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27 October 2010

Mr Peter Henderson
Acting Chief Executive
Network Rail Infrastructure Limited
Kings Place
90 York Way
London
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Dear Peter

Notice of proposed penalty for the breach of Network Rail's network licence in relation the introduction of the Integrated Train Planning System

I have today issued the enclosed notice stating that we propose to impose a £3m penalty on Network Rail for the recent breach of condition 1 of your network licence in respect of the implementation of the integrated train planning system. As the breach of condition 2 was a direct consequence of the original breach of condition 1, we have considered it as part of this penalty decision and do not intend to impose any further penalty in respect of the condition 2 breach.

Network Rail is called on to manage many complex activities and processes, and your customers rely on you to do this well. Timetabling is one such process vital to the operation of the network and for allowing passengers to plan their journeys. In this case, the problems arising following the introduction of ITPS had significant impacts on passenger, freight and not least on charter operators, for a prolonged period. Despite their best efforts, and those of your own staff, there was also an impact on some passengers and freight customers.

It is imperative that you are fully aware of, and are guided by, the interests of your customers in everything you do. This is not the first time that we have concluded that the needs of your customers have received insufficient emphasis in decisions made by the company. We recognise that you have made significant improvements in this respect following the lessons learned from problems with engineering projects at Portsmouth and then at various locations over Christmas 2007, but this failure shows that there is still some way to go to establish this as a priority consistently across your activities.

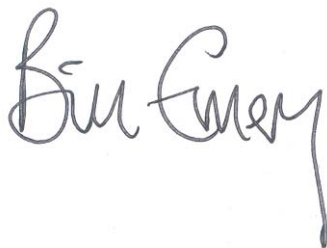


We appreciate that your decision to ring-fence the project internally was taken to minimise disruption to your customers, but the assessment that there would therefore be no impact on them was flawed. As a result, you did not consider the risks to their businesses adequately or communicate those risks to them, so they were not prepared for the scale of the impact. We welcome Robin Gisby's acknowledgement of this in his letter of 26 July setting out the lessons learned from this project.

We commend the early recognition of the seriousness of the situation and the efforts Network Rail staff at all levels put in to mitigating and rectifying the problems quickly, which meant that the impact on passengers was minimised. We also appreciated the open and helpful way key members of the project contributed to our investigation during that busy time. ITPS now appears to be working as intended and you are once more achieving the required informed traveller timescales. Following a visit to your train planning office, discussions with your colleagues and soundings taken from a number of train operators, we accept that you are no longer in breach of condition 2. However several TOCs report that there are residual problems with the timetabling process, particularly with changes to services made after the T-12 upload, and you need to prioritise work to resolve these as your planning teams become more familiar with the new system.

We expect you now to take forward the lessons you have learned from the ITPS project, building on your progress in putting your customers and rail users at the heart of your business.

Yours sincerely

A handwritten signature in black ink that reads "Bill Emery". The signature is written in a cursive style with a long, thin tail on the letter 'y'.

Bill Emery