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Transport Committee

Rail infrastructure investment: Government and Office of Rail and Road Responses to the Committee's Fourth Report

Fourth Special Report of Session 2017–19

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Transport Committee

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Fourth Special Report

The Transport Committee published its Fourth Report of Session 2017–19, *Rail infrastructure investment*, as HC 582 on 28 June 2018. The Government and Office of Rail and Road responses were received on 5 September and are appended to this report.

Appendix 1: Government Response

Introduction

The Government welcomes the opportunity to respond to the Committee's findings on rail infrastructure investment. The Government is investing over £40bn in our rail network in the current period, including around £15bn on rail enhancements as part of the biggest rail modernisation programme for over a century to provide faster, more frequent, more reliable journeys and new direct services on more comfortable trains. The Statement of Funds Available (SoFA), announced last year, includes provision for significant increases in spending on maintenance and renewals. By focusing on these areas, we have sought to provide the industry with confidence in a sustainable forward work bank and, in doing so secure a more dependable railway for its users

The SoFA also provides substantial funding for rail enhancements to secure the best possible outcomes for passengers and freight users of the railway. The rapid delivery of benefits, whilst minimising disruption, will always be our priority when making investment decisions.

The Government is making a number of changes to the way that we approach rail investment for the next Control Period. The Rail Network Enhancements Pipeline (RNEP)[1] and Rail Market Led Proposals Guidance (MLPG)[2] , published in March set out guidance on this new approach and build on the strategic intent established in Connecting People: a Strategic Vision for Rail[3]. We welcome the positive response to these documents in the Committee's report. The RNEP establishes a new pipeline approach to rail enhancements, creating a rolling programme of investment, focused on the outcomes that deliver real benefits to passengers, freight users and the economy. Taken with the MLPG, which sets out the process by which Government will consider ideas from third party promoters and funders, we have provided a clear framework for how Government will improve the way we enhance our railway.

The Committee made a number of specific recommendations, the Government's responses to which are addressed below:

(1) **We recommend the Department vigorously encourage and support the testing of emerging train traction technologies on the UK railway. The Department should use innovation funding to do so. It should set out in response to this Report a clear plan to bring these emerging technologies to fruition. (Paragraph 43)**

1 https://www.gov.uk/government/publications/rail-network-enhancements-pipeline
2 https://www.gov.uk/government/publications/rail-market-led-proposals
3 https://www.gov.uk/government/publications/a-strategic-vision-for-rail

The Government is supporting and encouraging new traction technologies on the railway. The Rail Minister has set out his aspiration for no more diesel only trains by 2040 and challenged the Rail Delivery Group to report back to him in the autumn with a plan on how this could be achieved. An industry task force led by Malcolm Brown (former CEO, now Non-executive board member of Angel Trains) is taking this forward. The Department is already setting out new franchise requirements which will see proposals for the trialling of technologies and reduction of emissions on the Network. There are a number of funding sources for the trialling of new technologies, and we would welcome bids for the innovation funding the government has made available to support this.

The Government has already invested in new Bi-mode Intercity Express Trains operating on the Great Western Mainline, which bring modern traction technologies onto Britain's railways. We expect there to be an increase in the number of state of the art bi-mode (diesel with electric) trains operating on the network over the coming years. Bi-modes provide useful options for operators when developing their timetables and mean that we can provide passengers with quicker, more comfortable and reliable trains sooner and reduce disruption when compared to electrification. New bi-modes fitted with modern diesel engines, are less polluting than the trains they will replace and, as battery technologies improve, it is likely diesel engines may be replaced by electrical energy storage systems capable of providing power to the train between the electrified sections of the network.

(2) **We recommend that the Midland Mainline, Great Western Mainline and Lakes Line electrification schemes cancelled in July 2017 be recategorised as pending, and placed in the Rail Network Enhancements Pipeline (RNEP) for further development and design work. If new battery and hydrogen technology is proven, the Department and Network Rail should make a comparative cost/benefit analysis against any outstanding electrification projects in the pipeline. (Paragraph 45)**

The Government partially accepts this recommendation. Following the Hendy Review, we made clear that all schemes would be subject to on-going assessments of value for money and passenger benefits. If new battery and hydrogen technology is proven, the Department and Network Rail will make a comparative cost/benefit analysis against any outstanding electrification projects in the pipeline as part of that ongoing assessment. Rapid delivery of value for money passenger benefits, whilst minimising disruption and engineering work will always be our priority, and this will include a focus on using the best available technologies.

