

Geoff Jones
Charging and Allocation Manager
HS1 Limited
73 Collier Street
London
N1 9BE

Peter Swatridge
Network Rail
Kings Place
90 York Way
London
N1 9AG
T +44(0) 20 3356 9327

Thursday, 24 November 2011

Dear Geoff,

HS1 Limited Consultation on Discount Policy

Network Rail welcomes the opportunity to comment on HS1's consultation on the proposed discount policy for the investment recovery element of its access charges.

We consider that initiatives to improve capacity utilisation on the rail network are important and that infrastructure managers' charging frameworks, where appropriate, should be flexible and support this objective.

In our consideration of HS1's proposed discount policy, it is important to highlight that the nature of HS1's charging framework, specifically the investment recovery charge (IRC), is very different from Network Rail's.

The IRC element of HS1's charging framework is aimed at recovering part of the long run capital costs associated with building the HS1 infrastructure, and is based on usage. Network Rail's charges are aimed at recovering the 'day-to-day' costs of operating our network and maintaining its capability at the current level. Because of our charging approach, it would be more difficult for us to justify reductions in our charges since this could result in under-recovery of our costs.

We recognise that HS1's proposed IRC discount policy would provide it with commercial flexibility to improve network utilisation and manage volume risk, while at the same time seeking to provide assurances to existing and potential operators that discounts will be applied on a fair, transparent and non-discriminatory basis. We are assuming that it will be the principles of the various discount schemes on offer which HS1 will publish annually in its Network Statement, as opposed to the actual discounts (since this may be considered to be commercially sensitive information).



In conclusion we support HS1's proposed IRC discount policy, and consider that its implementation would represent a positive development for the industry.

Yours sincerely

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Swattridge', with a stylized, cursive script.

Peter Swattridge
Head of Regulatory Economics