

**John Larkinson**  
Chief Executive

**Bill Reeve**  
Director of Rail  
Transport Scotland  
[By email]

Dear Bill,

28 March 2019

### **Network Rail preparedness for Rail Control Period 6**

I write in response to your 30 January letter about Network Rail's preparations to deliver efficiently from the start of CP6.

As you are aware, because poor planning caused a number of the problems with Network Rail's renewals delivery and efficiency in CP5, we required Network Rail to demonstrate that it is better prepared to deliver efficiently from the start of CP6. There can be no let-up in the focus that Network Rail needs to put on delivering the efficiency improvements. Network Rail Scotland has received a 21% increase in funding for operating, maintaining and renewing the rail network in CP6 and this was based on firm commitments on improving efficiency.

In our November 2018 Network Rail Scotland Monitor we reported that Network Rail Scotland had made progress in its efficiency planning for CP6 compared to that point in the run up to CP5<sup>1</sup>. However, there were different levels of maturity and uncertainty about efficiency plans and a lack of clarity about how some of the most significant initiatives will generate genuine efficiencies that can be robustly measured.

We expected to see further continuous progress over the next few months and committed to report again by 31 March 2019. We have published our findings today. As set out in that letter, our follow up review has identified areas where improvements should be made to efficiency plans and related processes for monitoring delivery of these plans. In particular, Network Rail was unable to provide clearly documented planning of proposed efficiencies for several of the efficiency plans that we reviewed.

Our review did not find any material differences for Scotland, and England and Wales routes. We note that Network Rail's finance director meets with the Department for Transport, HM Treasury and UK Government Investments on a quarterly basis to discuss finance related matters including progress in delivering efficiency improvements. We suggest that this arrangement could be replicated with Transport Scotland to improve accountability to Scottish funders. Network Rail could also supply Transport Scotland with more financial information.

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<sup>1</sup> See [http://orr.gov.uk/data/assets/pdf\\_file/0010/39835/network-rail-monitor-2018-19-q1-2.pdf](http://orr.gov.uk/data/assets/pdf_file/0010/39835/network-rail-monitor-2018-19-q1-2.pdf).

We have required Network Rail to set out what it will do differently over the next few months and to put in place an action plan that will show how these improvements will be delivered. We will schedule a high-level meeting to review the plan and Network Rail will report on its progress to us. This will assist us in monitoring these improvements.

We will continue our work of reviewing Network Rail's preparations for CP6 over the next few months. We will cover routes' CP6 efficiency plans in our June quarterly route challenge meetings and will focus on how our specific concerns have been addressed. We will also follow up our recent work with an in depth review of the efficiency plans of one route over the next few weeks, followed by a series of in depth reviews of other routes in the autumn. Based on our recent discussions with Scotland route, we intend to review that route first. This work will focus on preparations and governance for delivering efficiently in the first two years of CP6.

We will report further on Network Rail Scotland's preparations to deliver efficiently from the start of CP6 in our July Network Rail Monitors. As we have discussed, efficiency improvements are fundamental and we will take licence enforcement action should this be required.

Yours sincerely,



**John Larkinson**  
Chief Executive