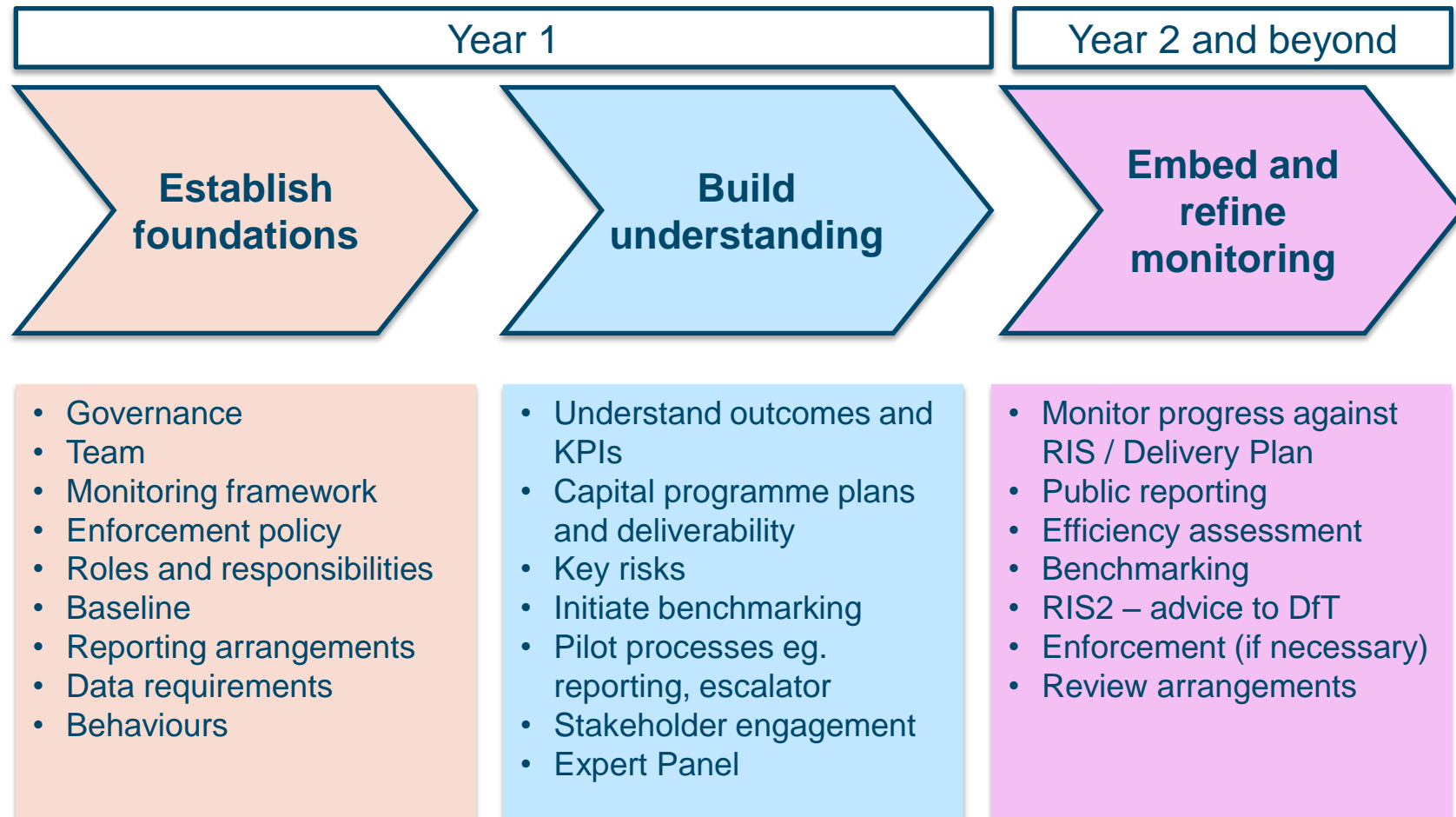
- Rail freight continues to grow in most European Member States
- The market share of non-incumbent operators is also increasing, but is more needed to open up market
- Better empowered regulatory bodies and more transparent regulation as a result of implementation of European legislation (Recast Directive) across the EU
- The Channel Tunnel still under utilised – but there are some positive signs e.g. reduction in tunnel charges;
- ORR will be UK authority in 2016 for part of the Tunnel – we want to remove barriers to growth
- Strategic freight corridors opening up across Europe. ORR is working with other European regulators, via IRG – Rail, on harmonising regulatory processes across corridors
- Development of EU interoperability and safety standards

