

21 May 2007

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Dear Jon

Policy Framework for Investment – update on implementation guidelines

I refer to your consultation on the Policy Framework for Investment implementation guidelines update and note that SPT has not been included in the list of consultees. Strathclyde Partnership for Transport is the new body constituted under Scottish legislation responsible for regional transport matters. The geography covered by the new Partnership (SPT) encompasses a population of 2.14 million people (42% of the population of Scotland) and the area generates approximately 43% of Scotland's GVA. We request that we be included in your consultee list for the future.

SPT has direct and on-going experience of negotiating agreements for enhancements with Network Rail and has experience of using the template DSA's, BSA's and APA's as well as adopting, on a more limited basis because they are relatively new, Transport Scotland's Framework development and implementation agreements. We believe we are well placed to provide informed comment on the suite of agreements currently in use for the railway industry.

Dealing with the Asset Protection Agreement (APA) we are concerned with the liability placed on the third party. Effectively any financial or time penalty arising from actions of the primary party or its contractors is borne by the third party. The consequences of delayed approvals, for example, can produce onerous responsibilities which, under the current agreements, the third party must bear. As a third party who is engaged in enhancements it would seem more reasonable that the agreement apportion risks to the party who is best placed to manage them.

Keeping with the theme of approvals we would ask that the ORR maintain a vigilant eye on the market response to third party engagement and any barriers intended or consequential. We advocate that it is in the industry's best interest to ensure that third parties are successful in implementing projects. In our terms, success is measured not only in the physical outcomes, eg quality, but also in our ability to deliver on budget and on programme. We therefore would wish to achieve greater certainty, delivered through commitments, anchored by the agreements with Network Rail.

You have also asked for our views on funding. SPT is unlikely to use the RAB to finance small-scale schemes as revenue funding rather than capital is normally the constraint. SPT is likely to continue its policy of investment in capital projects for the betterment of the rail network in the Strathclyde area but I am sure you will appreciate these are political decisions on a case by case basis.

Finally we welcome ORR's intentions to keep the framework under review. The risk fund process should, we feel, be reviewed as this acts more as a levy rather than a benefit for project delivery. In the area of feasibility development such payments act as a real barrier and we are keen to have this addressed for the benefit of the development of the rail network.

Yours sincerely



PP

John Halliday

Assistant Chief Executive (Transport and Strategy)

cc *Ron MacAulay, Network Rail*
Francis Duffy, Bill Reeve, Transport Scotland