There is no "pending" categorisation in the RNEP. Schemes progress through the pipeline as they reach the appropriate levels of maturity and if they can continue to demonstrate a robust business case. In the case of the Midland Mainline, Great Western Mainline and Lakes Line electrification schemes, the passenger benefits are being provided through other means. We will continue to work closely with the rail industry to prioritise schemes that deliver the most benefits for passengers as quickly as possible.

(3) **Electrification should be delivered through a long-term rolling programme, in which the Department, Network Rail and the wider industry learn the lessons of earlier schemes and strive to reduce the costs. The Department**

and Network Rail should engage with the Railway Industry Association's Electrification Cost Challenge initiative, and together produce a report on cost effective electrification within 12 months. (Paragraph 45)

Government partially accepts this recommendation. In making decisions about whether an enhancement should progress through the pipeline we will consider whether it provides the best outcomes for passengers using the seven Principles for Investment set out in the RNEP (p.7). This means that Government will remain agnostic on how the outcome can best be achieved. The RNEP makes clear that all rail enhancements must be led by the needs that they are fulfilling rather than the methods by which they propose to fulfil them.

We do not, therefore, expect proposals for new enhancements to begin with a pre-defined solution or input, such as electrification, but rather to set out the case for making an intervention to support a desired outcome. The RNEP sets out a rolling programme of investment in rail enhancements, including relevant and value for money electrification schemes. This approach only commits to take a project forward to the next stage when we have an appropriate understanding of how much it will cost, how long it will take, and the benefits it will deliver. This will avoid the problems of the past, where funding was committed before schemes were fully developed.

We will continue to engage with the industry and RIA on initiatives that could reduce the cost of enhancing the railway and improve the outcomes for its users. We will work with RIA to produce a report as recommended and will revert to the Committee on the most appropriate timetable to deliver a meaningful report.

(4) **The Department and Network Rail must also demonstrate a greater willingness to engage with third-party proposals for alternatively-funded schemes; in particular, the existing third-party Midland Mainline electrification proposal should be fully considered as a direct alternative to the proposed bi-mode solution. (Paragraph 45)**

The Government accepts this recommendation. Both the Department for Transport and Network Rail have made clear that they are open to third party proposals for private sector funding of existing schemes or proposals for entirely new schemes.

The Government published the MLPG in March to signal how third party promoters could come forward with their plans for new schemes on the railway. Market-led proposals (MLPs) are a new way of facilitating third party involvement in rail infrastructure development. We recognise that central government is far from having a monopoly on good ideas, and wants to encourage and facilitate proposals which would not necessarily be identified through the existing rail industry long term planning process.

Separately, the government has launched a call for ideas, for proposals that are financially credible without government support giving third parties the opportunity to bring their ideas to us. Government is keen to encourage new partners for infrastructure development, design and delivery. Network Rail has also launched its Open for Business[4] initiative to make it easier for third parties to fund, finance or deliver work on the railway.

4 https://www.networkrail.co.uk/industry-commercial-partners/third-party-investors/network-rail-open-business/

Any proposals made to government or Network Rail about private sector solutions on the Midland Mainline that could provide benefits in addition to the passenger benefits that are being secured by the Government will be fully considered as part of these initiatives.

(5) **We accept that capital spending in one part of the network can deliver benefits much further afield. We urge the Government to consider how it can better demonstrate the distribution of benefits. The evidence from regional transport bodies, however, was clear: decision making processes and systems of scheme appraisal currently work against regions in need of regeneration, and they do not believe they are getting their fair share. (paragraph 64)**

Government welcome's the Committee's acknowledgment of the challenges inherent in making an assessment of regional benefit versus regional spend in transport and the rail system in particular. However, Government does not accept the suggestion that our scheme appraisal methods are not providing for a "fair share". The Department's appraisal methods are based on robust and evidence based processes that shows the value for money of different investment options. There are a number of aspects of our appraisal system which act against concentrating investment in areas of high economic performance. In particular, the Department makes widespread use of standard, national rates in valuing the benefits of investment.

Government considers that its appraisal approaches are able to accommodate the main sources of benefit from investment and do not work against regions in need of regeneration. In the cases where schemes result in structural economic change, our updated guidance gives greater scope for scheme promoters to better capture the potential of these schemes to transform a local economy. However, Government recognises that some impacts can be a challenge to evidence. To that end, the Department is consulting on priorities for developing its appraisal and modelling methods and is open to considering new evidence on the impact of investment on regional economies.

