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5 August 2009

Dear colleague

### **2008 periodic review – independent evaluation**

We are publishing today the report of the independent evaluation of the process and management of our 2008 periodic review.<sup>1</sup>

My board commissioned the evaluation following completion and publication of our determination of Network Rail's outputs and funding for 2009-14 (control period 4). We considered that it was essential to undertake a thorough independent evaluation of the periodic review process and management in order to learn lessons so that we all can improve the design and conduct of the 2013 periodic review.

The evaluation review group was chaired by John Nelson, chairman of First Class Partnerships and previously chief executive of British Rail's largest business, Network South East. The other members of the review group were Mike Toms and Peter Vass. Mike is chairman of Northern Ireland Electricity; he was previously group director, planning and regulatory affairs, at BAA. Peter is director of the Centre for the study of Regulated Industries (CRI) and senior lecturer in accounting and finance at the University of Bath. In addition, Chris Shapcott of the National Audit Office and Mark MacPherson of Audit Scotland assisted the review group.

John and his colleagues started their work in February 2009. Since then they have examined the way we conducted the periodic review and have engaged with many stakeholders. John and his colleagues had complete discretion in their work – in deciding what aspects of the periodic review to focus on, in engaging with stakeholders, and in forming their conclusions and recommendations. However, their remit did not include reviewing the final decisions that we took.

We are very grateful to John and his colleagues for their dedication to the evaluation and for the input from all those in the railway industry and the governments. The report reflects the thorough work carried out and contains a range of conclusions and recommendations.

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<sup>1</sup> The report is available on our website at <http://www.rail-reg.gov.uk/upload/pdf/PR08evaluation.pdf>.

These are principally for us to consider but there are recommendations that you and others will want to reflect on. As such, we would like the report to provide the basis for discussions across the industry, as you consider its conclusions and recommendations and reflect further on your own experiences of the 2008 periodic review and your plans and expectations for the next review.

We will review the report and publish our views on the conclusions and recommendations in October 2009.

One of the recommendations is that we should consider starting the next periodic review with an open consultation on the objectives for that review. We believe that there is merit in doing this well before we start the 2013 periodic review and so we intend to initiate such a consultation in October 2009.

If you have any thoughts on any aspect of the report that you would like us to take account of as we develop our response please send them to, or discuss with, Paul McMahon, deputy director, railway markets & economics (paul.mcmahon@orr.gsi.gov.uk, tel 020 7282 2095) by 25 September 2009.

Yours faithfully

A handwritten signature in blue ink that reads "Bill Emery". The signature is written in a cursive style with a small flourish at the end.

**Bill Emery**