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John Thomas  
Director of Competition and Regulatory  
Economics  
Office of Rail Regulation  
One Kemble Street  
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1 July 2008

Dear John

**Re: Review of possessions compensation regime for freight operators**

As chair of the Schedule 4 freight group established in January 2007 by the Industry Steering Group (economic and contractual framework) I am pleased to forward you a recommendation regarding proposed changes to the arrangements for compensating freight operators for the effects of disruptive possessions.

This work, carried out by freight operators and Network Rail with ORR as observer, complements the ISG recommendation paper from January 2008, which set out changes to the passenger regime and an outline of the ongoing work on the freight regime.

ISG considers that the principles of this freight proposal meet the objectives which you set out in your letter of 5 January 2007. Industry parties will, however, be making separate representations on two outstanding areas, the first relating to the overall estimated value of current compensation available for disruptive possessions, which will be used to calibrate the proposed new regime and the second to the de minimis level for any actuals-based claims in the new regime.

We intend to send you proposed legal drafting for the freight track access contract following a further industry meeting, although industry parties may need to comment further as part of ORR's formal consultation process in July. ISG believes that the redrafted Part G submitted to ORR on 7 March 2008 remains appropriate for all train operators.

I am copying this to the other members of the Industry Steering Group and the Schedule 4 freight group.

Yours sincerely

Ian Marlee

Head of Regulation and Contract Services