We recognise the challenge around rebalancing, and have made it a key priority in the Department's Transport Investment Strategy[5]. We have also launched a Rebalancing Toolkit[6], to ensure rebalancing impacts of proposals are considered more consistently in scheme strategic cases.

The National Infrastructure and Construction Pipeline 2017,[7] which was published by the Infrastructure and Projects Authority (IPA) in December 2017, included a regional breakdown, on a per-head basis, of the planned central government spending on transport infrastructure over the 4 years from 2017/18 to 2020/21. These figures show that the planned spending per head figure is within 33% of the national average for all nine English regions. Moreover, the overall figure for the three Northern regions (North West, North East, Yorkshire and Humber) is £1,039 per head, compared to £1,076 per head for the Middle regions (East of England, East Midlands and West Midlands) and £1,029 per head for the Southern regions (London, South East and South West).

5 https://www.gov.uk/government/publications/transport-investment-strategy
6 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/669043/supplementary-guidance-rebalancing-toolkit.pdf
7 https://www.gov.uk/government/publications/national-infrastructure-and-construction-pipeline-2017

The Department welcomes contributions from regional bodies to its economic appraisals to ensure that all relevant evidence and a full understanding of the strategic context is captured.

(6) **The Government must be more specific about the economic rebalancing effects it intends to achieve and how regions in need of regeneration can prove their cases and secure investment. People in regions like the North East and the South West, which have experienced relative under-investment in recent periods, must have a clear sense of what the Government is trying to achieve and be able to judge its success. We recommend the Department commit to reviewing the effectiveness of the toolkit in achieving the Government's rebalancing aims; it should undertake and publish every two years analysis of the difference use of the toolkit has made in the Government's regional transport investment decisions (paragraph 66)**

Government has been clear in the Industrial Strategy[8] that it aims to boost earnings power across the country, and the Department has made rebalancing a key priority in the Transport Investment Strategy. This strategy includes a principle that decisions should be made at the appropriate level of geography and should reflect local needs and priorities. The rebalancing toolkit which aims to help achieve this was launched in December 2017. The toolkit is open to review and comment, however, given the lag effect of its use in investment decisions, Government continues to consider when the appropriate time and approach to reviewing it and its effects.

(7) **We recommend that use of the toolkit be mandatory, and that information submitted using the toolkit in support of rebalancing cases for transport schemes be transparent and open to scrutiny. We are concerned that the toolkit's status as supplementary guidance will limit its effectiveness; we recommend the Department initiate discussions with HM Treasury about how economic rebalancing can be made an intrinsic consideration in transport scheme appraisals, putting it at the heart of investment decisions rather than being merely an add on. (Paragraph 66)**

Transport investment decisions are made in accordance with the standard Treasury 5-case business case model. This model is well understood and includes consideration of the strategic, economic, financial, commercial, and management cases. The rebalancing toolkit guidance is designed to help authors of strategic cases to set out the rebalancing impacts of proposed schemes. We would expect all business cases to have regard to it but it would be impractical to make its use mandatory. It will, however, ensure rebalancing is considered more consistently as part of the decision-making process. The Department will continue to discuss the effectiveness of this toolkit with HMT and other government departments as it continues to be used and lessons learnt.

(8) **We support the Railway Industry Association's call for the Department for Transport to bring together all the key stakeholders, including suppliers, Network Rail and the Office of Rail and Road, to evaluate the effects of the current system on the renewals spending profile. This process should identify**

8 https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future

and implement a mechanism by which investment can be smoothed out from the start of control period 6 in April 2019, throughout the period and beyond. (Paragraph 85)

Government accepts this recommendation. The SoFA committed £47.9bn of spending, including £34.7bn of direct grant, for rail infrastructure in Control Period 6. This included provision for a very large increase (of around 60% compared to Control Period 5) in renewals funding. We strongly support the work that the ORR is completing as part of the periodic review process to enable an appropriate profile for this spending across Control Period 6, to ensure that the supply chain is able to deliver our requirements in an efficient and effective manner. We welcome the engagement that takes place as part of this process. Government will also work closely with Network Rail and the supply chain in the coming months to establish an effective forward-look of the longer term renewals portfolio, ensuring that funding decisions are made in a manner which properly reflects the needs and capability of the supply chain.

