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**High level review of track access charges**

25 August 2010

Dear Ekta

This letter responds to Paul McMahon's letter of 1 July 2010 inviting comments on the structure of charges for CP5.

We note the recommendations in the final CEPA report. In considering whether to take any of these recommendations further, we would like ORR to balance the potential benefits of any changes to the structure of charges with the potential costs to train operators of implementing those changes. Implementing the CP4 charging regime had a significant impact on SSWT, in particular in terms of the resources we had to dedicate at a senior level to determine the Schedule 9 Franchise Agreement adjustments. ORR must consider the TOC resources that may be required to implement any changes to the charging and compensation regimes for CP5 bearing in mind the Franchise Agreement TOCs are required to work within. For this reason, we believe that any changes to the structure of charges should be incremental rather than fundamental.

We would like ORR to address the following issues in its review of charges and any review of the Schedule 4 compensation regime:

- Enabling franchised TOCs to retain the benefits in CP5 of track access charge savings obtained in CP4 e.g. variable track charge reductions as a result of implementing track friendly train modifications.
- Incentivising Network Rail to improve the DC network to reduce EC4T transmission losses.
- Enabling TOCs to decide on the timetable to be operated during disruptive events, e.g. winter weather conditions, and be compensated appropriately. Currently TOCs only receive Schedule 4 compensation if they operate a service level specified by Network Rail, which may not be operationally robust or best meet passenger requirements.
- Enabling TOCs to have the contractual means to claim train damage costs incurred whilst operating services or ghost trains during Force Majeure Events.
- Schedule 4 does not enable TOCs to claim revenue losses incurred as a result of changes to Type 1 or Type 2 Restrictions of Use. In relation to the aborted Network Rail strike action in April 2010 this meant that we had no contractual means to claim revenue losses incurred due to the late notice of the cancellation.

Yours sincerely



Sam Gibbins  
Track Access Manager  
For and behalf of Stagecoach South Western Trains Limited