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Network Rail

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Summary

This note describes what Network Rail is, how it works, how it is funded, what it does and how it is regulated. It also sets out various proposals to reform Network Rail, including those put forward by the Hendy and Bowe reviews in 2015 and the Shaw Report, published alongside Budget 2016.

Network Rail is responsible for the operation, maintenance and improvement of railway infrastructure (i.e. the track, signals, bridges and stations) in England, Scotland and Wales. Its primary customers are the train and freight operating companies who run train services over the network. It was set up in 2002 as a company limited by guarantee, run on commercial lines but without shareholders, reinvesting profits in the railway. On 1 September 2014 the company became an arm's-length body of the Department for Transport.

The company has been under pressure for several years due to engineering overruns and concerns over its governance structure and accountability. In 2014 NR was reclassified as a central government body in the public sector; the main effects of this are that NR's debt (estimated to reach £50 billion by 2019) has moved onto the Government's balance sheet and the Government is able to exert more direct control over pay and strategy.

Following delays and cost overruns in its major enhancements programme in 2015 the Government ordered a number of reviews into how NR is run and how it should change in the future. Two of these – Hendy and Bowe – reported in late 2015 and focused on how the enhancements programme could be put back on track, how much it would cost to do so and how similar problems would be avoided in future.

The Shaw Report on NR, published in March 2016 recommended that NR's regulation be overhauled, that the company restructure and devolve its operations to better fit the political geography of the country and introduce more private finance into the network. The report's main recommendation for achieving this is to let out concessions or time-limited contracts to the private sector to operate individual routes. This would also have the benefit of moving costs off the Government's balance sheet. The Government has indicated it will respond fully to the report later in the year.

Information on other railway matters can be found on the Railways Topical Page of the Parliament website.

1. What is Network Rail?

1.1 Origins, 2001-02

Network Rail (NR) was established in 2002 as a company limited by guarantee (CLG), broadly as set out by the then Secretary of State for Transport, Stephen Byers, in his statement of October 2001.[1] The company took over the assets and liabilities of Railtrack plc and its role as network operator.

The company was 'not for profit', which did not mean it could not make a profit but that to do so was not its primary aim. Any operating surplus would be reinvested in the rail network. The Government would not be involved in NR's management strategy for delivering its outputs or in its day-to-day operations. Operational responsibility would lie with the company's own management team. They would decide how best to deliver the outputs set by the Government as well as other local-level decisions. It would also independently set pay and remuneration for senior executives.

The *Railways Act 1993* provided the legal framework for the privatisation of British Rail and the introduction of a new structure for the rail industry. The Act received Royal Assent in November 1993 and many of the principal changes were brought into effect on 1 April 1994.[2] A separate Government-owned company called Railtrack was set up to look after the track and was sold to the private sector in May 1996. Under Part IV of the *Transport Act 2000* the rail regulator (ORR)[3] was given more powers over Railtrack's investment plans and the Strategic Rail Authority (SRA) was set up. On 7 October 2001 the then Secretary of State for Transport, Stephen Byers, applied for Railtrack to be put into administration. It came out of administration on 3 October 2002 when NR took over many of its responsibilities.

NR was incorporated as a company on 22 March 2002. The bid of NR for Railtrack plc was announced on 25 March 2002.[4] Under the terms of the proposal, the then Labour Government (through the SRA) provided a £300 million subsidy to NR (this required approval from the European Commission). The Government justified the payment by saying that the proposal would take Railtrack out of administration months earlier than expected, saving the taxpayer £1 million per day.[5] NR agreed to pay £500 million to Railtrack Group, to be passed on to investors.

A sale and purchase agreement for the entire issued share capital was entered into on 27 June 2002. The completion of the sale was subject to conditions including the approval of Railtrack Group shareholders (agreed on 23 July 2002); approval of the European Commission for any

[1] HC Deb 15 October 2001, cc954-76
[2] for more information about rail privatisation, see HC Library briefing paper SN1157
[3] then the Office of Rail Regulation, now the Office of Rail and Road
[4] HC Deb 25 March 2002, cc582-595
[5] ibid.

state aid in the Government's support for NR (agreed on 17 July 2002);[6] and the discharge of the Railway Administration Order made in respect of Railtrack (achieved on 1 October 2002). Railtrack Group and NR also entered into an agreement on 27 June 2002 for the acquisition by NR of the right to operate, manage and maintain the Channel Tunnel Rail Link (HS1) and the concession to manage St. Pancras station.[7]

NR is not subject to the *Freedom of Information Act 2000*. The Government said it would rectify this in relation to NR's public functions after it was reclassified in the public sector in late 2014 (see below). This requires secondary legislation, which the Government said it would "be bringing forward at the next opportunity".[8] This has yet to happen.

1.2 Corporate governance

Following its reclassification in the public sector in September 2014 (see below), NR and the DfT agreed and published a Framework Agreement (FA), setting out how NR would be governed in the future.[9]

The FA stated that NR would retain the commercial and operational freedoms it had prior to September 2014 and its Board would be responsible to NR's Members, the Government and other stakeholders. Amongst other powers, the Secretary of State would be the 'Special Member', as that role is defined in the Articles of Association; appoint the Chair of NR and have the right to approve the Board's choice of Chief Executive; approve the triennial remuneration policy for executive directors and set pay for the Chair and non-executive directors; agree the Membership Policy and have the right to remove all of the Members.[10]

NR's Members held the Board to account for its management of the company: there were between 30 and 50 public Members.[11] However, on 25 June 2015 the Secretary of State announced that he was exercising his new powers to abolish the Members. He said that "the reclassification of Network Rail has changed the organisation's accountability".[12] This took effect from 1 July 2015, leaving the Special Member, the Secretary of State, the sole member of Network Rail Ltd.

1.3 Executive remuneration

In terms of executive remuneration, the Secretary of State sets pay for the Chair and the other non-executive Directors. The Framework Agreement provides that reward and incentivisation for executive Directors (including the Chief Executive) be set according to a three-year remuneration policy, developed by the Remuneration Committee and subject to approval by the Secretary of State.[13] NR's current Chief

[6] HL Deb 30 July 2002, 172WA
[7] for more detail, see the statement by the then Secretary of State, Alistair Darling: HC Deb 27 June 2002, cc971-989
[8] DfT/NR, *Network Rail Framework Agreement*, September 2014, p9
[9] ibid.
[10] ibid., p10
[11] information on NR's former public Members can be found on the archived NR website
[12] HC Deb 25 June 2015, c1068
[13] ibid., p20

Executive is Mark Carne, appointed in 2013. The current Chairman is Sir Peter Hendy, appointed in 2015.[14]

In a January 2014 letter to the Chairman of the Transport Select Committee, Louise Ellman, the Secretary of State for Transport, Patrick McLoughlin, said that with regard to general principles, it was "vitally important that Network Rail is able to secure the right talent and leadership to deliver for the country. At the same time, pay should be proportionate and closely related to performance".[15] The *Sunday Times* reported in September 2014 that the Treasury had instructed NR to "limit the number of staff who are paid more than the prime minister's £142,500 salary, and secure Treasury approval to pay anyone more than £220,000".[16]

