Samuel Fox
Head of Licensing & Network Code
Email: [redacted]

Company Secretary
Network Rail Infrastructure Limited
Waterloo General Office
London
SE1 8SW

5 November 2026

ORR consent under network licence Condition 18 (*Interests in railway vehicles*): West Midlands Integrated Railway

Decision

1. On 20 October 2026, Network Rail Infrastructure Limited ("Network Rail") applied to the Office of Rail and Road for consent, under Condition 18 of its network licence, to its proposed involvement in rolling stock arrangements under a new West Midlands Integrated Railway – an Integration Agreement between Network Rail, WM Trains Limited ("WM Trains") and Chiltern Rail Limited ("Chiltern"). The proposal is described in more detail in Network Rail's application, attached at Annex A.

2. We have considered the information supplied by Network Rail. For the purposes of Condition 18 of Network Rail's network licence, ORR consents to the licence holder entering into the arrangement, as proposed.

3. Network Rail is required to send to us a copy of the West Midlands Integrated Railway Agreement once it is effected.

Background

4. The purpose of Condition 18 is to prohibit the licence holder from becoming directly or indirectly involved in train operations without ORR's consent. This is to prevent 'vertically integrated' activities, which may cause anti-competitive concerns.

5. Network Rail has formerly referred to integrated railways as 'alliances'. This change in terminology does not alter either the legal or licensing framework nor that the arrangement remains subject to Condition 18 of its network licence and continues to require the Office of Rail and Road's consent.

6. The proposals would be expected to give rise to a management reporting structure whereby a Network Rail employee may become involved in managing WM Trains' and Chiltern's rolling stock, which would not be in accordance with Condition 18.1 of Network Rail's network licence. As a consequence, Network Rail applied for our consent under Condition 18, so that it may enter into the Integration Agreement and carry out such activities. Network Rail considers that doing so would be part of its transition into Great British Railways, which is expected to complete in 2027.

Reasons for decision

7. We are aware that the objective of Network Rail forming integrated railways with train operators is not to distort competition in train services through its potential involvement in train operations, but to deliver benefits for the parties involved as well as rail users and taxpayers.

8. We note Network Rail's statement that the proposed integrated railway would not be a separate legal entity and its confirmation that there would be no transfer of accountability from Network Rail to WM Trains and Chiltern or vice versa. The separation of infrastructure manager and train service operator would be maintained and we have no concerns that the proposed integrated railway would impact Network Rail's operation of its network.

9. Network Rail is satisfied that its System Operator capacity allocation activities will be separate from the activities of the integrated railway. The separation of activities will be defined in the Integration Agreement.

10. We have previously set out our position on alliances, our current policy statement being updated and published in 2020. We note that Network Rail would establish a new integrated railway that is in accordance with the key principles we set out in that policy statement.

11. We note Network Rail's confirmation that it has begun and will continue to engage with relevant stakeholders, and that it will put measures in place to ensure that the integrated railway does not give rise to any undue discrimination. We consider that doing so would be consistent with the requirements of Condition 20 of its network licence (*Non-discrimination*).

12. We also note that Network Rail has considered its obligations under Condition 16 (*Financial ring-fence*) of its network licence, which restricts Network Rail's engagement on activities that are not Permitted Business, as defined in its network licence. Network Rail anticipates that its activities under the proposed integrated railway would fall under Permitted Business and we note that the draft Integration Agreement sets out the expected activities of the three parties, with the activities specified for Network Rail being consistent with Permitted Business activities. If this were not so, or were to change, Network Rail would need to conduct any non-qualifying activity as a *De Minimis* activity, under Condition 16.1(b) of its network licence, otherwise it would need our specific consent to carry out any such activity.

13. We have considered the application and the information we have received from Network Rail, and have decided that, for the purposes of Condition 18 of its network licence, it is appropriate to grant consent to Network Rail entering into the arrangement, as proposed. Network Rail is required to send to us a copy of the West Midlands Integrated Railway Agreement once it is effected.

14. In reaching our decision we have considered our Railways Act 1993 section 4 duties, as appropriate, and have given particular weight to our duty to exercise our functions in a manner which we consider best calculated to "protect the interests of users of railway services".

15. The consent is effective immediately until 31 March 2029, or such longer period as we may specify in a notice given to Network Rail. We may at any time modify or revoke this consent after consulting Network Rail, if it appears to us to be requisite or expedient to do so, having regard to the duties imposed on us by section 4 of the Railways Act.