2018 periodic review of Network Rail – structure of charges

- ORR consults on broad charging options with impact assessments (December 2015)
- Industry engagement (January – February 2016)
- Consultation closes (March 2016)
- RDG publishing its own analysis
- Funding discussions continue alongside this process
- On-going work on medium term system operator role

Highways Monitor - Progress to date

Focused on getting the right foundations and behaviours in place



Highways Monitor - Next Steps

Recent / upcoming publications

Publication	Date
Monitoring Highways England – the Monitoring Framework	October 2015
Six month review of Highways England's performance	December 2015
Enforcement Policy	December 2015
Benchmarking Policy	March 2016
First annual performance and efficiency assessment	By end of September 2016



Stephen Haynes

Deputy CEO
Colas Rail Ltd



Colas Rail Freight...





Rail Delivery Group: Rail Freight sub section

Members

- The five major UK Freight Operating Companies (FOC's)
 - Colas Rail
 - DB Schenker
 - Direct Rail Services
 - Freight Liner
 - GB Rail Freight
- Network Rail
- Office of Rail and Road
- Department of Transport
- RDG



Rail Delivery Group



Rail Delivery Group: Rail Freight sub section

Purpose

- To deliver leadership and strategic direction for the rail freight sector
- To establish the industry position on freight issues
- To promote the benefit of rail freight to the UK economy
- Ensure that the interests are represented within RDG and the Rail Industry for:
 - Rail Freight
 - Rail Freight Operators
 - Rail Freight customers
- Meets every 6 weeks
 - Chair: Russell Mears
 - Links with Freight Joint Board
 - Paul McMahon and his team provide significant co-ordination



Rail Delivery Group: Rail Freight sub section

Objectives

- Work with the wider industry to promote best practice, deliver efficiency and value for money building on the successful productivity and efficiency gains already delivered by the rail freight industry since 1996
- Continue to champion and promote the Strategic Freight Network by making the case for continuing investment by ensuring the enhancements already delivered are fully exploited
- Establish a long term framework for charging which enables rail freight to continue to be a sustainable and investable industry; and continue to compete and grow in its wider market



Rail Delivery Group: Rail Freight sub section

Current issues

- Strategic value of Rail Freight: £1.6 billion value to the UK
- Strategic Freight Network
- Network Rail reviews
- Rail Minister Clare Perry
- Track access
- Track charging
- Rail enhancement initiatives: ie – track unfriendly wagon replacement
- Digital Railway - ERTMS



Rail Delivery Group: Rail Freight sub section

Members of the Freight working group

Chair: Russell Mears (Freightliner)

RDG Lead: Chris Wilson

Members:

Alan Price (Office of Rail Regulation),

Chris Wilson (Freightliner)

Elizabeth De Jong (RDG)

Geoff Spencer (DBS)

John Smith (GBRf)

Lindsay Durham (Freightliner)

Jeff Marshall (DRS)

Nigel Jones (DBS)

Paul Collins (Dept for Transport)

Paul McMahon (Network Rail)

Russell Mears (Freightliner)

Stephen Haynes (Colas Rail)