There was also a question, post-reclassification, as to the extent to which the Secretary of State might intervene to stop or reduce bonuses paid to executive directors, in particular the Chief Executive, were there to be significant performance issues or missed targets. This followed a pointed example from 2007/08 when there was significant disruption to the rail network over the Christmas 2007 period. The Secretary of State at the time, Ruth Kelly, was pressed to intervene in NR's remuneration award and to prevent the then Chief Executive from claiming a bonus in light of those failures. She said:

> First, bonus setting is not for the Government; it is not my role as Secretary of State for Transport to set the bonuses of Network Rail's management. However, I sympathise with those who, understandably, feel angry about the delays and overruns in the Christmas and new year period.
>
> Secondly, bonuses are set by Network Rail's remuneration committee, which is chaired by an independent non-executive director and acts according to a management incentive plan that takes into account whether a licence has been breached or is likely to be breached in future.[17]

There were severe disruptions to services over Christmas 2014, leading to similar questions as to the award of bonuses. Mr McLoughlin said that that "Network Rail's bonuses should reflect what has happened", but made no further comment as to his role in setting or agreeing that bonus.[18] In the event, Mr Carne offered to take a significantly reduced bonus of around £34,000, or five per cent of his salary.[19] In June 2015 the Secretary of State said that none of Network Rail's executive directors would receive a bonus for financial year 2014/15.[20]

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[14] DfT press notice, "New Chair of Network Rail announced", 25 June 2015
[15] *Letter from Patrick McLoughlin to Louise Ellman*, 16 January 2014
[16] "Osborne puts straitjacket on rail bosses to curb runaway pay", *Sunday Times*, 7 September 2014
[17] HC Deb 8 January 2008, c172
[18] HC Deb 5 January 2015, c25
[19] "Mark Carne, Network Rail chief, will not take bonus", *The Daily Telegraph*, 30 December 2014
[20] HC Deb 25 June 2015, c1068

1.4 Calls for reform, 2008-12

By way of background, prior to the reclassification in 2014 there were calls for NR's corporate structure to be overhauled. These largely dated back to 2008; for example 'the People's Rail' campaign led by the Co-operative Party called for NR Members to elect a Members Council which would replace the role fulfilled by the Membership and questioned whether the system was open to cronyism and institutional inertia;[21] and the Transport Select Committee repeatedly questioned how NR was run.[22]

In August 2008 the Office of Rail and Road (ORR) published a report by KPMG on aspects of the governance arrangements at NR and options for change. The ORR said that, amongst other things, there was a 'lack of clarity' about the role of Members and their selection.[23] In March 2009 there were reports about the contents of a study conducted by PricewaterhouseCoopers on behalf of NR members, looking at the organisation's corporate governance. The *Financial Times* reported that according to PwC "understanding of the company's corporate governance arrangements is poor and that members are unsure of their role [and] decision-making could be more effective if the number of members were reduced…".[24]

In November 2009 NR announced a number of reforms as a result of its' Members' internal governance review.[25] However, one key change failed to garner enough support: a vote on reducing the number of Members over time was tied at 36 for and against. Consequently, NR chose to "leav[e] this proposal in abeyance for the time being".[26]

Following months of allegations in the press, in December 2010 NR agreed to an independent inquiry into accusations of financial impropriety at the company.[27] The report by Antony White QC, published in May 2011, found that the allegations were groundless.[28]

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[21] Co-operative Party, *The People's Rail: a mutually run, publicly accountable Network Rail*, July 2008, executive summary

[22] Transport Committee, *The future of the railway* (seventh report of session 2003-04), HC 145, 1 April 2004, para 59; and: Transport Committee, *Delivering a sustainable railway: a 30-year strategy for the railways?* (tenth report of session 2007-08), HC 219, 21 July 2008, paras 63-64 & 66

[23] ORR press notice, "ORR publishes report into aspects of Network Rail's governance", 8 August 2008; full report available on the archived ORR website

[24] "Network Rail too focused on watchdog targets, says study", *Financial Times*, 3 March 2009

[25] NR press notice, "Greater transparency and accountability: Network Rail evolves corporate governance", 18 November 2009

[26] ibid.

[27] for further information, see, e.g.: TSSA press notice, "Independent Inquiry agreed into alleged misuse of public funds at Network Rail", 22 December 2010; and: "Network Rail faces official inquiry into claims of exorbitant payoffs", *The Observer*, 31 October 2010

[28] NR press notice, "Network Rail welcomes publication of White report", 24 May 2011

2. How is Network Rail funded?

2.1 Reclassification and current arrangements, 2014-

NR is funded via revenue and debt issuance. Its revenue comes from three sources:

- Grants from the Department for Transport and Transport Scotland;
- Commercial property income; and
- Track access grants from its customers (train and freight operating companies).

In real terms, net government funding of NR has increased by £0.5 billion (12%) since 2013-14 but NR's total income has reduced by £0.5 billion.[29]

On 1 September 2014 NR became an arms-length body of the DfT. This came about following a decision by the Office for National Statistics (ONS) to reclassify NR for statistical reasons; it was not due to any changes in the circumstances or performance of NR.[30] It was not intended to change the rail industry's structure or to affect the day-to-day operations of the rail network. The ONS' decision had no effect on fares, performance, punctuality, safety and timetables.[31] ORR remained the economic and safety regulator for the railways.

Post-reclassification, future borrowing will be via a loan facility agreement from the Government. In evidence to the Transport Committee in June 2014 Mark Carne explained:

> In the past when we needed to raise money we went to the markets and raised money, with a Government guarantee to support the low interest rates that we were able to attract to raise that money. In the future it is very unlikely that we will do that. The Treasury will raise the money that we need. Why would they not? They have said, "No, we will raise the money that you need for investment in the railway." [32]

The reclassification moves NR's debt onto the Government balance sheet. ORR has forecast that the debt will increase from £31 billion in 2014 to £49.6 billion by the end of CP5 (2019). The interest payments will £1.4 billion in 2014/15 and are forecast to rise to £2.3 billion by 2018/19.[33]

As Mark Carne says above, as a consequence of reclassification, NR no longer issues bonds but instead borrows direct from Government via a £30.3 billion loan facility designed to cover its CP5 (2014-19) funding

[29] ORR, *GB rail industry financial information 2014-15*, 9 March 2016, para 2.16
[30] DfT, ONS decision on the classification of Network Rail, 17 December 2013
[31] the Government had said previously that it was 'relaxed' about this scenario, see: Transport Committee, *Evidence from the Secretary of State for Transport*, HC 359, 26 July 2010, Q18
[32] Transport Committee, *Investing in the railway* (seventh report of session 2014–15), (HC 257), 23 January 2015, para 81
[33] ibid., para 81; for the debt figures see: table 13.4, page 501 of the *ORR Final Determination for CP5*, October 2013

requirements. Existing UKRAIL bonds are unaffected by this change.[34] The loan agreement allows NR to borrow direct from the Government rather than the markets: it is intended that this will improve value for money for taxpayers by reducing the cost of borrowing.[35] The loan facility will be reviewed by 2017, and the question of how NR will be financed beyond 2019 will be determined as part of that review.[36]

