



SCOTTISH EXECUTIVE

Enterprise, Transport & Lifelong Learning Department
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Dear Mr. Bolt,

I am writing with comments from the Scottish Executive on the ORR's statement on Network Rail's Business Plan 2005.

We welcome the engagement with Network Rail on their Business Plan for 2005 and agree with the ORR that the current plan is an improvement on previous years. We are especially pleased to note that the Executive's concerns regarding the structural changes required to support the transition of rail powers are being addressed, both by Network Rail and the ORR.

We recognise that there is still a great deal of work to be done in order to fully implement this change to the rail industry. In particular, Network Rail will need to further develop effective and appropriate business planning criteria as required by Condition 7 of the Network Licence. This should show how Network Rail intend to balance the funding and performance priorities of different funders and customers.

Network Rail will need to strengthen their understanding of cost causation and improve the linking of expenditure to output for their 2006 Business Plan. Scottish Ministers will assume responsibility for funding the Scottish rail network from 1 April 2006 and accurate costs will be required to ensure that their expectations and strategies are reflective of the resources available.

We look forward to working with the ORR and Network Rail on these issues in preparation for the Periodic Review 2008.

Yours sincerely,

PAUL TEASDALE
Economic Advisor
Rail Strategy and Investment Branch