Network Rail – freight update

Paul McMahon

ORR Freight Customer event

20th November 2015

Outline

Performance

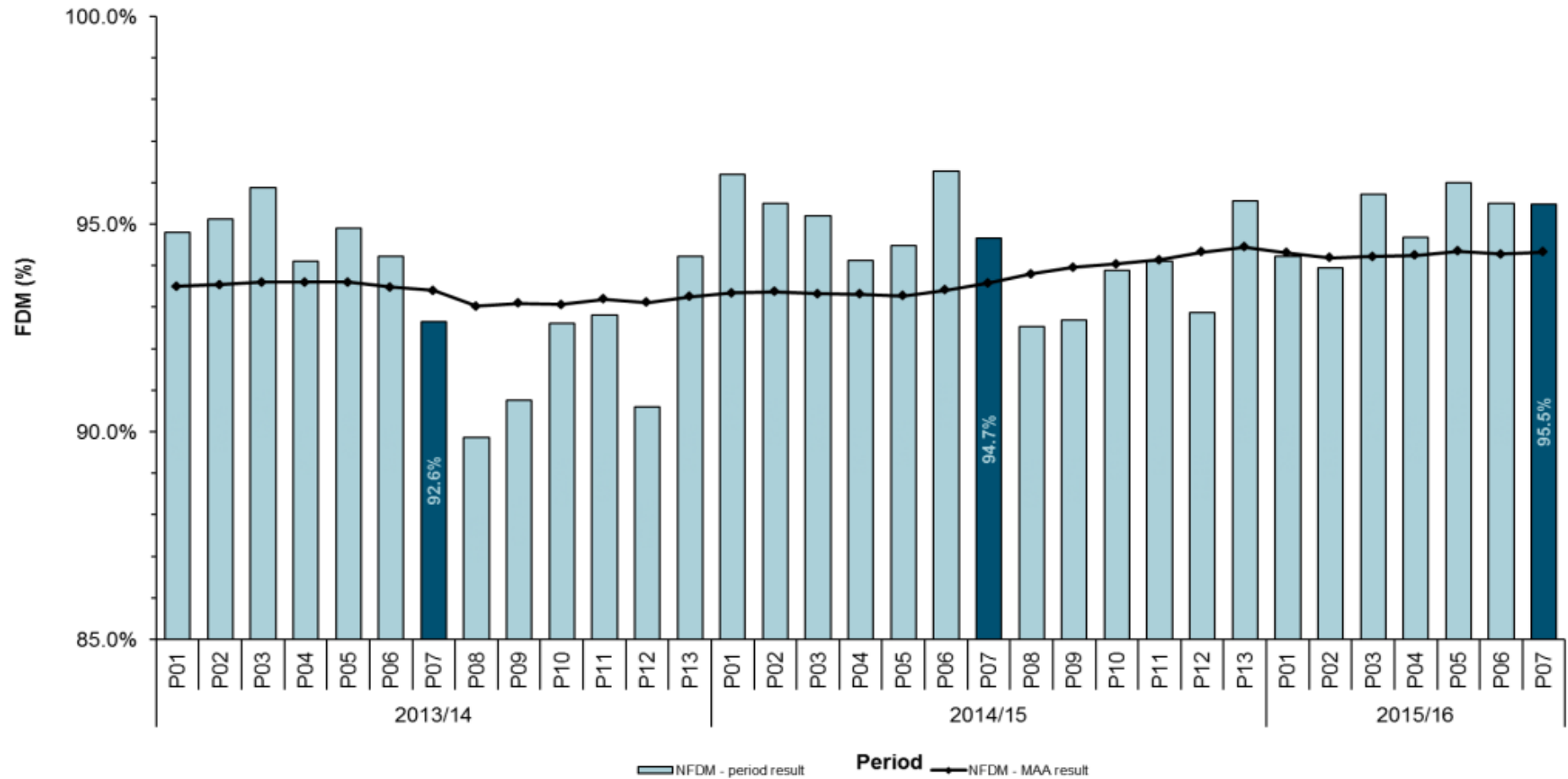
Traffic levels

Freight forecasts

Delivering growth

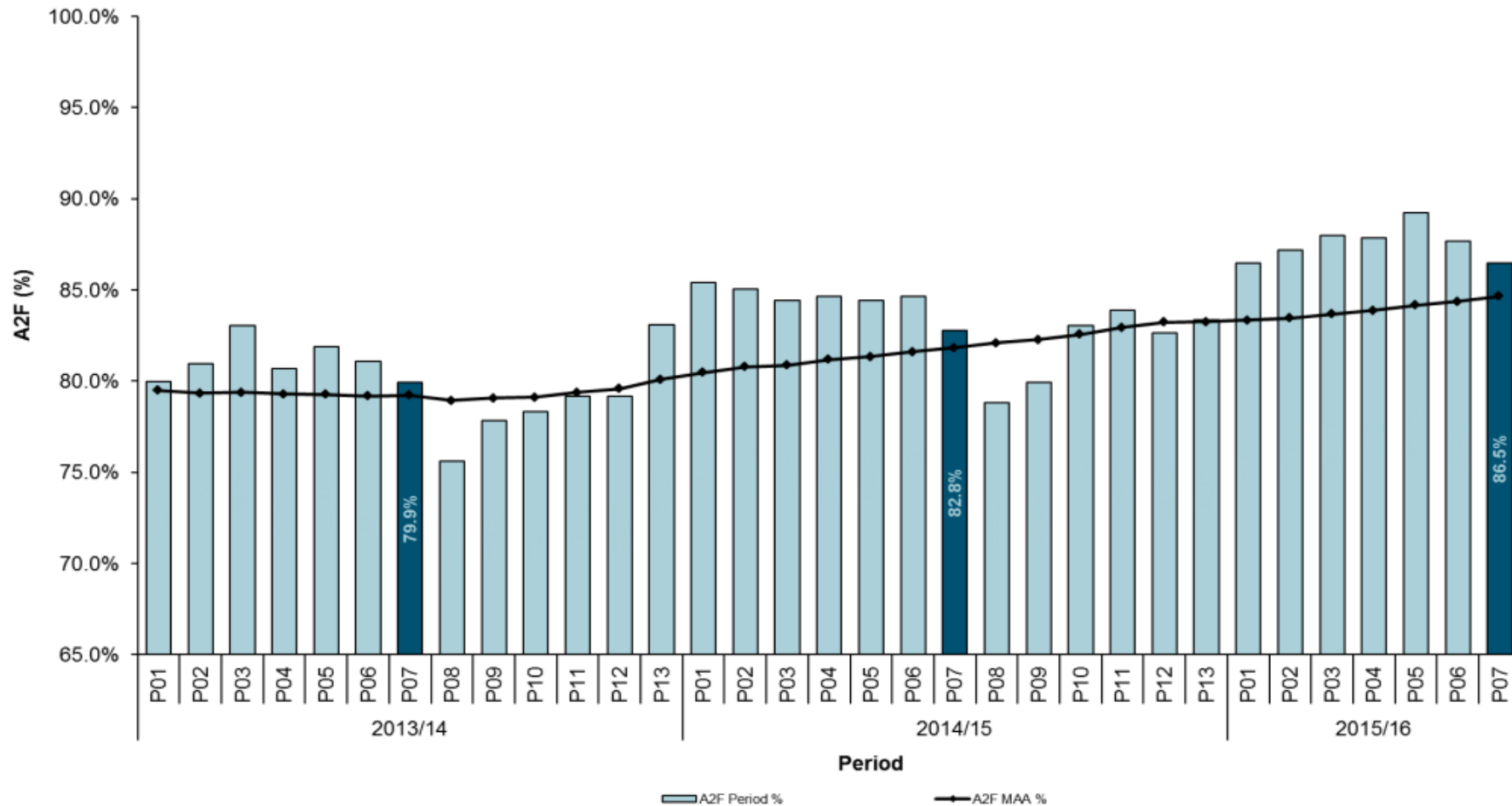
Freight Delivery Metric

Freight Delivery Metric (FDM), Period and MAA values



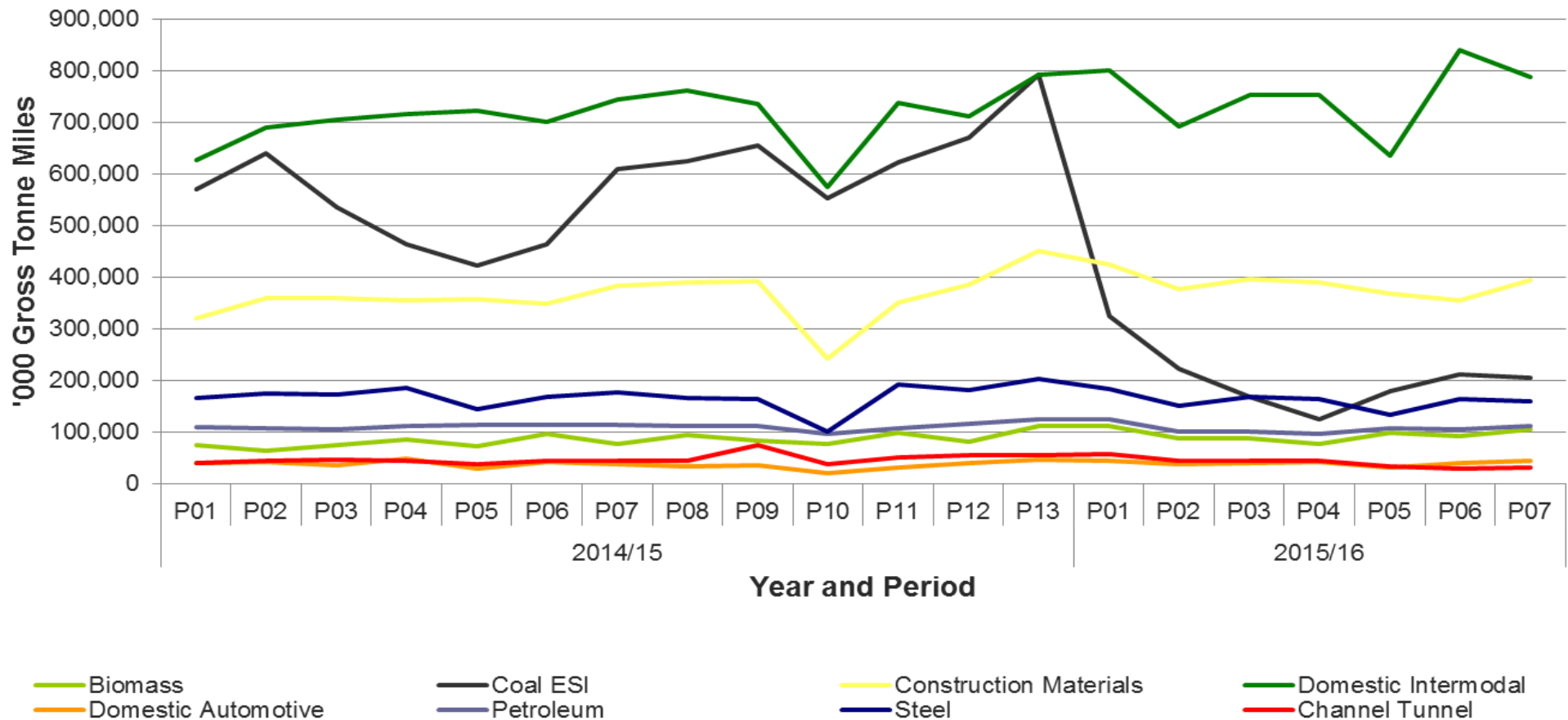
Arrivals to Fifteen