By way of background, after NR took over the network from Railtrack it also received a loan from the Government via the SRA. In September 2004 the Labour Government laid minutes before Parliament about new contingent liabilities relating to Government support for NR's Debt Issuance Programme (DIP). The key element of this support was the Financial Indemnity (FI) provided by the SRA benefiting all debt issued under the DIP. The FI came into effect on 29 October 2004. In June 2005 a transfer scheme made by the Secretary of State under the *Railways Act 2005* came into effect, transferring the SRA's rights and liabilities under the FI, and its other support for NR borrowing, to the Secretary of State.[37]

In July 2006 it was reported that NR was planning to raise funds independently through bank debt or bonds, eliminating its need for government subsidy.[38] In April 2007 NR announced that it was launching an index-linked bond programme,[39] which by 3 May had raised £1 billion.[40] In June 2008 it was reported that NR planned to raise a further £10 billion from 2009.[41] However, in February 2009 it was reported that NR had decided to delay its plans following a poorer-than-expected credit rating and a "tight funding settlement" from the Regulator.[42] In total, the NR Debt Issuance Programme was comprised of the following:

- £40 billion Multicurrency Note (MCN) programme
- £4 billion Euro and US Commercial Paper programmes

2.2 McNulty Rail Value for Money Study, 2011

In the context of anticipated cuts to the Department for Transport's budget (irrespective of the outcome of the coming General Election), the then Secretary of State for Transport, Lord Adonis, announced in

[34] NR, Our governance structure [accessed 15 March 2016]
[35] DfT, *Network Rail loan agreement*, September 2014
[36] *Government and the Office of Rail Regulation Responses to the Committee's Seventh Report of Session 2014–15* (eleventh special report of session 2014–15), HC 1118, 20 March 2015, p14
[37] DfT, *Departmental minute: Government support for Network Rail borrowing annual update,* 5 July 2006, paras 2 and 3; the Government laid a new minute in July 2010, see: DfT, *Departmental minute: Government support for Network Rail's borrowing*, 2 July 2010
[38] "Network Rail ends reliance on state funding", *Financial Times*, 31 July 2006
[39] NR press notice, "Network Rail launches index-linked bond programme", 25 April 2007
[40] "Network Rail raises £1bn in bond sale", *Financial Times*, 3 May 2007
[41] "Network Rail to ease ties to Government by raising £10bn on the capital markets", *The Times*, 7 June 2008
[42] "Network Rail delays debt plan", *Financial Times*, 6 February 2009

December 2009 that he had asked Sir Roy McNulty[43] to undertake a review of value for money in the UK rail industry.[44] Sir Roy published his final report in May 2011. He found that there had been a net increase of £1.7 billion in Government subsidy between 1996/97 and 2009/10. Since 1996/97 one of the principal drivers had been an increase in NR's net revenue requirement of £2.7 billion. Overall, net Governmental support for the rail industry peaked in 2006/07 at £6.8 billion, 49 per cent of the combined total of Government support and (passenger and freight) revenue. Over recent years, net Government support had fallen, although it was still significant at £4.6 billion, 37 per cent of the combined total.[45]

Sir Roy went on to explain how NR's Regulatory Asset Base (RAB) works:

> Total industry cash expenditure does not however feed directly into Government subsidy requirements due in particular to the way NR is financed. NR is funded through a conventional regulatory approach (the "building block" approach) where renewals and enhancement expenditure is mostly capitalised and added to the Regulatory Asset Base (RAB). This is paid for through an amortisation allowance and an allowed return on the RAB.
>
> These mechanisms allow NR to finance its debt and the renewal of its infrastructure assets. Funding of capital expenditure in the current year is spread over future years, ensuring that future users of the railway pay for infrastructure improvements from which they are benefiting. NR's revenue requirement is the total of operating and maintenance expenditure, amortisation and return on the RAB.[46]

He stated that NR's expenditure had been higher than its revenue requirement for most of the post-privatisation period. The particularly high level of expenditure since 2000/01, principally addressing the renewals backlog, translated into significant increases in the RAB, with the RAB standing at £35.7 billion at March 2010, an increase of £29 billion since 2001/02. He concluded that the increasing level of NR's RAB, and the debt underpinning it, resulted in a significant base cost for the rail network going forward.[47]

Sir Roy made a number of recommendations relating to how NR could bring down its costs and manage and maintain the infrastructure more efficiently.[48]

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[43] the former Chairman of the Civil Aviation Authority
[44] the Terms of Reference are available to view on the DfT Archive website
[45] DfT/ORR, *Realising the Potential of GB Rail: Final Independent Report of the Rail Value for Money Study*, May 2011, section 3.4.1
[46] ibid., section 3.4.2
[47] ibid., section 3.4.2
[48] ibid., section 15.7

3. What does Network Rail do?

NR is responsible for the railway infrastructure (i.e. the track, signals, bridges and stations). Its main customers are the train and freight operating companies who run train services over the network. NR's role includes:

- operating the network;
- managing performance;
- directing service recovery;
- setting timetables;
- allocating capacity;
- leading industry planning; and
- maintaining, renewing and developing the network.

NR owns all the railway stations in Great Britain but, with the exception of the 18 major stations which it runs (10 of which are the big London terminals), they are leased to the train operating company (TOC) which is the main user of that station.

Although Network Rail assumed a number of responsibilities from Railtrack when it took over the rail infrastructure in 2002; it acquired a range of other responsibilities as a consequence of Labour's 2004 rail White Paper, consequently legislated for in the *Railways Act 2005*.

The post-privatisation maintenance regime saw responsibility for asset stewardship transferred to infrastructure maintenance companies. About £5 billion of NR's £6 billion annual cost base was spent on external contractors. NR carried out a full review of how railway maintenance was carried out and announced in October 2003 that it would take direct control throughout the country.[49] Under the New Maintenance Programme (NMP) NR determines what work is to be done, when it is to be done and carries out inspections to ensure that it has been completed to a high standard. Renewals work remains with the private sector. Responsibility for major improvements moved from Railtrack to the SRA and consequently to the DfT. A further reorganisation of maintenance work was carried out in early 2010, despite concerns from the Regulator and rail unions.[50] NR's maintenance monopoly on the rail network came to an end when the Channel Tunnel Rail Link (HS1) was let to the private sector in November 2010.[51]

The 2004 White Paper announced that NR would be given new powers over timetabling and industry co-ordination. It would also be the body held accountable for the sector's punctuality and cost control. NR is therefore accountable under regulatory and contractual arrangements for the operational management of the network, and for co-ordinating the industry's planning. In addition to retaining its core responsibilities

