



Department  
for Transport

# Network Rail's Investment Programme

## The Hendy Report Consultation

**Moving Britain Ahead**



January 2016

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# 1. Introduction

## *Consultation on the Report from Sir Peter Hendy to the Secretary of State for Transport on the re-planning of Network Rail's Investment Programme*

- 1 In June 2015 the Secretary of State for Transport received advice that the costs and timescales of some of Network Rail's enhancement projects had increased beyond expectation. In his oral statement to Parliament he announced the appointment of Sir Peter Hendy as the Chair of Network Rail; and commissioned him to conduct a thorough review of the Control Period 5 (2014 to 2019) enhancements programme (referred to as an 'investment programme' in Sir Peter Hendy's report) in England and Wales, to identify what could be delivered in an affordable and timely way within the funding period to 2019. The Terms of Reference of this review can be found [here](#).
- 2 Sir Peter Hendy has now reported back to the Secretary of State, and his report was published on 25 November 2015. His report has examined every element of the enhancements programme, reviewing costs and timescales, in order to provide a plan that is efficient, deliverable and affordable. The plan proposes that all infrastructure schemes should be delivered. In order to achieve this a number of schemes have been re-profiled to take place in the following Control Period, Control Period 6 which runs from 2019 to 2024. Many of these re-profiled schemes will continue to be developed during Control Period 5.
- 3 The Secretary of State is minded to accept Sir Peter Hendy's report, subject to a period of consultation, to ensure the most efficient and effective plan is executed and maximum value is derived for passengers, freight users and taxpayers.

## 2. Scope of this consultation

- 4 This consultation covers the report from Sir Peter Hendy to the Secretary of State for Transport on the re-planning of Network Rail's Investment Programme. The report can be found [here](#).
- 5 Network Rail has also published its draft updated Enhancements Delivery Plan (EDP). This document can be found [here](#).
- 6 The EDP is a regulatory requirement and is part of Network Rail's response to the Office of Rail and Road's (the "regulator") Final Determination, published on 31 October 2013, which set out Network Rail's funding and expected outputs for Control Period 5 (2014 - 2019). The EDP sets out the outputs, scope and milestones for every project and ring-fenced fund and this updated version presents the post re-plan position. Changes to outputs, scope and regulatory milestones are approved by the regulator through a change control process. The change control process will require Network Rail to seek the views of project delivery partners and funders. Neither the Secretary of State nor Department for Transport (DfT) has endorsed or signed off this document.

### Timescales

- 7 This consultation will run from 21 January 2016 and will end at 23:59 on 18 March 2016. Following the conclusion of the consultation process, the DfT will analyse the responses and publish a report summarising the responses made and the Secretary of State's decisions on investment priorities in the light of them.
- 8 The regulator's change control process for the EDP, takes place quarterly.

### How to respond

- 9 The Secretary of State will consider all consultation responses before reaching his decision on whether to accept Sir Peter Hendy's proposals for re-profiling the rail enhancements portfolio.
- 10 Please send your responses via email to [hendyconsultation@dft.gsi.gov.uk](mailto:hendyconsultation@dft.gsi.gov.uk) with the subject heading "Consultation on the re-planning of Network Rail's Investment Programme".

11 Or in writing to:

Hendy Consultation  
4th Floor  
Department for Transport  
Great Minister House  
33 Horseferry Road  
London, SW1P 4DR

12 You can contact this address if you need alternative formats (Braille, audio, CD, etc.).

13 Please help us to analyse your responses by providing the following information (so far as applicable):

- a. Name
- b. Surname
- c. Postcode (first half only)
- d. Age Range 18-25; 26-38; 39-45; 46-55; 56-64; 65+
- e. Reasons for Travel: Leisure/Commute/Business
- f. Most frequently used route: From/To
- g. Do you require reduced mobility access when travelling?

14 If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

15 To enable us to consider your response fully you should set out evidence or analysis that supports your position.

## Consultation principles

16 This consultation is being run in accordance with the Government's [Consultation Principles](#).

# 3. Freedom of Information & Data Protection

## Freedom of Information

- 17 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.
- 18 If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.
- 19 In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality will be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the DfT.