(9) **We recommend the Department for Transport commit to the following actions to mitigate the risk of a severe slowdown in strategically necessary rail enhancements.**

The Government does not accept that there will be a slow down or interregnum in workflow during the next control period. The SoFA sets out a significant amount of funding for capital investment, including for the delivery and development of enhancements in the next Control Period. We consider that this provides a high degree of certainty for the rail supply chain and industry when compared to other industries, and we expect it to be able to adapt to the new approach as a result. Further, we expect Network Rail to manage its supply chain in a way that delivers a manageable and sustainable spending profile during the control period. We are committed to working with Network Rail and the industry to smooth the spend profile and ensure a sustainable flow of activity in future control periods.

It should:

- **before the end of 2018, supplement its framework for the Rail Network Enhancements Pipeline with a clear set of strategic priorities for rail infrastructure investment in each region;**

We have set out clearly in the RNEP the Secretary of State's priorities and principles for investment. While this has not been disaggregated to a regional level, we have been clear that we are seeking a balanced portfolio in terms of the types of enhancements and regional balance. By having priorities set at a national level, we believe that there is greater opportunity for strategically important schemes to be identified and progressed across the country. It is important that the Government continues to take a national view of priorities but will balance this view with regional strategic priorities. The new devolved arrangements the government has established will help inform this picture.

- **commit to full transparency of enhancement projects in each stage of the Rail Network Enhancements Pipeline;**

Government accepts this recommendation. We are committed to transparent policy making and intend to make clear public statements as we take investment decisions on enhancements at each stage of the pipeline. This means that there will be a clear picture of the schemes that are progressing and the benefits that Government is seeking. In addition, Network Rail will continue to provide updates on the progress of enhancements already in the portfolio, through the publication of the Enhancements Delivery Plan.[9]

- **before the end of 2018, supplement its guidance on market-led proposals with an outline of specific projects likely to be available for third-party investment, to meet the Government's strategic priorities in each region; and**

The Government welcomes the thrust of this recommendation but does not accept that supplementing the MLPG is the appropriate means of delivering it. By definition, MLPs need to be market-led. This applies not only to the development and delivery of the proposal but to the identification of the original opportunity. The objective of the call for ideas for market-led proposals that are financially credible without Government support is to provide a route for new and innovative ideas, and open up a new tier of investment.

Where third parties are interested in investing in already established projects then they should consult the relevant Network Rail Business Development Directors who can provide support and routes for investment. As part of its Open for Business initiative, Network Rail has begun publishing opportunities for third party involvement on each of its routes. Taken together we believe that these meet the intention of this recommendation.

- **in response to this Report, set out the steps it has taken, or will take, to ensure it has the capacity and capability to drive and manage the enhancements programme in a reasonably timely manner. In particular, we seek reassurance that the Department has sufficient, suitably qualified people and appropriate decision making structures in place to determine cost efficiency and value for money. (Paragraph 112)**

The Government is confident that it has the requisite skills to make investment decisions effectively and can continue to do so in a timely manner to manage its portfolio. We have taken significant steps to strengthen the way we manage and take forward investment decisions and manage the enhancement activity that they create. The Memorandum of Understanding between Department for Transport and Network Rail on Rail Enhancements[10] sets out the roles and responsibilities of each organisation in the delivery of enhancements. The RNEP, gives further details on the approach to rail enhancements. The Department is currently working with Network Rail to further improve the management of capital projects from inception to delivery and expects further improvements to result from this work. The Government will continue to call on additional expertise to support its in house capabilities and skills as appropriate.

(10) **We welcome the Department's engagement with third-parties in recent "Rail Investment Opportunity Days". We hope these were used as an opportunity to address potential investors' concerns about the MLP guidance and processes, including the approach to "ownership of proposals" and proposed tendering processes. In its response to this Report, the Department should update us on**

9 https://cdn.networkrail.co.uk/wp-content/uploads/2018/07/June-2018-EDP-update.pdf
10 https://www.gov.uk/government/publications/improving-the-delivery-of-railway-investments-mou-between-dft-and-network-rail

the outcome of these discussions and the steps it intends to take to reassure potential investors, including through changes to its recently published guidance. (Paragraph 113)

Government welcomes the Committee's support for our engagement on third party involvement in rail investment. The Rail Investment Opportunity Days were held In London in May and Birmingham in June 2018. These days were designed to provide information further to the market-led proposals guidance; facilitate networking between third parties; and open up a dialogue between promoters and the department. The department issued an open invitation to promoters wishing to meet to discuss market-led proposals further separate to the event. Uptake of this offer has been very positive, and officials have been able to meet a number of promoters who expressed an interest in this further discussion.

