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20 September 2012

Company Secretary  
Network Rail Infrastructure Limited  
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### **ORR consent under network licence condition 5**

1. On 16 November 2011, ORR gave consent to Network Rail under condition 5.1 of its network licence, to an arrangement following its planned purchase of the rail division of Hydrex Equipment (UK) Limited (Hydrex). Hydrex was at risk of entering administration and subject to pre-packaged sale. The arrangement entailed Network Rail having an interest in the ownership of railway vehicles, through a new subsidiary, Network Rail (NDS-Plant) Limited (NRP), that would not be used in the operation of its network. This enabled NRP to meet a number of orders in the short-term.
2. On 15 February 2012, Network Rail wrote to us asking for the consent to be extended to 30 September 2012 and that NRP be permitted to make its equipment available to third parties, including London Underground Limited (LUL). We gave consent on 7 March 2012.
3. Network Rail wrote to us again on 20 September 2012 seeking a further extension to our consent, explaining that a sale transaction was not expected to be completed until mid-October 2012 at the earliest. There were no new issues arising for us to consider: Network Rail stated that it and its subsidiary NRP would continue to carry out only the existing activities as described in its previous requests and would not carry out any additional activities, nor extend its current interest in the ownership of road rail vehicles for use by third parties.
4. On the basis of Network Rail's letter dated 20 September 2012 and having had regard to our duties under section 4 of the Railways Act 1993, in particular our duty to protect the interests of users of railway services, we consent for the purposes of condition 5.1 of the network licence to Network Rail continuing to have interests in Hydrex, for which we have previously granted time-limited consents on 16 November 2011 and 7 March 2012, until such time as a sale transaction is completed.
5. We may, at any time modify or revoke this consent after consulting you 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.
6. This consent replaces the one dated 7 March 2012.



**Rob Plaskitt**

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INVESTOR IN PEOPLE



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20 September 2012

Dear Les

**ORR consent under network licence condition 5 in relation to Network Rail's purchase of Hydrex Equipment (UK) Limited**

On 16 November 2011, Network Rail sought ORR's consent under licence condition 5 for Network Rail and its subsidiary, Network Rail (NDS-Plant) Limited ("NRP") to be involved in the ownership of road rail vehicles ("RRVs") for use by third parties. This was in order to allow NRP to fulfil existing contractual obligations to supply third parties with RRV equipment as a result of Network Rail's acquisition of the RRV division of Hydrex Equipment (UK) Limited (in administration). ORR granted its consent on the same day. The consent was subsequently extended until 30 September 2012.

We have kept ORR informed about progress of the sale via email correspondence and at our regular Business Management meetings. We have now received an offer from our preferred bidders. However, the preferred bidders have indicated that they themselves are experiencing a delay in finalising the financial planning with their financiers and as such require additional time to complete the transaction.

Until such a time as the sale is complete, we will continue, as outlined in our previous correspondence, to run NRP as a going concern and to satisfy market demand for plant equipment. In practice, this means continuing with the activities as outlined in our previous letters of 16 November 2011 and 15 February 2012. We can confirm NRP will continue its involvement in these types of activities until the transaction completes, and will not carry out any additional or different activities.

As the sale transaction will now not be finalised until after this date, Network Rail and its subsidiary NRP will continue to be involved in the ownership of road rail vehicles for use by third parties past this date. We believe that it is therefore appropriate to seek an extension to the timescale associated with the March consent, until the transaction finally completes.

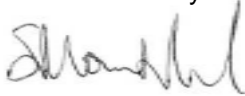


An indicative date of 14 October 2012 has been provided by the preferred bidder to complete the transaction. However, we feel that this date could be a little optimistic. We do not envisage encountering any further substantial delays; however, in order for us to complete the transaction with the best interests of both parties being taken into consideration, we request that the consent expiry date is tied to the completion date of the transaction. The imminent completion of the transaction remains one of our key priorities; however we believe that extending the consent until the transaction completion date is a safer option in case there are further delays in the sale process.

We therefore request that the consent is extended to allow Network Rail and its subsidiary NRP to be involved in the ownership of road rail vehicles for use by third parties post 30 September 2012 and until the transaction completion date. This is on the basis that Network Rail and its subsidiary NRP continue to carry out only the existing activities as described in our previous submissions, and will not carry out any additional activities nor extend its current interest in the ownership of road rail vehicles for use by third parties. We recognise that once the transaction completes, the consent will expire.

I am copying this letter to Patrick Butcher and Paul Plummer at Network Rail and to John Larkinson at ORR.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sarah Mountford', written in a cursive style.

**Sarah Mountford**  
**Senior Regulatory Specialist**