## Data protection

- 20 It would be very helpful to the DfT if, as part of its analysis of responses to this consultation, it was able to take into account certain sensitive personal data that you may wish to provide in response to this consultation. In providing your responses to the DfT by email or post please indicate whether you consent to the DfT, or third parties contracted to the DfT, processing your sensitive personal data for the purposes of analysing responses to this consultation.
- 21 By providing personal data in response to this consultation, you consent to the DfT, or third parties contracted to the DfT, processing your personal data for the purpose of analysing responses to this consultation.
- 22 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004. However, the DfT will at all times process your personal data in accordance with the Data Protection Act 1998 (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties for other purposes.

## 4. Background

- 23 In October 2013, the Rail Regulator (the Office of Rail and Road or ORR) set out Network Rail's funding and the outputs expected of it for the five years between 1 April 2014 and 31 March 2019, referred to as 'Control Period 5' or 'CP5'. A key milestone of the rail planning process, and encompassing an overall investment for Great Britain of £38.3 billion (12/13 prices), the Determination included planned infrastructure upgrades in England and Wales, known in the industry as 'enhancements'. Network Rail formally accepted this Determination in February 2014, and the Control Period began on 1 April 2014.
- 24 This followed a period of industry planning:
- a. [Initial Industry Plan](#) in September 2011, overseen by the Planning Oversight Group that set out a portfolio of rail investment.
  - b. [High Level Output Specification \(HLOS\)](#) and Statement of Funds Available (SoFA) in July 2012 produced by Government that set out the railway outputs that the Secretary of State wanted to be achieved during CP5 and the funds that were available to purchase these outputs.
  - c. [Strategic Business Plan](#) in January 2013 produced by Network Rail that set out their statement of plans to deliver the requirements of the HLOS.
- 25 The enhancement and investment programme in railway CP5 (1 April 2014 to 31 March 2019) was larger and more ambitious than any previous programme. The Government reiterated its commitment to this programme in its manifesto – “We will invest £38 billion in our railway network in the five years to 2019. Electrification of the railways is a key part of our investment programme”.
- 26 The enhancements planned were intended to deliver the Government's strategic objectives for the railway in the HLOS and included:
- a. Ongoing funding of the Thameslink and Crossrail programmes already underway;
  - b. A significant volume of electrification (including the infrastructure necessary for the Intercity Express Project fleet, IEP);
  - c. Investment in capacity, particularly in the North of England; and
  - d. Over £1.2 billion (12/13 prices) allocated to ring fenced funds such as the Level Crossings Fund, Strategic Freight Network Fund and Passenger Journey Improvement Fund.

- 27 In June 2015, the Secretary of State received advice that, for a variety of reasons, the costs and timescales on some of the enhancement projects had increased beyond expectation. He immediately took action making an [oral statement to Parliament on 25 June 2015](#) and appointing Sir Peter Hendy as the new Chair of Network Rail and asking him to re-plan the rail enhancements programme. The intention of the re-plan is to provide an effective and efficient way to establish an affordable and deliverable programme for CP5 that does not disrupt the ongoing delivery of vital benefits to passengers and freight users.
- 28 He also requested two further reviews:
- a. The Bowe Review, which looked at changes to process and practice that will lead to improved outcomes for future Control Periods, and to identify the key reasons for cost escalation and delays to projects within the CP5 programme. This was also announced on 25 June 2015 with the Review report being published on 25 November 2015.
  - b. The Shaw Report, which is looking to the future: advising the Government on how it should approach the future shape and financing of Network Rail in the longer term. This will report in time for Budget 2016.

## Sir Peter Hendy's findings

- 29 Network Rail has carried out an extensive review of the cost and deliverability of the enhancement programme. This identified a number of challenges. Firstly, the cost to deliver all of the outputs asked for in the HLOS has increased beyond the funds available. Secondly, not all outputs specified in HLOS are deliverable in CP5 for a variety of reasons, including resource constraints and the time taken to get planning consents. This will be considered in the DfT's review of responses.
- 30 The resultant programme to 2019 has increased in cost from £12.8 billion (cash prices) as originally projected to £15.3 billion (cash prices), which is the sum now intended to be invested in rail enhancements. To cover the increased costs, in the current Control Period, Network Rail will continue to seek cost efficiencies through value engineering and is also planning to release £1.8 billion (cash prices) of investment through the sale of non-core and low value assets, including the sale of some of Network Rail's property assets. The Government has also been able to increase the limit on Network Rail's borrowing by a further £700 million (cash prices).
- 31 The result of these changes means the vast majority of programmes and projects will be delivered by 2019 but to achieve this some schemes have been re-profiled to take place after the end of CP5, though many of these schemes will continue to be developed during this Control Period. As a result, the full programme is now expected to be delivered over a longer timescale. No infrastructure schemes have been cancelled. Further details on individual schemes can be found in Sir Peter Hendy's report.

