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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.

In our original application, we informed you that Network Rail would be seeking to divest of the acquired assets in the short to medium term and therefore requested a short term consent. The consent expires on 31 May 2012.

✂.

✂. NRP has recently received new service requests from third parties, including additional requests for plant provision from LUL and we believe that it would be inappropriate if Network Rail were not able to assist other infrastructure managers and railway contractors in their requests. In addition, NRP is currently the only UK supplier of particular RRVs (for example, Philmor R/R conversions of New Holland/Kobelco 200 Series hydraulic excavators) which LUL require for works on their network, so it would be extremely disruptive if NRP was prevented from making this equipment available to LUL.

Since the acquisition of the Rail Division of Hydrex, NRP has successfully fulfilled a large number of the existing orders which were in place at the time of acquisition, as well as continuing to support Network Rail's planned maintenance, renewals and enhancements works. Enabling Network Rail to fulfil its planned and emergency maintenance, renewal and enhancement works remains the top priority of NRP, so any additional third party requests would only be considered where resources are surplus to Network Rail's core business requirements.



The consent of 16 November only enables Network Rail and NRP to be involved in the ownership of railway vehicles not used in the operation of its network for the purposes of fulfilling existing orders that came to light as part of the acquisition process.

We believe that it is appropriate to seek an extension to the scope and timescales associated with the 16 November consent, ✂.

As outlined above, in order to continue to run the business as a going concern, we believe that it is necessary for NRP to be able to accept new service requests for the provision of RRVs and plant to third parties that are not immediately required for the purposes of operating and maintaining the network. We therefore request that the scope of 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 ✂.

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

Yours sincerely

Jonathan Haskins
Licence & Assurance Manager