

Subject: HS1 Ltd Consultation on Discount Policy - Submission
Date: 25 November 2011
From: Tony Baldwinson, Manchester based stakeholder

General

This submission is in response to the consultation announced by the rail infrastructure company HS1 Ltd on proposed changes to its discount policy for domestic and for international passenger rail services, whereby discounts will be given on the Investment Recovery Charge (IRC) element of its charges in order to increase the utilisation of HS1. The deadline for responses is 28 November 2011. Freight rail is not in scope for these discounts.

The independent rail analysts, TAS Publications and Events Ltd, have noted that Eurostar has: “recorded sharply reduced operating and pre-tax losses ... [since August 2009] primarily as a result of a revised UK track access agreement with much lower charges ... [saving] £45.2m compared with 2008”.
source: www.tas-passtrans.co.uk; New track access deal slashes Eurostar losses.

It is in the strategic interest of Greater Manchester, being the largest conurbation and largest functional economic area in the UK outside of London, to press for safeguards that will encourage and safeguard international direct rail connections between Greater Manchester and continental Europe. This submission suggests some key concerns which HS1 Ltd are asked to take into consideration in designing the discounts to their track access charges for international passenger trains.

The six principles described for the application of discounts on HS1 are appropriate and supported.

The implementation of the six principles through the various stated tests is appropriate as a starting point, but the scope of their application needs to be wider cast than just for services within the South East of England and in particular the tests need to be non-discriminatory for North of London services as well. It is accepted that currently North of London international passenger services do not exist, but the reasons given for this strategic lack over the years are ones of commercial viability therefore all track access charge discounting arrangements are central to North of London strategic considerations. Of course, other track access charging regimes are beyond the scope of this exercise but nevertheless are highly relevant for overall commercial viability.

Detailed Responses

The following points are raised in support to discounts for potential or planned North of London services. The points follow the section and paragraph numbers within the HS1 Ltd consultation document.

Para 3.3 The segmentation proposed should include an extra category for *overnight* passenger services as well as peak and offpeak. Where practical, overnight passenger train routing should be done with higher priority than for freight trains. It is suggested that the overnight segment could be synchronised with the Channel Tunnel maintenance timeband.

Para 3.5 The stopping pattern should give recognition and additional discounts to international passenger services which do **not** call at stations in or around London or the South East, that is services which serve the Rest of Country, also known as North of London, by running-on to the traditional rail network such as the East and West Coast Main Lines.

Para 3.11 The discount should be for minimum contract period of three years if there is no pre-existing comparable service pattern, in order to increase investor confidence in new utilisations by reducing the risk of track access cost growth within the operating costs.

Para 4.15 Discounts for domestic passenger train services will help increase utilisation, but because HS1 is a strategic national resource for international connections, domestic discounts should be structured to reduce so that the capacity and demand for international services can rise over time.

Para 4.18 and 4.19 Commercial viability and gap finance is very difficult to estimate for any rail service where there is no pre-existing comparable service to allow for market testing. If a proposed open access rail services will not claim UK ORCATS income then this should be reflected favourably in the discount structure.

Para 4.21 Commercial viability also depends on the rail access charges of other regulated bodies such as Network Rail, Réseau Ferré de France and most critically by Eurotunnel, and the appraisal process will need to deal with these other charging regimes in a fair and transparent commercial manner.

Conclusion

The request for views by HS1 Ltd on possible track access discounts through a consultative process is highly appreciated, and it is hoped that North of London potential services can be moved one stage nearer to realisation by adopting criteria which support their strategic potential for the UK.

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Enc. Outline Business Plan, *pro bono*, with projected costings and turnover