[49] full details of the NMP are given in section 4 of the *2003 Technical Plan*, pp14-15
[50] "Network Rail shake-up 'could put passengers at risk'", *The Times*, 4 March 2010
[51] DfT press notice, "UK Government sells right to operate its first High Speed Railway for £2.1bn", 5 November 2010

for operating, maintaining and renewing a safe national rail network, from 4 April 2005 NR also took on responsibility for:

- drawing up route utilisation strategies (RUS) for agreement by government that make best use of the network's capacity;
- devising efficient and clear timetables based on those route strategies, and input from train companies;
- directing network operations, and getting services back on track following incidents and delays;
- driving up the operational performance of the network;
- devising and delivering infrastructure maintenance and renewals, as well as delivering enhancements to the network as appropriate; and
- accounting publicly for performance.[52]

The Government also said that it would not be involved in NR's management strategy for delivering the specified outputs or in its day-to-day operations. Operational responsibility lies with the company's own management team. They decide how best to deliver the outputs set by the Government, such as where track needs replacing, and where to target their efforts on strengthening embankments or maintaining signalling systems, as well as on other local-level decisions. Where proposed changes fall outside the Government's output specifications, or where a case has to be made for additional enhancement funding, the Government's approval is required. Other service changes do not normally require Government sign-off. NR is free to deploy any profits that it earns as it sees fit in improving the network, which may include sponsorship of enhancement schemes. The reclassification (see above) did not change this.

52 HC Deb 9 March 2005, c110WS; and: ORR, *Notice of proposed modifications to network rail's network licence: industry performance and planning and route utilisation strategies*, April 2005

4. How is Network Rail regulated?

The Office of Rail and Road (ORR) has a range of statutory powers to set the contractual and financial framework within which NR operates the network, ensuring that the company carries out its activities efficiently and well, and that it is appropriately funded. The level of income required by NR is regulated by the ORR via a process of quinquennial periodic reviews and, where appropriate, interim reviews.

4.1 Network Licence

ORR regulates NR under its Network Licence. There are six parts to the licence, covering different areas of operation: network management and timetabling; restrictions on activities; dealings with third parties; information requirements; corporate matters; and standard industry obligations.

As far as passengers are concerned, Part A (network management and timetabling) is probably the most relevant and important. Under Part A (Condition 1), NR's network management obligations are to secure:

> (a) the operation and maintenance of the network;
>
> (b) the renewal and replacement of the network; and
>
> (c) the improvement, enhancement and development of the network,
>
> in each case in accordance with best practice and in a timely, efficient and economical manner so as to satisfy the reasonable requirements of persons providing services relating to railways and funders, including potential providers or potential funders, in respect of:
>
> (i) the quality and capability of the network; and
>
> (ii) the facilitation of railway service performance in respect of services for the carriage of passengers and goods by railway operating on the network.[53]

NR has a general duty to achieve the purpose set out above to the greatest extent reasonably practicable having regard to all relevant circumstances including its ability to finance its licensed activities. There are further, specific obligations in Condition 1 for NR to:

- consult with a view to planning the means by which it will comply with the general duty;
- prepare and provide to ORR plans, strategies or other documents demonstrating its compliance and proposed compliance with the general duty (including a delivery plan and route utilisation strategies);
- co-operate with any potential provider or potential funder so as to identify ways in which its reasonable requirements in respect of the allocation of capacity on the network could be satisfied; and

[53] ORR, *Network Licence granted to Network Rail Infrastructure Limited (As at 1 April 2014)*, p5

- develop the policies and criteria it will apply in respect of the maintenance, renewal, replacement, improvement, enhancement and development of relevant assets.[54]

Specifically on timetable planning, Condition 1 requires NR to

> run an efficient and effective process, reflecting best practice, for establishing a timetable, and any changes to it; and
>
> (b) where necessary and appropriate, initiate changes to relevant industry processes,
>
> so as to enable persons providing railway services and other relevant persons to plan their businesses with a reasonable degree of assurance and to meet their obligations to railway users.[55]

Fines

The ORR can fine NR for any breaches of its licence. To date there have been 21 breaches of its licence by NR (not including earlier breaches incurred by Railtrack). The amount of fines imposed for these breaches totals approximately £74.75 million.[56] By far the largest of these was issued in July 2014 when NR was ordered to return £53.1 million to funders (i.e. train operating companies) for failure to deliver its agreed obligations in 2013-14.[57] Prior to this the largest penalty had been for £14 million in 2008 for the "systemic weaknesses in Network Rail's planning and execution of engineering work, which represent a serious continuing breach of its licence", exposed during Christmas 2007/New Year 2008.[58]

In recent years there has been some attempt to tackle criticisms that fines levelled on NR did not have any practical benefits for passengers – as the money went to the Treasury and disappeared into the Consolidated Fund. For example, following the £53.1 million fine in 2014 the DfT announced that the money would be invested in fitting out trains with new wi-fi equipment, specifically on routes into London from Bedford, Brighton, Kent and Portsmouth as well as services into Manchester, Leeds and Sheffield.[59]

Subsequently, in December 2015 the ORR announced that instead of accepting the £2 million fine levelled on it in August 2015 for failing to deliver reliability and punctuality requirements on Thameslink and Southern train routes in 2014-15 NR had agreed to set up a new £4.1 million 'Rail Reparation Fund' to directly benefit passengers affected by poor performance on those routes. This fund would be used to pay for more station staff; employ more track workers to provide rapid response during disruptions; and introduce incident management software to help quickly resolve issues that occur on the South East route.[60]

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[54] ibid., pp5-9
[55] ibid., p9
[56] ORR, Licence enforcement action taken by us to date [accessed 15 March 2016]; note £2 million of this was doubled and invested in a specific fund, see below
[57] ORR Breach Letter to Network Rail, 7 July 2014
[58] ORR press notice, "ORR confirms £14m penalty for Network Rail", 9 May 2008
[59] DfT press notice, "Plans unveiled to boost wi-fi on trains", 7 July 2014
[60] ORR press notice, "ORR and Network Rail agree new £4.1m 'Rail Reparation Fund' to directly benefit passengers", 1 December 2015

4.2 Quinquennial Periodic Review

The rail industry Periodic Review takes place every five years. Central to the review is ORR's assessment of what NR must achieve, the money it needs to do so, and the incentives needed to encourage delivery and outperformance. The review also looks at how NR should work more closely with train operators, suppliers and others to reduce costs and deliver more for customers. ORR's objective for the review is as follows:

> To protect the interests of customers and taxpayers by ensuring our determination enables Network Rail and its industry partners to deliver or exceed all the specified outcome and output requirements safely and sustainably, at the most efficient levels possible comparable with the best railways in the world by the end of the control period.[61]

Each review covers what is called in rail industry planning a 'control period'. We are currently in the middle of Control Period 5 (CP5), which runs from 2014 to 2019. The outputs and the funding that NR must deliver over this period were set during the Periodic Review 2013 (PR13).

