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Mr Ron Henderson
Group Finance Director
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Dear Ron

Periodic Review 2008: Determination of Network Rail's outputs and funding for 2009-14 – Regulatory asset base and net debt assumptions

1. The 2008 periodic review (PR08) will determine Network Rail's regulated outputs, revenue requirement and access charges for control period 4 (CP4), which will run from 1 April 2009 to 31 March 2014. We published our final determination of Network Rail's outputs and funding for 2009-14 on 30 October 2008. Final levels of individual access charges and associated price lists will be approved by us in December 2008 following calculation by Network Rail.
2. The tables in the attached annex show our assumptions for the RAB and net debt in CP4 for England & Wales, Scotland and Great Britain. For CP5 the values of the RAB in the attached tables will be updated for actual expenditure in accordance with the policies detailed in our final determinations of Network Rail's outputs and funding for 2009-14, in particular the rules set out in chapter 15.
3. Copies of this document can be found in the ORR library and on the ORR website (www.rail-reg.gov.uk).

Yours sincerely

A handwritten signature in black ink that reads 'Carl Hetherington'.

Carl Hetherington



Table 1.A: Our determination of Network Rail's CP4 RAB (England and Wales)

£m (2006-07 prices)	2009-10	2010-11	2011-12	2012-13	2013-14	Total
1 April RAB	28,552	30,648	32,874	34,349	35,623	28,552
Renewals	2,383	2,060	1,812	1,651	1,567	9,473
Enhancements	1,370	1,857	1,399	1,381	1,215	7,222
Renewals & enhancements funded from ring fenced fund	(373)	(408)	(451)	(475)	(496)	(2,202)
Amortisation	(1,284)	(1,284)	(1,284)	(1,284)	(1,284)	(6,420)
31 March RAB	30,648	32,874	34,349	35,623	36,625	36,625

Table 1.B: Our determination of Network Rail's CP4 RAB (Scotland)

£m (2006-07 prices)	2009-10	2010-11	2011-12	2012-13	2013-14	Total
1 April RAB	3,256	3,513	3,709	3,833	3,839	3,256
Renewals	309	297	262	228	191	1,287
Enhancements	165	121	89	8	7	390
Renewals & enhancements funded from ring fenced fund	(43)	(48)	(53)	(57)	(60)	(260)
Amortisation	(174)	(174)	(174)	(174)	(174)	(870)
31 March RAB	3,513	3,709	3,833	3,839	3,803	3,803

Table 1.C: Our determination of Network Rail's CP4 RAB (Great Britain)

£m (2006-07 prices)	2009-10	2010-11	2011-12	2012-13	2013-14	Total
1 April RAB	31,808	34,161	36,583	38,182	39,462	31,808
Renewals	2,693	2,356	2,074	1,879	1,758	10,760
Enhancements	1,535	1,978	1,488	1,390	1,222	7,612
Renewals & enhancements funded from ring fenced fund	(416)	(455)	(504)	(531)	(556)	(2,462)
Amortisation	(1,458)	(1,458)	(1,458)	(1,458)	(1,458)	(7,290)
31 March RAB	34,161	36,583	38,182	39,462	40,428	40,428

Table 2.A: Our assumption of Network Rail's net debt in CP4 (England and Wales)

£m (2006-07 prices)	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Opening debt	19,149	21,444	24,017	25,814	27,441	19,149
Total income	(5,321)	(5,514)	(5,702)	(5,836)	(5,983)	(28,357)
Total expenditure (incl. Schedule 4/8)	6,546	6,845	6,135	5,987	5,761	31,274
Net interest costs	1,069	1,242	1,365	1,467	1,559	6,703
Tax	2	-	-	8	10	20
Total movement in net debt	2,295	2,572	1,797	1,627	1,348	9,640
Closing debt	21,444	24,017	25,814	27,441	28,789	28,789

Table 2.B: Our assumption of Network Rail's net debt in CP4 (Scotland)

£m (2006-07 prices)	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Opening debt	2,118	2,397	2,622	2,771	2,783	2,118
Total income	(599)	(624)	(642)	(655)	(665)	(3,185)
Total expenditure (incl. Schedule 4/8)	759	712	644	515	474	3,103
Net interest costs	119	137	147	152	151	706
Tax	0	0	0	0	(0)	1
Total movement in net debt	279	225	150	12	(39)	626
Closing debt	2,397	2,622	2,771	2,783	2,744	2,744

Table 2.C: Our assumption of Network Rail's net debt in CP4 (Great Britain)

£m (2006-07 prices)	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Opening debt	21,267	23,841	26,638	28,585	30,230	21,267
Total income	(5,921)	(6,138)	(6,345)	(6,491)	(6,647)	(31,542)
Total expenditure (incl. Schedule 4/8)	7,304	7,556	6,780	6,502	6,235	34,377
Net interest costs	1,188	1,379	1,512	1,619	1,711	7,410
Tax	2	0	-	14	10	26
Total movement in net debt	2,574	2,797	1,947	1,645	1,309	10,271
Closing debt	23,841	26,638	28,585	30,230	31,538	31,538

Note:

Network Rail is assessed for corporation tax on its whole network. Purely for regulatory purposes in order to provide separate revenue requirements for England and Wales and Scotland we notionally split corporation tax balances between England and Wales and Scotland and separately apply the corporation tax rules to them. This means that in some years the forecast corporation tax payments shown above for England and Wales and Scotland may not add up to the payment for the whole network.