

John Larkinson
Chief Executive

Andrew Haines
Chief Executive
Network Rail Infrastructure Ltd
Waterloo Station General Offices
London SE1 8SW

3 April 2019

Dear Andrew

Apparent breach of condition 1 of Network Rail's network licence

- 1.1. Thank you for responding to the ORR's Provisional Order (28 November 2018) in respect of Network Rail's performance management capability, which you sent to us on 15 February 2019 and intend to publish on your website.
- 1.2. ORR supports Network Rail's action to lead the industry in delivering long-term sustainable operational performance improvement and the ORR has had positive engagement with Network Rail on this matter during the period of the order.
- 1.3. The report submitted is thorough and demonstrates strong intent to work collaboratively with industry stakeholders to improve performance. It identified several common underlying themes relating to both the decline in performance and the findings of the relevant reviews referenced in the Provisional Order. A high-level national programme of activity (including local action plans of routes/operators) was included to address the report's conclusions.
- 1.4. However, the report also acknowledged that the reasons for the progressive decline were not yet fully understood, which remains a significant concern. Therefore, ORR will be paying close attention to Network Rail's proposals to enhance its analytical tools and capability within the wider performance management framework.
- 1.5. ORR is content that the report satisfies the obligations of the Provisional Order and that Network Rail no longer appears to be contravening Condition 1

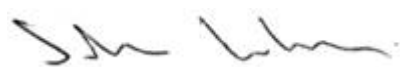
of its network licence (Network Management) in respect of performance management capability.

- 1.6. However, implementation of the report's findings and commitments are critical in securing the required improvement. Network Rail must follow through with the action set out in the report and demonstrate the effectiveness of such action. The ORR will be seeking assurance on this through its monitoring of delivery and will consider further intervention if it is not satisfied that sufficient progress has been made. As such, we require more detail on implementation milestones and governance arrangements.

Future liaison, monitoring and reporting

- 1.7. Network Rail should provide quarterly progress updates against the plans and commitments set out in its response (including Appendix 2) together with an updated programme of national and route activities.
- 1.8. The precise format, content and timing of these updates will be agreed between Network Rail and ORR but they should focus on how Network Rail is managing risks to implementation, including what mitigations have been put in place and what barriers have emerged (particularly where these are outside the direct control of Network Rail).
- 1.9. The updates must also provide ongoing assurance and evidence that the plans and actions are delivering improved performance management capability and contributing to improved operational performance across the network. This is important to demonstrate the effectiveness of any action Network Rail is taking.
- 1.10. In addition to these updates, ORR intends to validate progress through the routine monitoring arrangements that are being put in place for CP6.
- 1.11. If during the course of our monitoring it is evident that the proposed commitments are not progressing satisfactorily and train service performance is adversely impacted by Network Rail's performance management capability, ORR would likely investigate a new breach of Network Rail's network licence.
- 1.12. A copy of this letter will be published on our website.

Yours sincerely



John Larkinson
Chief Executive