ORR started the periodic review for CP5 in 2011. The Government published its High Level Operating Statement (HLOS) and Statement of Funds Available (SoFA) in July 2012; these set out the major projects it wished NR to deliver in CP5 and the funding it was prepared to offer to pay for it. This included already committed projects (i.e. that had previously been announced and were in some cases already underway) such as Crossrail, Thameslink, major stations upgrades at Reading and Birmingham New Street, electrification schemes and elements of the 'Northern Hub'. It also included new schemes such as an 'electric spine' on parts of the Brighton Main Line, the Midland Main Line and East-West Rail and electrification of the Welsh Valleys line and the Great Western Main Line in the Thames Valley. The SoFA for CP5 was £16.8 billion.[62]

ORR published a draft determination for consultation in June 2013 and its final determination in October 2013. Its main decisions were as follows:

> delivering what matters to passengers – nine out of ten regional, Scottish, Southeast and London trains to run on time, with fewer serious delays and cancellations on mainline long distance services;
>
> reducing engineering works disruption to passenger trains by 8% and freight trains by 17%;
>
> running the network for £38bn from 2014-19;
>
> reduced day-to-day costs by £1.7bn less than Network Rail said it would cost;
>
> asking Network Rail to deliver efficiencies of nearly 20% compared to the end of CP4;
>
> investing over £12bn on improving the network and its facilities;

[61] ORR, *Periodic review 2013 (PR13) guide* [accessed 15 March 2016]
[62] DfT, *High level output specification 2012*, 16 July 2012; NOTE it does not include HS2

> investing over £21bn on day-to-day network running, including £17bn on maintenance and renewal of track and equipment (over £5bn on maintenance and over £12bn on renewals); and
>
> maintaining high safety standards, including investing £250m to improve worker safety and £109mn on improving safety at level crossings.[63]

In terms of **value for money** ORR stated that NR was unlikely to make its efficiency target of 23.5 per cent by the end of CP4 (31 March 2014), and asked it to make total efficiencies of nearly 20 per cent in CP5 compared to the end of CP4. ORR also indicated that further savings of £1.7 billion could be made on running costs for the railways over CP5. ORR indicated that it would look closely at how NR continues to devolve its business to route level;[64] check that it spends money efficiently (i.e. that efficiencies are genuine rather than just deferred spend); require NR to be more open about how taxpayers' money is spent and what it achieves; and report on how all parts of the industry perform and remedies for poor performance. ORR concluded that if NR can deliver these efficiencies over CP5 it "will have achieved the challenging targets set out by the government's independent consultant Sir Roy McNulty in his 2011 report" [see above].[65]

In terms of **performance**, ORR requires NR to ensure that an average of 92.5 per cent of passenger trains arrive on time and to keep the proportion of cancellations and significantly late trains (CaSL) to an average of 2.2 per cent of passenger services by the end of CP5.[66]

Finally on **safety**, ORR has provided around £109 million for improving safety at level crossings (these account for half of the potentially catastrophic risks on the current network). This includes closing around 500 level crossings by the end of CP5. It has also provided £250 million to help improve track worker safety and will require more clarity from NR on how progress on safety will be measured and tracked (e.g. how it will cut train accident risk by 50 per cent) and what it is doing to improve the occupational health and the safety of rail industry employees.[67]

The planning process for Control Period 6 (2019-24) is scheduled to begin later in 2016 as part of the Periodic Review 2018 (PR18) process.

4.3 Recommendations for change, 2015-16

In June 2015 the Secretary of State for Transport announced that he had asked Dame Colette Bowe, an experienced economist and

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[63] ORR, *Our decisions for 2014-2019* [accessed 15 March 2016]; for full details see: ORR, *Periodic Review 2013: Final determination of Network Rail's outputs and funding for 2014-19*, October 2013

[64] in February 2011 NR announced that it was devolving accountability to the route level so that each route managing director would, in effect, be running their own infrastructure railway business with significant annual turnover and resources, see: NR press notice, "Network Rail moves to create devolved business units", 21 February 2011

[65] op cit., *Our decisions for 2014-2019*

[66] ibid.

[67] ibid.

regulator, to look at lessons learned from NR's planning and performance failures and to make recommendations for better investment planning in future.[68]

The terms of reference asked Dame Colette to seek to identify the causes of the increases against cost estimates and delays to projects within the CP5 enhancements programme, including looking at the treatment of schemes in an early stage of development; the extent to which NR's plans include the creation of capability and skills in the company and its supply chain to deliver the programme; lessons to be learnt from different delivery models for rail infrastructure enhancements; and changes to process and practice that would lead to improved outcomes for CP6.[69]

Her recommendations on most of these points are discussed in section 5, below. However, Dame Colette did make one specific recommendation about the regulation of NR. Specifically, in light of NR's reclassification, that the ORR's responsibilities in respect of enhancements planning should be reviewed before 2017.[70]

In his response to the review the Secretary of State pledged that the role and responsibilities of ORR would be fundamentally reviewed in light of

- the arrangements for securing value for money from investment in the railway, both from taxpayers and other sources;
- the arrangements for securing the protection of the interests of users;
- the importance of an environment that supports private sector investment and involvement in the rail sector; and
- the changed context for investment in the railway following the reclassification of Network Rail to the public sector.

This review would be carried out alongside the Shaw review.[71] In her March 2016 report, Nicola Shaw endorsed the view that NR's operations, maintenance and renewals expenditure should continue to be set by a Periodic Review process, run by the ORR with input from industry and Government. She acknowledged that the ORR had already made it clear that it intends to move to a more decentralised form of regulation, setting its regulatory settlements on the basis of route data and route outputs. Shaw endorsed this and recommended that the ORR should, for the next Periodic Review, regulate NR on a route level, setting regulated outputs, expenditure and revenue by route. This would require that the routes have sufficient independence to pursue regulated outputs and financial performance (see section 5.2, below).[72]

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[68] HC Deb 25 June 2015, c1068
[69] DfT, *Terms of Reference: Rail Enhancements Programme Review*, June 2015
[70] DfT, *Report of the Bowe Review into the planning of Network Rail's Enhancements Programme 2014-2019*, 25 November 2015, para 6.6
[71] *Letter from Patrick McLoughlin to Colette Bowe*, 25 November 2015
[72] DfT, *The future shape and financing of Network Rail: The recommendations*, 16 March 2016, p59

5. The future

5.1 Enhancements programme and CP6, 2015-

As set out in section 4, above, NR works on a quinquennial planning process whereby it agrees with the ORR and the DfT the rail enhancements it will deliver over the following five-year control period. In June 2015 the Secretary of State, Patrick McLoughlin, said that NR's performance in delivering parts of this programme for CP5 had "not been good enough" and that consequently one of the major strands of the enhancements programme – electrification – would be 'paused' while an urgent review was carried out.[73] He also announced that he was ordering two reviews:

- Sir Peter Hendy, newly appointed chairman of NR, would be asked to develop proposals for how the rail upgrade programme should proceed; and
- Dame Colette Bowe would be asked to look at lessons learned from NR's planning and performance failures and to make recommendations for better investment planning in future.[74]

The Bowe and Hendy reviews were both published on 25 November, with the Autumn Statement.