Arrivals to Fifteen (A2F), Period and MAA values

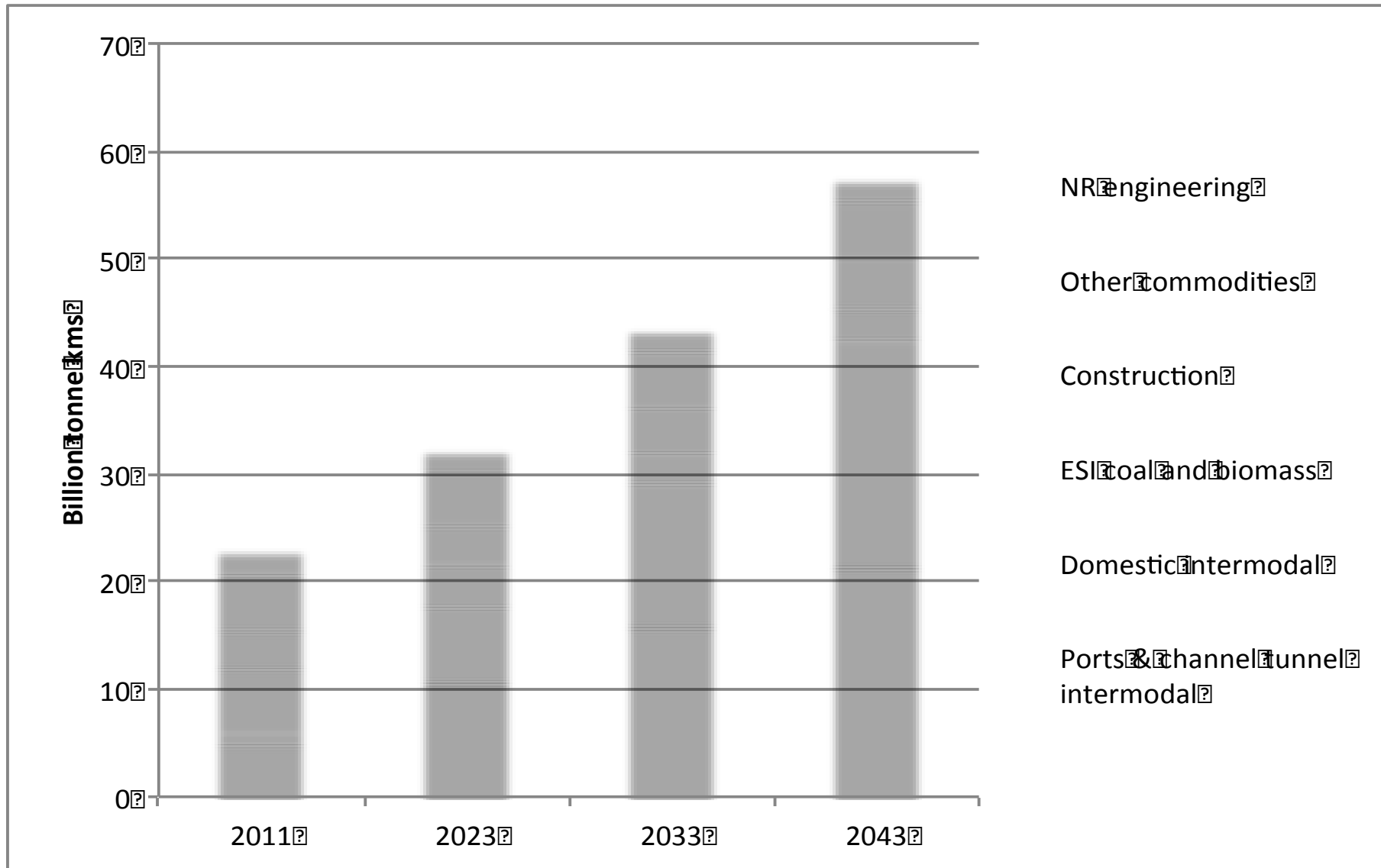


Traffic overview

**Commodity volumes by rail (KGTM)
1 April 2014 to 17 October 2015, inclusive (Periods 1501 to 1607)**



Freight Market Study



Key ingredients for sustainable market growth

Network capacity & capability – *more services*

- Strategic Freight Network
- Nodal yards
- Strategic Capacity

Train capacity & capability – *more per service*

- SPRs
- Rolling stock & traction innovation

Terminals – *new & enhanced origins & destinations*

Performance – *reliable services*

- Collaborative approach
- On and off mainline infrastructure

Digital railway

Stable and supportive funding and access charging

Clear and strong 'system operator' functions

'Easy access'

Running longer & heavier trains



- Service Plan Reviews (SPRs) are trials for longer and/or heavier trains
- Currently 54 SPRs ongoing
- SPRs closely monitored for operational/performance impact
- In last two years, 17 SPRs have successfully led to longer trains operating
- Following trial, Network Code Vehicle Change formalises new train parameters

Freight Customer question and answer session



OFFICE OF RAIL AND ROAD



Thank you all for coming