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To: Industry Party

25 September 2008

Dear Mr Bell

High Speed 1 access charges – second stage prospective consultation

As you will be aware, high speed international passenger services commenced operation on the completed High Speed 1 railway on 14 November 2007. High speed domestic passenger services are expected to commence operation in December 2009. Prior to the opening of the railway, we wrote to the industry on proposals for access charging for HS1 which are designed to ensure the long term financial viability of the railway and a level playing field for all operators (the "first stage prospective consultation"). The greater part of the first stage prospective consultation was concerned with the level of the investment recovery component of the track access charge and the basis on which it would be applied.

As envisaged in the first stage prospective consultation, CTRL (UK) Limited and HS1 Limited are issuing this second stage *prospective* consultation which provides further detail of, and seeks comments from industry parties on, the prospective principles and levels of the remaining elements of the track access charging regime for HS1. It also sets out the revised proposals for the investment recovery charge following feedback from the first stage prospective consultation.

A third stage *prospective* consultation on other elements to be included in the Network Statement will be issued in autumn 2008. This third stage prospective consultation will be primarily concerned with the capacity allocation framework. In addition, HS1 Limited is evaluating appropriate OMRC efficiency targets. The detailed proposals on these targets will be consulted on in due course.

For managerial and administrative reasons and because the railway is maintained and operated as a single asset, LCR¹ is in the process of consolidating the concessions of Sections 1 and 2 of HS1 (which were constructed separately) into one LCR subsidiary, HS1 Limited. This should be completed by the end of 2008. When HS1 Limited is established as the single infrastructure manager of HS1, HS1 Limited will publish a Network Statement for the unified HS1 railway, informed by the three prospective consultations.

¹ The holding company of the LCR Group whose subsidiaries CTRL (UK) Limited and HS1 Limited are infrastructure managers of Sections 1 and 2 of HS1 respectively

CTRL (UK) Limited and HS1 Limited, (which are the current infrastructure managers of Sections 1 and 2 of HS1 respectively) nevertheless decided that it would be in the interests of both the HS1 railway and its future users if they issued jointly *prospective* statements of the levels and principles of access charging for HS1. This will allow future users of HS1 to begin to make planning and other strategic decisions based on the principles outlined in this statement.

Any application of such charges would be conditional on a wider restructuring of LCR's businesses including the consolidation of Sections 1 and 2 into HS1 Limited coming into effect. The restructuring of LCR and the consolidation of HS1 into HS1 Limited will require a number of third party consents and approvals. It should therefore be emphasised that both the level and basis of access charging being proposed for HS1 are prospective and conditional as well as being subject to consultation.

The Department for Transport (DfT) has initiated a consultation by the Secretary of State for Transport on a proposed access charging framework for HS1 which the Secretary of State is required to set under The Railways Infrastructure (Access & Management) Regulations 2005. The DfT's consultation letter concerning the proposed charging framework is enclosed for your attention. The prospective levels and principles for access charging for HS1 set out within the attached prospective consultation statement have been made in accordance with the DfT's consultation letter and the underlying Regulations. It should be noted that Government has signalled its intention to transfer to the Office of Rail Regulation (ORR) some of the regulatory functions in relation to HS1 which currently fall to the Secretary of State for Transport under the Railways Infrastructure Regulations.

We look forward to receiving your comments on the attached second stage prospective consultation document and would be grateful if you could respond by 30 November 2008 to Brian Blackwell, HS1 Business Planning Director, or Naina Mistry, Regulatory Affairs Manager at the following address:

High Speed 1
73 Collier Street
London
N1 9BE

or by e-mail to brian.blackwell@highspeed1.co.uk and naina.mistry@highspeed1.co.uk. The timetable and process for considering the responses received in the consultation are set out in the final section of the second stage prospective consultation document.

HS1 Limited and CTRL(UK) Limited will be holding a roadshow to outline the proposals in this second stage prospective consultation. The roadshow will be held at 10am on 30 October 2008 at the following location:

Meeting Room 1
British Library
96 Euston Road
London
NW1 2DB

Please respond by email to Julie Howton (julie.howton@highspeed1.co.uk), Team Administrator if you will be attending the roadshow.

Yours sincerely

A blue, handwritten signature that appears to be 'P.M. Chapman' written in a cursive style.

P.M. Chapman
Managing Director
CTRL (UK) Limited and HS1 Limited