



OFFICE OF RAIL AND ROAD

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27 July 2015

*Dear Mark,*

**CAPABILITY ASSURANCE: MAKING NR BETTER EVERY DAY**

Thank you for your letter received on 20 July. I welcome your positive response to the capability issues which we raised as part of our review of your draft 2015 business plan.

The next step is for you to produce a draft of the capability improvement plan so we can be certain it has the right scope in all areas. Your letter covers most of the right areas, but the plan will need to have the right level of granularity and clear milestones so that you will be able to tell whether your plan is on track, and having the affects you intended. I would also expect the plan to reflect what your customers say they need from the business, including from the individual routes.

I fully recognise that your plan will run beyond 2015-16. The issues you are tackling are substantial and will take time and sustained effort to complete. However, milestones for early improvements are also essential. I see this as a central part of your response to the challenges of delivering CP5, and Network Rail needs to ensure this work is adequately resourced.

I would like to see a draft of the plan at the end of August. I would also like to agree how this is reported publicly. My current plan is that our November Network Rail monitor will review progress. Our teams can discuss the specific arrangements on these points.

I am copying this letter to Philip Rutnam and Cavendish Elithorn at the DfT.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R-Price'.

**Richard Price**  
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Dear Richard

### **Making Network Rail Better Every Day**

When we met recently I updated you on progress that Network Rail is making with changes to enable delivery of both today's business scorecard and underlying business capabilities. I am writing to set out our proposed approach to documentation of these plans and the arrangements for transparent reporting of progress.

Devolution to empowered Route 'businesses' and alliancing with operators are still fundamental building blocks for our plans and these changes will be supported by an effective matrix organisation with a strong performance management framework and a rigorous approach to structured continuous improvement. We now have the executive team that I need to drive these changes and I am looking to make greater use of wider talent from across the business as well as attracting the sort of business leaders which are needed to run large Route businesses and major programmes of work. I highlighted the importance of these changes soon after my arrival at Network Rail and I remain confident that they will drive the best possible business performance and hence the best possible value for taxpayers and rail users. However, structural changes to a business are easy, process changes are more difficult and the required cultural changes are even more challenging (but essential) and require relentless pursuit. Recent challenges with train performance, with the delivery of electrification enhancement projects and with our business plan process have reinforced my view that all these changes are essential to achieve the required results.

Clarity about the changes which are needed is critical to Network Rail's success so we can be clear about accountabilities within the company and celebrate success as we make progress. As you would expect, our Board also expects us to be clear about these changes so it can be assured that the necessary changes are being implemented and are having the desired impact on business performance. Beyond this, we recognise that government needs to be assured that we have robust plans for delivering its requirements as shareholder and we have discussed their requirements. Also ORR will obviously need to be satisfied with our plans and the arrangements for monitoring in the context of our network licence requirements. Finally, we will clearly need support from ORR, government and the rest of the industry to make some of the required changes and to present a clear narrative to the public about the progress which is being achieved as well as the challenges which remain.

The report by Sir Peter Hendy on enhancements is due to make its recommendations in the Autumn and this will conclude at around the same time as the proposed updates to the rest of our business plan. I would therefore like to provide to ORR and government at around the same time a summary of the changes which we are making to enable delivery through improvements in the capability of the business. This summary capability improvement plan would include key milestones against which we would report and it would be aligned with our more detailed internal business milestones as part of our performance management framework. The scope of this plan would include existing capability commitments relating to asset management and system operator capability as established through the periodic review process. This plan would also incorporate the requirements of our data quality improvement plan which we have previously discussed with ORR. In addition, it would incorporate the enhancement improvement plan which is being developed by Network Rail with the support of Malcolm Brinded's Board subcommittee of which ORR and ShEx are attendees. I would also expect this plan to include milestones relating to the organisation and other changes which we are making to support devolution to the Routes as well plans for how we will know whether the required changes in culture are being achieved and for reporting on efficiency improvements.

As you know, I am passionate about these changes and what they can do to help the business to become better every day. I hope we can therefore agree an approach to develop these plans over the next few months so that we can collectively celebrate success in their delivery over the next few years.

I am copying this letter to Philip Rutnam at DfT.

Yours sincerely



PP Mark Carne  
Chief Executive

CC. Philip Rutnam