Bowe Review

In her report, Dame Colette argued that the Government needed to:

- clarify the organisational responsibilities of the Department, NR and the ORR;
- ensure "significantly more robust" programme governance and oversight of the planning process;
- incorporate the views and needs of end users, especially in respect of how enhancements are delivered; and
- put much stronger focus on deliverability, including the implications throughout for the supply chain, and the availability of people with the right skills (in all three organisations).[75]

Specifically on the issue of programme governance and oversight, she recommended that major enhancement projects be hived off into bespoke delivery programmes, rather than falling within the general Control Period development pool:

> CP5 is an ambitious programme of enhancements. In my view, the funding structure in place, and the regulatory approach that flowed from it, led to a framework of incentives in PR13 that placed the emphasis not on affordable and passenger-focused delivery but on improving the efficiency of expenditure. Whilst reclassification may in part alter this framework through the application of a debt ceiling, these incentives expose a deeper issue within the access charging cycle. This is that, whilst price

[73] for more information on the electrification programme, the 'pause' and 'unpause' in 2015, see HC Library briefing paper SN5907

[74] HC Deb 25 June 2015, c1068

[75] op cit., *Report of the Bowe Review into the planning of Network Rail's Enhancements Programme 2014-2019*, para 6.2

> setting may be appropriate for some schemes, and is certainly a recognisable and standard regulatory mechanism, significant and complex upgrades, such as Great Western Route Modernisation, TransPennine electrification and the Northern Hub, and Midland Main Line electrification, may be better served by an alternative approach.
>
> These highly complex schemes, which in planning and delivery may extend well beyond the duration of a control period, would in my view benefit from focused and bespoke governance, such as with Thameslink and Crossrail. The Department should consider whether major route enhancement schemes (in particular) should continue to be tied to the periodic review cycle or whether they should be handled under bespoke arrangements such as those in place for Crossrail and Thameslink.[76]

Dame Colette argued that this change would provide Ministers with "opportunities to decide how to progress schemes as deliverability and affordability is progressively assured, rather than artificially accelerating schemes to meet the requirements of the access charge review and would incentivise better early planning and programme oversight".[77]

In effect, what this would mean is that the Periodic Review process would be continue to be used for operations and maintenance and renewals expenditure but not major schemes, which would have separate oversight.

Hendy Review

Sir Peter Hendy's report on NR's CP5 enhancements programme effectively concluded that all of the CP5 schemes would go ahead, but many of them would be delayed. This would be achieved via a combination of an increase in NR's borrowing limit, a sale of assets (which cannot be repeated and may consequently see some of NR's income, e.g. for rent on properties, fall), and a reduction in track renewals (which NR claimed could be done safely and without building up a backlog of work).

Hendy said that cost estimates for many of the major schemes had increased and that in order to fund them NR would sell £1.8 billion of non-core assets (e.g. property assets, spare capacity on the telecoms network and depots) and by a £700 million increase to NR's borrowing limit, agreed by DfT.[78] The overall funding shortfall of £2.5 billion was substantially accounted for by the cost increase of the electrification programme – which increased from £3.2 billion to £5.5 billion.[79]

The increase came about partly as a consequence of how initial cost estimates were drawn up, about the lack of preparation work before schemes were introduced into the CP5 plan and because of NR's inability following reclassification (see above) to borrow.

Funding for many schemes could not be fixed at the start of the CP5 process. The ORR introduced a process for adjusting costs as costs

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[76] op cit., paras 6.21-2
[77] ibid., para 6.22
[78] NR, Report from Sir Peter Hendy to the Secretary of State for Transport on the replanning of Network Rail's Investment Programme, November 2015, p5
[79] ibid., p38

firmed up. Any increases would have been met through NR's ability to use the contingency in the existing funding or further borrowing. Reclassification in September 2014 restricted the ability to borrow more, which had been the historic means by which significant changes in expenditure on existing or new projects were funded: NR now borrows direct from the Government with a defined borrowing limit for CP5.[80]

The Government accepted the report, subject to consultation with stakeholders.[81] The consultation was published on 21 January 2016, alongside the *Enhancements Delivery Plan Update*.[82] The consultation sought views on the most efficient and effective plan to proceed with CP5 and how to achieve maximum value for passengers, freight users and taxpayers.[83] The consultation closes on 18 March.

NR has begun work to progress the sale of its assets:

- KPMG is examining options for its electrical assets (electricity overhead lines and more than 120 substations);
- Rothschild is advising on the sale of railway arches, car parks and advertising hoardings;
- Deloitte is advising Network Rail on the options for its freight yards; and
- Citigroup is assessing whether NR should offload the 18 stations it manages – including London Waterloo and Birmingham New Street – which could see the sites sold piecemeal, or grouped together into a company and then partially listed on the stock exchange.

It is also considering selling capacity on its telecoms network, offloading land for housing, depots and other surplus land.[84]

5.2 Shaw Report, March 2016

Background

As part of the July 2015 Summer Budget the Government asked Nicola Shaw, the Chief Executive of High Speed 1,[85] to advise on the longer term future shape and financing of NR.[86]

Shaw and her team published a scoping report in November 2015 setting out some of the complexities of the issues involved and seeking

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80 ibid., p4

81 *Letter from Patrick McLoughlin to Sir Peter Hendy*, 25 November 2015

82 NR, *Report from Sir Peter Hendy to the Secretary of State for Transport on the replanning of Network Rail's Investment Programme: Enhancements Delivery Plan Update*, January 2016

83 DfT, *Network Rail's investment programme: the Hendy report consultation*, 21 January 2016

84 "Network Rail starts potential sale of power network assets", *Daily Telegraph*, 4 March; campaigners have voiced concerns about the plans, see: "Selling off Network Rail power lines is 'thin end of wedge', says union", *The Guardian*, 4 March 2016

85 HS1, also known as the Channel Tunnel Rail Link, was the UK's first high speed rail line; in late 2010 a concession was let to the private sector to operate the line for 30 years; for details see HC Library briefing paper SN267

86 HMT, *Summer Budget 2015*, HC 264, 8 July 2015, para 1.256, p58; see also *Terms of Reference*, 20 July 2015

views on how NR's functions, how it is organised to deliver those functions, how it is funded, and how it is held to account.[87]

The final Shaw Report was published with Budget 2016.[88] It made seven key recommendations, based in three areas: customers, devolution and growth.

For **customers**, her recommendation was to place the needs of passengers and freight shippers at the heart of rail infrastructure management through scorecards and agreed action plans

In terms of **devolution**, her two recommendations were to:

- Focus on the customer through deeper route devolution, supported by independent regulation; and
- Create a route for the North, which would work closely with the Transport for the North.