We are currently assessing the proposals that have been submitted in response to the "Call for Ideas" that was launched in March. Government will respond in the autumn. Currently there are no plans to make changes to the market-led proposals guidance, however at the end of the current "call for ideas" we will reassess the guidance in the light of any lessons learned from this initial process and make any necessary updates to the document then.

Appendix 2: Office of Rail and Road Response

I am responding to the Transport Select Committee's recommendations in your report, Rail Infrastructure Investment, published on 18 June 2018.

Recommendation 10

"A greater focus on maintenance and renewals in control period 6 is necessary and welcome, following the postponement of works during the current control period. It is vital that the increased volume of renewals is managed effectively from the outset, throughout the period and beyond. The historic stop/go nature of the renewals spending profile is widely acknowledged to be highly problematic for the supply chain, inhibiting confidence to invest in its workforce, skills and innovation. This issue is also critically important in driving increased efficiency in the railway industry, and addressing it should be a key objective of the Government and the regulator.

We support the Railway Industry Association's call for the Department for Transport to bring together all the key stakeholders, including suppliers, Network Rail and the Office of Rail and Road, to evaluate the effects of the current system on the renewals spending profile. This process should identify and implement a mechanism by which investment can be smoothed out from the start of control period 6 in April 2019, throughout the period and beyond. (Paragraph 85)"

ORR response

ORR agrees with the Committee that effectively managing the increased volume of renewals in Control Period 6 and addressing the stop/go nature of renewals spending profile are crucial in improving Network Rai's efficiency and is a critical issue for the supply chain.

We have set out proposals in our PR18 Draft Determination[11] to address the concerns heard by the Committee, including smoothing the profile of expenditure across CP6 and into CP7 and how we monitor Network Rail's efficient delivery of renewals.

In our Draft Determination, we said that Network Rail should:

> "Address concerns with the profile of expenditure so that there is a smoother profile of work within CP6 and an orderly transition into the following control period [CP7]. A smooth profile of work is likely to be more efficient and better for supply chain management"

We also identified an additional £1bn funding for work to improve the sustainability of assets. This work should be included in the route plans and provides the opportunity for Network Rail to smooth the profile of its expenditure across asset classes, as well as improving the overall sustainability of its assets.

ORR has also set out in the Draft Determination how we will monitor Network Rail's renewals delivery. We have published our first assessment of Network Rail's readiness for CP6, including leading indicators by route, in our Network Rail Monitor.[12] These indicators give the first forward look for how Network Rail is performing in ensuring efficient delivery of renewals. We will continue to monitor these aspects and will consider at an early stage the transition from CP6 to CP7 during the discussions for funding for the next Control Period.

ORR has consulted widely in the development of these plans including with the Rail Industry Association and other government and industry stakeholders. Our proposals are out for consultation ahead of our Final Determination and we will continue this engagement in order to ensure that Network Rail makes the best possible transition to the next Control Period.

ORR will also carry out a lessons learned review at the end of the Control Period process. We will engage with the industry, including the Railway Industry Association, as part of this review.

Recommendation 12

"The Department will need to take steps to ensure it has the capacity and capability to assume its strengthened role in the new [enhancements] process, which includes determining cost efficiency and value for money. The Minister's answers did not reassure us that the Department had yet taken these steps. Given the Office of Rail

11 Office of Rail and Road 2018 Periodic Review Draft Determination, June 2018, available at http://orr.gov.uk/rail/consultations/pr18-consultations/pr18-draft-determination

12 Office of Rail and Road, Network Rail Monitor Q3-4 2017-18, available at: http://orr.gov.uk/__data/assets/pdf_file/0020/28136/network-rail-monitor-2017-18-q3-4.pdf

and Road's broader responsibilities as economic regulator of the railway, we were surprised at how comfortable it appeared about stepping away from this role and the Department's preparedness to take it on.

We recommend the Office of Rail and Road set out in response to this Report the steps it has taken to assure itself that the Department has the capability and capacity to fulfil its responsibilities in relation to determining the cost efficiency and value for money of enhancements. We expect to return to look in more detail at the role of the Office of Rail and Road as the independent rail regulator, in the light of recent changes, later in this Parliament. (Paragraph 110)"

ORR response

ORR's role in the monitoring of enhancements delivery changed following the implementation of the recommendations of the Bowe Review into the planning of Network Rail's enhancements programme, 2014 to 2019 (November 2015) and the Public Accounts Committee report, Network Rail's 2014-19 investment programme (November 2015).