05/11/2026

X [redacted]

Samuel Fox
Head of Licensing & Network Code
Signed by: S-1-12-1-405678757-1091720026-1317419189-4257756544/fc9dd73c-58f2-4d98-bc23-b7ea8021450e

Duly authorised by the Office of Rail and Road

Annex A

Sam Fox
Head of Licensing and Network Code
Office of Rail and Road
25 Cabot Square
London

(Sent by email)

Network Rail Infrastructure Limited
The Quadrant
Elder Gate
Milton Keynes

Email: [redacted]

20 October 2026

Dear Sam,

Network Licence, Condition 18 (Interest in railway vehicles): West Midlands Integrated Railway

As part of the move towards greater integration between track and train, we intend to enter an Integration Agreement (formerly referred to as Alliance), with WM Trains Ltd ("WM Trains") and Chiltern Railways ("Chiltern"). The aim of this is to identify and implement ways to reduce net subsidy and deliver for all customers. As the Integration Agreement is not creating a legal entity, no accountability or formal decision-making responsibility is being transferred between Network Rail Infrastructure Limited ("Network Rail"), WM Trains and Chiltern. There will be no transfer of accountability for Network Rail's regulatory obligations, however the Integration Agreement will result in Network Rail employees having an interest in railway vehicles. We therefore request consent from ORR under Licence Condition 18 as set out later in this letter.

Background

The government has set out a vision to deliver a unified and simplified rail system that reduces fragmentation, places train operators under public ownership, and improves

services for passengers and freight users while delivering better value for money for taxpayers. The Passenger Railway Services (Public Ownership) Act 2024, is the start of a fundamental structural reform required to achieve the vision. The transfer of Operators into public ownership is an opportunity to enhance integration between track and train. The Secretary of State has set out integration as the first of five priorities and subsequently has endorsed an approach and plan for undertaking this. Deeper integration between track and train will accelerate integration benefit realisation while enabling early implementation of elements of GBR design ahead of legislation.

Integrated railways will not be legal entities. There will be no transfer of accountability between organisations entering Integration Agreements thus maintaining the separation of infrastructure manager and rail service operator. The Integration Agreements will create a platform from which integration plans can be developed. This is a similar approach to that taken in the 2012 South West Alliance, in Scotland since 2014 and that taken more recently to establish the South Eastern Railway, South Western Railway in 2025, and the Anglia Railway earlier this year.

Proposal

WM Trains became a wholly owned subsidiary of DfT Operator Limited ("DFTO") on 1 February 2026. Chiltern became a wholly owned subsidiary of DFTO on 20 September 2026. The majority of these services operate within Network Rail's Central route, and comprise around 75% of services on Central route.

Denise Wetton has been appointed as the GBR West Midlands Integrated Managing Director. A two phased approach to integration has been undertaken for the West Midlands Railway to reflect the staged transfer of WM Trains and Chiltern into public ownership and a desire to deliver a strong signal of change on the direction of reform for the sector.

'Phase One' took effect on the 1st July, with Denise seconded from Network Rail to WM Trains as Managing Director of WM Trains. As a secondee, we assessed that no consent was required under LC18. Following the transfer of Chiltern into DFTO 'Phase Two' will now see the establishment of the West Midlands Railway later this year including WM Trains, Chiltern and Network Rail Central route. This will also include the creation on an Integrated

Executive team reporting to Denise which is likely to be stood up in early 2027. At this point consent will be required as Denise will be responsible for making track and train decisions regarding the operation and maintenance of the infrastructure and train service delivery within the West Midlands Railway.

To maintain the requirements of safety certification and relevant statutory duties for both of the organisations the Integrated Managing Director will lead, Denise will be seconded to WM Trains but have a reporting relationship to both the DFTO CEO and Network Rail's Northwest and Central Regional Managing Director.

The activities of the integrated railway will be set out in the Integration Agreement which will be materially the same as the agreement for the Anglia Railway. We have included a draft version, and will share a final version (once signed) in parallel with the stand-up of the Integrated Leadership team. All colleagues working on the integrated railway will remain within the employment of their home organisation. The Integration Agreement will be capable of termination in accordance with the terms in the Integration Agreement.

The integrated railway will provide a structure in which employees of all organisations will be able to identify efficiencies and opportunities to reduce net industry subsidy. Examples include:

- Creation of more efficient maintenance and renewal possessions of the railway to reduce the cost of work and increase the amount of work undertaken.
- development of a joint procurement pipeline;
- an integrated approach to station development and asset management;
- expanding opportunities for a 'one team' approach in key operational disciplines such as on Managed Stations and in control centres;
- Joint communications to stakeholders and customers as 'one voice' of the railway; and
- Joint decision making approach from a one profit and loss perspective to make the best financial decisions for the whole railway.

The Integrated Managing Director will report into an Integrated Railway Board, which will set the direction of the integrated railway and be comprised of senior representatives from Network Rail and DFTO. The Board will integrate existing meetings where possible, which means there are no proposed changes to the existing interfaces with Network Rail and DFTO corporate governance frameworks, allowing existing organisational accountabilities to be maintained and assured.

