
Office of Rail and Road
Department for Transport
**Update of ORR's General Approval for Freight Track
Access Contracts**
RPC rating: Validated

Description of proposal

The proposal amends the Office of Rail and Road's (ORR's) General Approval for Freight Track Access Contracts, a legal document that affects Freight Operating Companies (FOCs). For any new service proposed by an FOC, an access contract is composed, which defines the rights and obligations of the FOC and of Network Rail. New or amended access contracts ordinarily require the approval of the ORR. However, some contracts can proceed under the General Approval (GA) regime, saving time and effort.

Access contracts are based upon a model contract provided by the ORR. The ORR has updated the GA regime to correspond with updates to the model contract.

Impacts of proposal

During a consultation with businesses, the regulator gathered evidence from a consultation with businesses and applied this alongside its own industry knowledge to estimate the impacts of the proposal. It has produced separate estimates for savings from applying the updated GA procedure to alterations of existing contracts and to new contracts. Given that changes to the GA allow updated model contracts to be used, the assessment assumes a counterfactual where all applications would have to seek ORR approval.

For alterations to existing contracts, ORR expects one employee per FOC will amend contracts. ORR estimates that between 7.5 and 15 hours of time per employee will be saved by updating the GA regime to amendments to access contracts. At an hourly wage rate of £19.95 (based on ASHE data and updated to £24 for non-labour costs) this would save each affected FOC between £180 and £360 per contract amendment qualifying for GA approval as a result of this measure.

The resource required to create a new access contract depends on the size of the FOC. The assessment states that smaller businesses typically dedicate fewer resources to access contracts, and therefore assumes that producing a new access

contract would require one employee per small FOC and two per large FOC. ORR estimates that small firms will save 7.5 - 22.5 hours per new contract produced (giving an estimated benefit of £180 - £540), and large firms will save 22.5 - 60 hours (giving an estimated benefit of £540 - £1,440).

ORR conservatively estimates that 33% of annual access contract applications would use the GA regime. Based on historical data, the regulator expects a maximum of 8 contract amendments and 2 new contracts to be produced annually using the GA regime. Across all applications, the assessment, therefore, estimates an overall saving of between £1,800 and £5,800 per annum.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million.

Quality of submission

The assessment would benefit from the following improvements:

Justification of figures used in the cost calculation – The assessment assumes that 33% of the total number of applications could use the GA regime, yet notes that since its introduction, 73% of applicants have used the regime. The submission would therefore benefit from explaining the rationale behind the assumption used in the cost calculation.

Clarification of figures used in the cost calculation – The assessment states that the number of employees who work on access contracts varies according to the size of a given business. To improve the clarity of the cost calculation, the submission would benefit from specifying whether this, also, applies when calculating the administrative savings under GA regimes.

The points above, however, do not significantly alter the EANDCB, and the RPC is therefore able to validate the submission as presented.

The assessment would have benefitted by stating whether the new GA regime affected access contracts that were already in place. Greater detail behind the choice of the counterfactual would also have improved the clarity of the assessment.

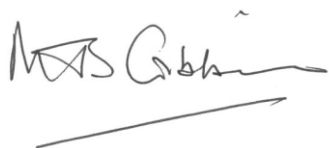
Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£0.0 million

Business net present value	£0.0 million
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RPC assessment¹

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated	£0.0 million
Business impact target score	£0.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT figures to the nearest £100,000