## Value for money and business cases for certain schemes

### The East Coast Main Line (ECML) connectivity enhancement

- 32 The appraisal to date of the ECML connectivity enhancement is based upon specific assumptions about the services that will operate on the line. On the basis of this appraisal, the Secretary of State is minded to proceed with this enhancement. However, forthcoming decisions that may be taken by the ORR regarding access rights for open access operators on the line could impact on this and may detract from the business case for this enhancement. The Secretary of State's decision is, therefore, dependent upon the outcomes of the ORR's decisions on open access and may need to be re-considered after those decisions.

## 5. This consultation

33 The Secretary of State is minded to accept Sir Peter Hendy's recommendations subject to the outcome of this consultation. We are seeking your views on the re-planning process and Network Rail's prioritisation of schemes, as suggested by Sir Peter Hendy's Report; in particular, to judge whether any amendments to the re-plan and proposed course of action are necessary.

34 In consideration of this, consultees are invited to comment on the following **consultation question**:

Do you have any comments on the projects which have been selected for completion in CP5? Do you consider that other projects, originally scheduled for completion in CP5 but not now planned to be completed in this Control Period, should have been prioritised ahead of the projects identified by the Hendy Report? Do you have any comments on the re-planning process generally? In all cases, please give reasons for the opinions that you express.

35 This consultation document should be considered within the context of the broad transport policy environment. Consultees should note the constraints on affordability and deliverability.

36 The DfT is committed to engaging widely with all interested parties in its consideration of Sir Peter Hendy's proposals and this consultation forms an important part of the process.

37 In formulating their response to the consultation question consultees may find it helpful to consider the following themes:

**Impact on users: Does the re-plan take appropriate account of passenger needs and passenger experience? Is the approach to freight appropriate in light of the current and projected demand?**

The Government's March 2012 Command Paper - Reforming our Railways: Putting the Customer First set out how our passenger and freight railways support Government's overall transport vision by supporting economic growth, facilitating business, commuting and leisure journeys, providing a greener transport option than road and aviation, and relieving congestion on our road network.

The HLOS is framed against the background of forecast further strong average growth during CP5 in passenger demand and in freight. Its requirements were based on the need to reduce crowding, cut journey times, increase efficiency and improve the passenger experience, with particular focus placed on the provision of additional capacity.

Passenger demand is continuing to grow above initial forecasts and this is likely to put further pressures on the programme as we progress through the Control Period.

**The supply chain: Has the re-plan appropriately taken into account the management of industry resources and ability of the supply chain to meet the requirements of the programme?**

Both Network Rail and supply chain capability have been assessed together with potential gaps in capability across the enhancements portfolio. This included assessing capability in areas such as planning, estimating and specialist skills.

**Commitments: In so far as the re-plan may have an impact on any local economic development proposals or the delivery of other dependent schemes, please indicate your views on this and any suggested mitigations.**

Network Rail reviewed the rail upgrade programme and prioritised schemes using current DfT commitments for franchises and rolling stock. This is to ensure that the re-plan maximises passenger and freight user benefits. It has also endeavoured to take into consideration impacts on third party schemes and wider economic development.

## 6. Stakeholders

- 38 We are keen to hear from everyone who has an interest in the railway and holds a view on the Hendy re-plan proposal. We are particularly interested in hearing from:
- a. Train Operating Companies - including the Rail Delivery Group and Association of Train Operating Companies (ATOC)
  - b. Freight Operating Companies
  - c. Local and regional authorities
  - d. Local Enterprise Partnerships
  - e. Transport Focus, London TravelWatch and other stakeholder groups
  - f. Devolved Governments - Transport Scotland and the Welsh Government
  - g. Task Forces – Great Eastern Main Line, West Anglia and Peninsula Rail Task Force (South West)
  - h. Transport Authorities - including Transport for London (TfL), Centro, NEXUS, West Yorkshire Combined Authority, South Yorkshire Passenger Transport Executive, Transport for Greater Manchester and Merseytravel
  - i. Rail North
  - j. Other Government Departments
  - k. Rail Supply industry - including British Transport Police, Health and Safety Executive, Rail Safety and Standards Board, Railfuture and Office of Rail and Road
  - l. Airports
  - m. Anyone else who may be impacted by this consultation