On **growth**, she recommended that:

- The Government clarify its role as it relates to NR and DfT develop a visible longer-term strategy for rail travel, coordinating as appropriate with the governments of Scotland and Wales;
- The railway should be planned based on customer, passenger and freight needs and routes should be given the freedom to build up their plans based on these needs and recognising the role of the railway in the wider transport, economic and social objectives of the area;
- The Government explore new ways of paying for the railway by involving private sector finance by, e.g., letting a concession, and involving suppliers in technological investment. Routes should also be required and empowered to find local sources of funding and financing, including from those (e.g. local businesses or housing developers) who stand to benefit from new or additional rail capacity.

Finally, and more generally, Shaw recommended that the industry produce plans to develop skills and improve diversity.[89]

Of these, the plans for devolution and better route integration, and the introduction of private finance are probably of the most political interest, and are discussed in more detail below.

In the 2016 Budget document it sad that the Government "welcomes the recommendations of the Shaw Report, and will respond in full later this year".[90] It will also look at how the earlier recommendations of the Competition and Markets Authority (CMA) on rail passenger services could be taken forward "as part of the Government's wider reforms".[91]

Responses to the report have been mixed.

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[87] DfT, *The future shape and financing of Network Rail: The scope*, 12 November 2015
[88] DfT, *The future shape and financing of Network Rail: The recommendations*, 16 March 2016
[89] ibid., p6
[90] HMT, *Budget 2016*, HC 901, 16 March 2016, para 1.240, p63
[91] ibid., para 1.240, p63; for more information on the CMA report see HC Library briefing paper SN6521

The RMT warned that "publicly owned Network Rail assets from stations to power and other parts of the infrastructure, are set up to be knocked out in a fire sale to private speculators leading to further fragmentation".[92] The ORR welcomed the report, saying it "sets an ambitious agenda for the future shape and financing of Network Rail".[93]

Devolution and integration

This has been on the rail industry agenda for a long time.[94] Those on the left and the right – whatever their thoughts on whether the public or private sector should be running the railway – support greater local accountability and/or some sort of reintegration between infrastructure operations and train services, split at privatisation in the 1990s. Over Summer 2015 several people renewed these calls – Sir Richard Branson, the founder of the Virgin Group which, under its Virgin Trains brand runs two rail franchises in Great Britain, and the ORR among them.[95]

NR has already taken steps in this direction. The company currently operates an organisational structure that combines devolution to geographical operating units known as 'routes' with centralised delivery of key support functions, as shown below:[96]

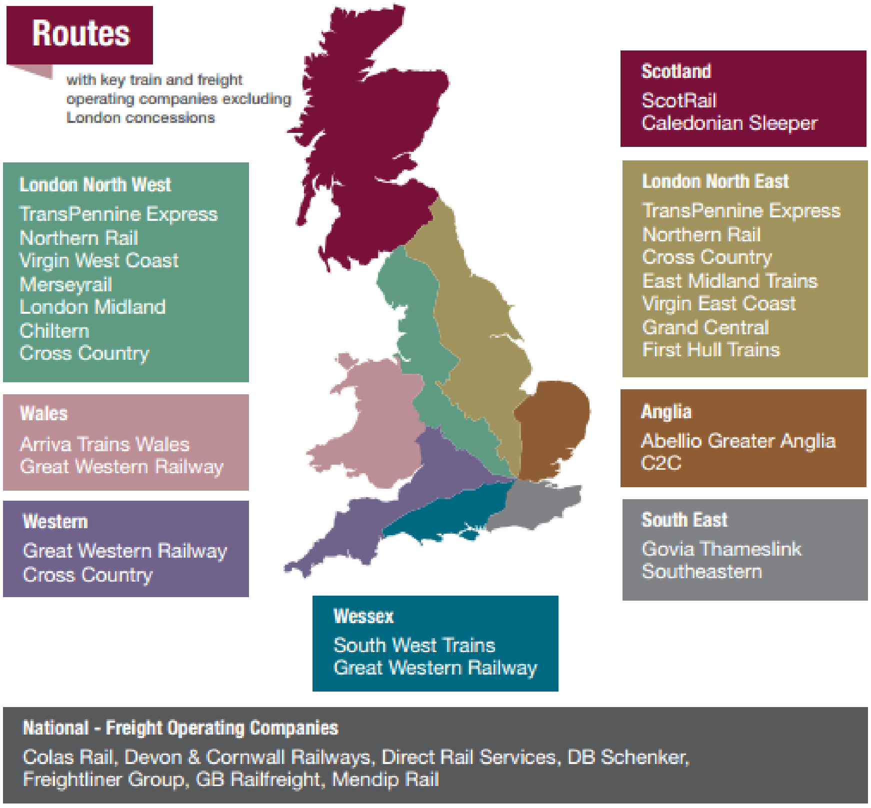
[92] RMT press notice, "Shaw Report opens door to new Government rail sell-off", 16 March 2016

[93] "Network Rail report dismisses privatisation", *BBC News*, 16 March 2016

[94] e.g. McNulty (op cit., *Realising the Potential of GB Rail: Final Independent Report of the Rail Value for Money Study*, sections 23.1.2 and 25.2); ATOC (*A new structure for success on Britain's railway: An ATOC position paper on industry structural reform*, March 2011, pp3-4) and the TUC (Transport for Quality of Life, *Rebuilding Rail*, June 2012, pp66-67 & 69

[95] "Network Rail 'too big', says Sir Richard Branson", *BBC News*, 26 June 2015; and "Regulator proposes splitting Network Rail into eight businesses", *Financial Times*, 15 July 2015

[96] from op cit., *The future shape and financing of Network Rail: The scope*, p28



As Shaw explained in her scoping report:

> … the routes are accountable for aspects of a number of functions including train operations, asset management, and maintenance as well as aspects of enhancements and renewals. It is worth noting, however, that at this level of analysis the routes are not solely accountable for any function, but share accountability with the centre – where the centre is generally responsible for overall strategy, professional standards and conducting performance benchmarking.[97]

Devolution within NR "remains a key priority for the company's current leadership", and the company's stated ambition remains that of reducing the role of the centre and devolving greater responsibility to the route-level. In the Summer Budget 2015 the Government asked NR to continue with this process of decentralisation.[98]

To support this, NR has begun implementing plans for a new route-based operating model, which would provide routes with more scope in choosing what services they need from the centre and what services are best provided at a route level or by the wider market. NR will make the organisational changes to reflect this new operating model by April 2016.[99]

Shaw's final report saw progress in this area in two ways: by 'deeper' route devolution and a reconfiguration of the current routes so as to better align then with the evolving devolved arrangements across England.

