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Our ref: L-BU-RR-00004-04-HSO

5 January 2011

By email: emily.bulman@orr.gsi.gov.uk

Dear Emily

FREIGHT AVOIDABLE COSTS CONSULTATION – TIMESCALES

The ORR Regulatory Statement for HS1 published 30 October 2009¹ outlines a proposed review of the 'freight avoidable costs':

We recognise the significant discount that HS1 Limited has offered to freight operators for the first control period and consider this would be likely to offset any inefficiencies in the level of the freight avoidable costs. However, we have agreed with HS1 Limited that the company will review the level of freight avoidable costs during the next twelve months and, if appropriate, review the level of freight access charges.

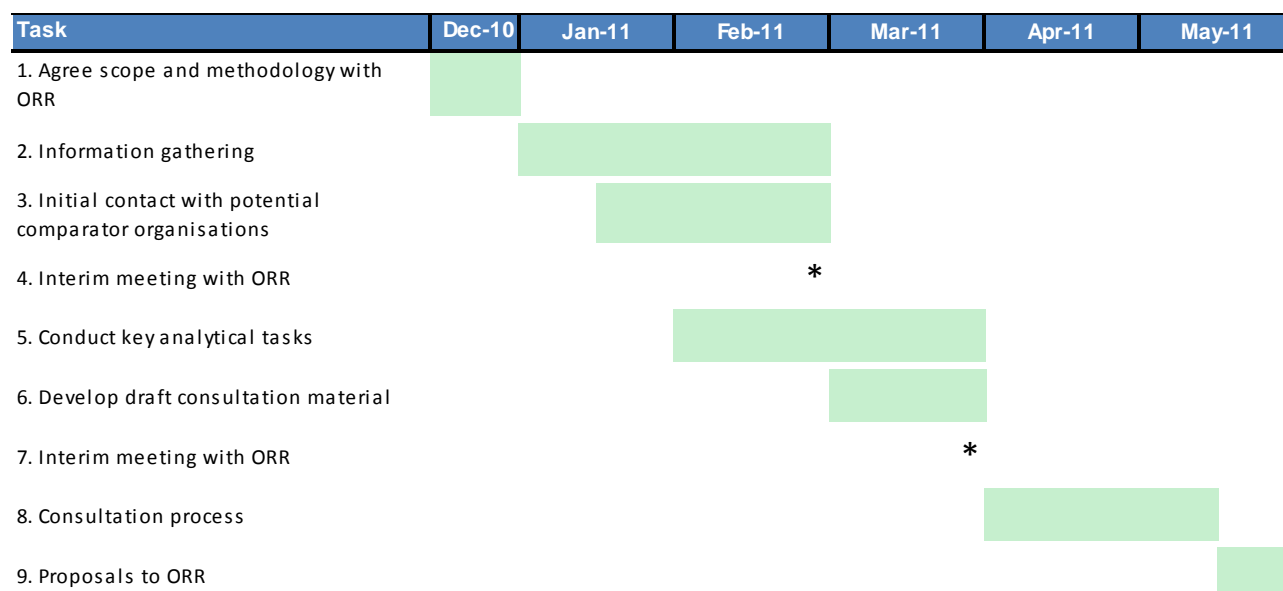
Following our discussions on this subject, this letter sets out the timescales for completion of the review. The following table outlines the key tasks, likely issues and activities associated with each task, and when the tasks will be completed. In practice a number of the tasks will be undertaken in parallel. The plan provides for some interim meetings with ORR to brief you on progress and align expectations, as well as a 4 week wider consultation period.

Task	Key issues / activities	Completed by...
1. Agree scope and methodology with ORR	<ul style="list-style-type: none">Exchange of lettersMeeting	End December 2010
2. Information gathering	<ul style="list-style-type: none">Collate information around 2010 steady-state budget, outline of approaches in other countries, regulatory / legal / contractual context, etc. Will draw on NR(CTRL) information and experience.	February 2011
3. Initial contact with potential comparator organisations	<ul style="list-style-type: none">Drawing on previous stage, HS1 benchmarking work that is commencing, and liaison with ORR / Network Rail about contacts established, approach relevant organisations with requests for information.	February 2011
4. Interim meeting with ORR	<ul style="list-style-type: none">Outline activities to-date, and synthesis of data collected.Set out proposed analytical approach to processing information	End February 2011
5. Conduct key analytical tasks	<ul style="list-style-type: none">Undertake according to methodology established in previous stage, collect any further data / information as required.Will include 'bottom-up' and 'top-down' analysis	March 2011

¹ <http://www.rail-reg.gov.uk/upload/pdf/hs1-regulation-orr-statement-301009.pdf>

Task	Key issues / activities	Completed by...
6. Develop draft consultation material	<ul style="list-style-type: none"> Draw out key messages from analysis and main propositions for consultation Finalise consultation list and arrangements (written / workshop / bilateral meetings etc as appropriate) 	March 2011
7. Interim meeting with ORR	<ul style="list-style-type: none"> Discuss and finalise the consultation material 	End March 2011
8. Consultation process	<ul style="list-style-type: none"> Engage with key stakeholders and get feedback 	Mid-May 2011
9. Proposals to ORR	<ul style="list-style-type: none"> Addressing all of the stakeholder comments, revise proposals It may be helpful to have a final meeting with ORR around the 'draft' proposals before submitting the final version 	May 2011

The sequencing of tasks is shown in the following diagram.



Please do not hesitate to contact me should you have any queries. I am happy for this letter to be published on your website.

Yours sincerely



Geoff Jones
Charging & Allocation Manager