



OFFICE OF RAIL REGULATION

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Iain Coucher
Chief Executive
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Dear Iain

Network Rail's plan for reviewing project delivery

On 27 June Simon Kirby, on your behalf, sent us your plan for reviewing and improving project delivery. This plan was required by the final order issued by ORR on 22 April, following our conclusion that Network Rail was in continuing breach of its network licence in that there were systemic weaknesses in its planning and execution of engineering projects requiring possessions of the railway. In his letter Simon confirms that "Network Rail believes that this plan represents a vital opportunity to drive through improvements in our approach to project delivery and to address the root causes behind the January 2008 engineering overruns and the incident at Shenfield following the Easter Bank Holiday."

Since receiving your plan we have scrutinised it carefully, we have taken into account the responses to your consultation, and (through the independent reporter) we have checked that you are making progress in key areas in accordance with the plan. On behalf of our Board I am now writing to confirm that we accept your plan as complying with the relevant requirements of the final order.

However the order also requires the plan to be fully implemented by 31 December, so that real benefits are being delivered to rail users through a significant reduction in disruption from overrunning engineering work. It is this outcome which is the critical objective for both of us, and in that context a key part of your plan is the commitment to develop and report against relevant KPIs including measures of train cancellations and delays due to engineering overruns.

It is clear that a great deal remains to be done to achieve full implementation. This is particularly so in those many areas where you are still at the 'discover' stage of the plan.



We fully support your objective of ensuring that your plans reflect best practice before you roll them out, but it is essential that this stage is completed in time for that roll-out to be properly managed and fully effective. We do accept that certain changes you may wish to make are unlikely to be achievable by 31 December, particularly where these have to be progressed through wider industry processes. But where change is within your own control and is necessary to remedy the weaknesses we have identified, I wish to emphasise the importance of completing this by the end of the year so that the licence breach is terminated. The report you are to send us at that point must set out why you consider that this has been achieved.

The adequacy of the specific changes you finally decide to make in these areas is also critical. As we cannot assess that at this stage, we will need to review these elements of your plan again as you define them clearly, to satisfy ourselves that they do indeed meet the overall aim and requirement of the final order in terms of implementation of the plan.

We therefore welcome and agree the need for regular dialogue between our organisations, including the independent reporter, between now and the end of the year to keep abreast of progress. In particular we will ask the reporter, at the end of October, to review your progress and to advise us whether he believes that you are on course to comply fully with the requirements of the final order by December 31. However the audit of your new arrangements, which the reporter is to undertake in the early part of 2009, will be the key test of compliance. At that point we will expect to find that the changes to which you have committed (other than those which we have agreed will need longer to implement) are fully operative and effective across all relevant project work.

I am copying this letter to Simon Kirby and Paul Plummer and a copy will be placed on our website.

Yours sincerely

Bill Emery