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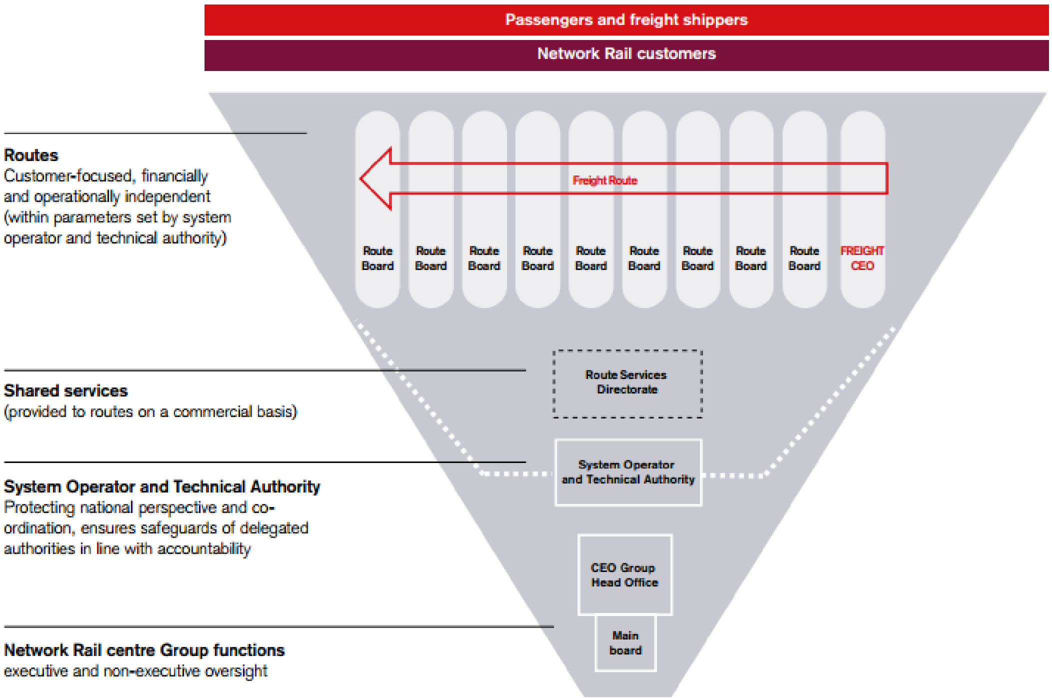
[97] ibid., p29
[98] op cit., *Summer Budget 2015*, para 1.255, para 57
[99] op cit., *The future shape and financing of Network Rail: The scope*, pp29-30

Firstly, on deeper route devolution, she proposed a new model of operation for NR, clearly showing the routes closer to their customers and more autonomous from the direct input of the centre:[100]



The second part of Shaw's recommendation in this area was to redraw the geographical scope of these routes to better map them onto devolved areas. She acknowledged that an 'ideal' geography was unlikely but argued that a new structure could and should

- enable political accountability and support economic growth by directly aligning with one body or a small number of bodies that are responsible for transport and/or wider economic planning in the region;
- enable effective coordination between the route and train operators by aligning with a small number of train operators; and
- remain of a manageable size and scale for the Route CEO and top team to effectively and efficiently operate the network.[101]

On this basis, Shaw concluded that there is a strong case for creating a **dedicated route for the North** with the residual London North East and London North West routes more closely aligned to the East and West Midlands.[102] However, as many of the benefits from the creation of a route for the North are likely to accrue to Transport for the North (TfN) and other stakeholders in the region, Shaw concluded that it is "reasonable that these bodies should provide a contribution to these transition costs" and that TfN had expressed a willingness to work together with Network with NR on this issue.[103]

As to what might happen elsewhere across the country, Shaw said that the Midlands is clearly divided between east and west and that at

[100] op cit., *The future shape and financing of Network Rail: The recommendations*, p50
[101] ibid., p72
[102] ibid., p77
[103] ibid., p77

present there was no obvious benefit from creating a dedicated route – though this could be revised in the future. Finally, on London, she said that “the operational implications of a route for London would be extremely complex, since it would involve transferring ownership of relatively small but dense part of the network from a large number of the existing routes to a London route” and that coordination could be achieved through other means.[104]

She also said that better-aligned local routes could leverage more sources of local funding for enhancements (e.g. developer contributions, local government borrowing, Business Rate Supplement, and Business Rate retention).[105]

Private financing

Shaw was very clear that the report was “not recommending the introduction of private sector capital at the whole company level, recognising that, for the foreseeable future, Network Rail ownership will remain in the public sector”.[106]

However, she did see several opportunities for introducing private finance into the industry, specifically:

- concessions or sale of time-limited licences for the operation of the infrastructure – retaining long-term public sector ownership but transferring risk to the private sector for a period;
- contributions from local property developers who will benefit once a project is complete; and
- additional project funding from other parts of the public sector, away from central government.[107]

Shaw said that any, all, or a combination of these sources of alternative funding and financing “could generate significant benefits across the network, unlock substantial sums for future projects and help ensure sustainability of investment in the railway for many years to come” and that “all are likely to be required”.[108]

The most lucrative of these options is that of offering **concessions or time-limited licences** for large sections of the network (e.g. a route or parts thereof). To this end, Shaw proposed a “hybrid concession model between the traditional regulated asset ownership and the letting of a conventional concession”. She argued that this “should … benefit customers and passengers from a greater focus on innovation and cost control and more effective benchmarking and competition between routes”. Furthermore, it could be accounted for off the Government’s balance sheet, “if structured with sufficient risk transfer and autonomy from government to meet Eurostat guidance whilst still meeting public interest tests”.[109] Shaw’s proposed model provides for:

- the award, through a competitive tender to a private partner, of exclusive rights to operate, maintain, renew and

[104] ibid., p78
[105] ibid., p117
[106] ibid., p104
[107] ibid., p104
[108] ibid., p104
[109] ibid., p105

in some cases invest in the further enhancement of the assets for a fixed period of time (typically 20-30 years), protecting national ownership of the railway;

- an upfront sum paid by the concessionaire (or licencee) to the Secretary of State for Transport in return for an income stream deriving from the asset;
- regulation, with price control periods and a regulatory asset base (RAB), to provide flexibility on investment requirements, spreading the capital expenditure over the life of the assets, while also mitigating the risks associated with potentially imperfect asset knowledge and providing the appropriate benchmarks for efficiency; and
- clear risk transfer.[110]

The characteristics of different routes vary considerably across the UK. Shaw argued that the following metrics would be key for route selection in any proposed concession or time-limited licence model:

- level of public subsidy: the lower the level of public support provided to a route (albeit indirect through train operating companies), the greater the risk transfer to the private sector; and
- level of committed and planned enhancements: higher enhancement project volumes could create significant risks and uncertainty for any concessionaire or licencee therefore increasing the cost of risk transfer.[111]

Shaw believes that Wessex and Anglia are currently the strongest candidates for a concession or a time-limited licence because they have no or low levels of public subsidy and little forecast enhancement activity. She states that the Government "might raise several billion pounds in upfront proceeds for each of these two routes".[112]

A second notable area for private investment given by Shaw is the European Train Control System (ETCS), which could be part funded by organisations who either build or install the equipment that will be used, for example signalling manufacturers, and/or the rolling stock companies who own the vehicles. Conversations between Shaw's team and such suppliers "confirm that there is strong appetite to assist, subject to a meaningful plan being developed, including the specification, location and timetable of the project".[113]

[110] ibid., p105
[111] ibid., p110
[112] ibid., p110
[113] ibid., p113

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Number SN02129, 16 March 2016