The Board will make sure the parties conform with the Integration Agreement and the regulatory and statutory obligations of both Network Rail and DFTO, including Network Licence obligations. DfT will be attendees at the Board; as an independent party and to maintain oversight.

Please note that there are other considerations which are being dealt with outside of this letter; for example, Umar Ali from ORR will be engaged in discussions regarding safety as part of the planning for Phase Two integration due to go live in early 2027.

More broadly the Secretary of State has endorsed the proposed approach to integration and establishment of GBR, and we continue to engage with the Department for Transport on plans to mobilise the integrated railway.

Licence Condition 18 considerations

Licence Condition 18.1 states:

> *The licence holder shall not hold any direct or indirect interest in the ownership or operation of any railway vehicle in Great Britain, except where:*
>
> *(a) ORR has consented to the licence holder holding the interest;*
> *(b) the railway vehicle is used wholly or mainly for the Licensed Activities;*
> *or*
> *(c) the railway vehicle forms part of the Royal Train.*

Licence Condition 18.3 continues:

> *…the licence holder holds a direct interest in the ownership or operation of a railway vehicle where the licence holder has… the right to manage the affairs of another person who has any such interest in, or operates, any railway vehicle.*

Individuals in the integrated railway will be employed either by Network Rail, WM Trains or Chiltern. WM Trains and Chiltern employees will continue to be responsible for the day-to-day management of rolling stock. However, in this case the Integrated Managing Director will be a Network Rail employee, and there is the potential that other Network Rail employees (e.g. acting as a Chief Operating Officer reporting into the Integrated Managing Director) could line manage WM Trains or Chiltern employees (e.g. Head of Fleet) who manage rolling stock.

LC18 was not drafted with integrated railways in mind; its main purpose was to prevent vertical integration as stated in a letter from Rob Plaskitt dated 20 December 2012, "*the key purpose of condition 5 [now condition 18] is to prohibit the network licence holder from entering into arrangements that would constitute vertical integration with passenger train operators"*. In our view, the arrangement does not create a new vertically integrated operating company. The Integration Agreement is a contractual arrangement between Network Rail, WM Trains and Chiltern under which we have agreed to work together but remain separate companies.

We therefore request consent from ORR under LC18 to enter into the proposed arrangement to be valid until 31 March 2029.

Other Licence considerations

- ***Licence condition 16 - Financial ring-fence***

  LC16 restricts the activities Network Rail can spend its funding on. There is no plan to deviate from current spending plans and we anticipate all of Network Rail's activities will fall under Permitted Business. Should this not be the case, we will either account for the spend under 'De Minimis' or seek consent. Unlike the 2012 Wessex Alliance, there will be no 'risk and reward' arrangement. Furthermore, there will be no change to the way in which we prepare our financial accounts.

- ***Licence Condition 20 - Non-discrimination***

  LC20 is a requirement on Network Rail not to unduly discriminate, notably between freight and passenger operators. We intend to put in place measures to make sure there is no undue discrimination, and propose to keep ORR informed of actions to mitigate any risk. In particular, timetabling and capacity allocation will remain with the System Operator function within Network Rail, maintaining compliance with the Railways (Access, Management and Licensing of Railway Undertakings) Regulations.

We treat this obligation not to unduly discriminate very seriously and we are particularly focused on being able to maintain a consistent approach in all our dealings with our passenger and freight operating companies.

We have begun and will continue to engage with our stakeholders, including the West Midlands Rail Executive, as we develop the operating model for the West Midlands Railway. Discussions are taking place at Managing Director and Director level with these organisations to share plans as the details evolve, and to demonstrate to them how we will continue to act in accordance with the conditions in our Network Licence (e.g. the importance of segregated activities).

We are also satisfied that capacity allocation activities are separated from the activities of the integrated railway. While there is a degree of information gathering about capacity requirements within the route, Network Rail's capacity allocation activity is largely managed by the System Operator. This separation of activities is defined within the Integration Agreement.

The role of the Integrated Railway Board will be to hold the integrated railway to account regarding these points, particularly in relation to the interests of other operators and how the integrated railway interacts with them.

Conclusion

The proposed Integration Agreement is intended to identify opportunities to reduce net subsidy and deliver benefits to passengers. We note ORR's 'Alliancing: ORR policy statement', published in February 2020, and believe our proposals are in accordance with

this statement. We will put in place measures to make sure we continue to meet our regulatory obligations, including not unduly discriminating against operators outside the Integration Agreement.

In order to remain compliant, we request consent under Licence Condition 18.

Yours sincerely,

[redacted]

Head of Regulatory Compliance & Reporting

On behalf of Network Rail Infrastructure Limited