The Bowe review found that in the planning of CP5 enhancements there was a lack of clarity among and within the Department for Transport, Network Rail and ORR about the respective responsibilities. In implementation the recommendations, the Department and Network Rail strengthened day-to-day management of the process for planning and overseeing rail enhancements and the Department and ORR agreed a new approach to the regulatory treatment of DfT funded enhancements projects in England and Wales. This approach was set out in an exchange of letters between the Department and the ORR in December 2016 which is available on the ORR website.[13] This formed part of our initial consultation document which set out considerations for the treatment of enhancements in CP6.[14]

The letter from ORR noted that "it is a fundamental part of ORR's role to hold NR to account for the delivery of the regulatory outputs set in PR13." ORR continues to monitor delivery against the published delivery plan and report on progress. The progress reports are set out in the twice yearly Network Rail Monitor. This regular, public reporting helps protect the interests of Network Rail's customers and passengers who use the railway by providing public accountability on the delivery of projects and improvements in its capability. We also ensure NR's customers and stakeholders have the opportunity to comment on the impact of changes to Network Rail's plans. We provide guidance on the Investment Framework to inform third parties thinking of investing in the railway, approve template contracts and provide advice where required

13 Exchange of letters between Joanna Whittington, Chief Executive, ORR, and Bernadette Kelly, DG Rail, http://orr.gov.uk/about-orr/who-we-work-with/agency-agreements-and-mous

14 ORR, PR18 working paper 5: Options for the treatment of enhancements in PR18, 5 August 2016, http://orr.gov.uk/__data/assets/pdf_file/0004/21964/pr18-working-paper-5-options-for-the-funding-of-enhancements-in-control-period-6.pdf

The letter also set out how efficiency and affordability will be determined by the Department for Transport through a number of processes including:

- "the improved client and supplier relationship between DfT and NR covered by their specific enhancements MoU;
- the benefits from NR's cost planning improvement plan achieving improved consistency and capability in its cost estimating and risk evaluation;
- NR addressing the recommendations set out in the independent assurance report, published alongside the Hendy report;
- determining value for money through business case investment decisions;
- independent (external) challenge of NR's cost estimates on a case by case basis, which will be overseen by DfT, as was the case with Thameslink through its protocol arrangements, and could be procured either directly by DfT or by NR on DfT's behalf."

The Department in its response to this letter agreed to adopt this approach for determining the efficiency and affordability of enhancements in CP5. As part of determining our approach for CP6, we will be asking the Department how they have followed up on these actions.

The National Audit Office also has a role in scrutinising the value for money of enhancements projects and other issues across the industry. For example, they recently reporting on the value for money of the Thameslink Programme.

ORR role on enhancements in CP6

We have set out proposals for consultation on the ORR's role and responsibility for enhancements in CP6 to take account of the pipeline approach to commissioning enhancements programmes and projects adopted by both the Scottish and UK Governments.[15]

The consultation, published in June 2018, set out the objective of ORR's role to incentivise Network Rail to effectively deliver its obligations for the CP6 enhancements portfolio, and to support and challenge Network Rail in building its capability to specify and plan enhancements. ORR will continue to protect the interests of Network Rail's customers and rail passengers through monitoring Network Rail's delivery of enhancements and providing public accountability.

In the consultation, ORR proposed to support the DfT's client role by providing an understanding of Network Rail's broader capability to deliver across its business and taking steps to address capability issues. For enhancements funded by other governments or third party investment, our role will be dependent on their specific requirements. For example, we could provide advice on the efficient cost of delivery of a particular scheme.

15 ORR, Invitation to comment on roles and responsibilities for enhancements in CP6, 27 June 2018, http://orr.gov.uk/rail/economic-regulation/regulation-of-network-rail/price-controls/periodic-review- 2018/pr18-consultations/invitation-to-comment-on-roles-and-responsibilities-for-enhancements-in-cp6

Network Rail remains under obligation through Condition 1 of its Network Licence to operate, maintain, renew and enhance the network in accordance with best practice and a timely, efficient and economical manner to the greatest extent reasonably practicable. We will continue to take enforcement action under the licence where we consider that this is the most effective way of fulfilling our statutory duties to protect the interests of passengers and funders.

Yours sincerely,

Joanna Whittington
Chief Executive