

Appendix A

1.

From: [REDACTED]

Sent: 23 July 2021 16:36

To: [REDACTED]

Cc: [REDACTED]

Subject: FY 2021-22 - Draft letter to [REDACTED], NR re CP6 Savings - 23 July 2021 (A34035178)

Good afternoon [REDACTED]

See attached DRAFT letter.

I would be grateful if you could arrange for notification to be sent to [REDACTED], confirming that you are satisfied with the content of this letter.

A final copy can then be issued to you, and at that point copied to those individuals on the copy list currently listed in red.

Our recent letter to [REDACTED], of 16 July also attached refers.

Thank you,

[REDACTED]

[REDACTED]

Attachments 2

[REDACTED] Buchanan House, 58 Port Dundas Road Glasgow G4 0HF Direct Line [REDACTED]	a
[REDACTED]	Date: 16 July 2021

Dear [REDACTED]

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



Request for deadline date

This letter follows the meeting held on the morning of Thursday 24 June which was attended by representatives from ORR, Scotland’s Railway and Transport Scotland.

Following this discussion, Transport Scotland request that ORR confirm by what date must Transport Scotland specify the required reduction in Network Rail expenditure for years 4 and 5 of Control Period 6 (CP6) such that it is not too late for the cost reduction to be delivered.

Network Rail will then have time to respond with the options for delivery of the savings. This initial deadline date is solely for Transport Scotland to provide the amount of cost savings required in CP6 in relation to OM&R to avoid timing out.

I am copying this letter to [REDACTED]

Yours sincerely

[REDACTED]

Transport Scotland Rail Buchanan House, 58 Port Dundas Road Glasgow G4 0HF Direct Line: [REDACTED]	a
[REDACTED]	Date: TBC July '21

DRAFT

Dear

I am writing regarding the current financial pressure on Scotland’s Railway and Scottish Ministers’ requirement that Network Rail contribute savings to place funding on a secure footing.

Since March 2020 the COVID-19 pandemic has wrought severe detriment to the revenues of Scotland’s Railway. With patronage only recently beginning to recover and ongoing public health measures likely, the revenue shortfall will continue for some time yet. As an indication of this, the extra franchise payments from March 2020 to end of FY 2020-21 made under EMAs as a result of Covid (excluding Management Fees) is estimated to be £407 million, with a further circa £176m expected potential revenue loss this FY. We must recognise that travel patterns – at least for the foreseeable future - have significantly changed, especially with many rail commuters absent from the rail market and reductions in footfall in Glasgow city centre particularly acute.

As a result we do not now expect Scottish rail passenger traffic to return to pre-COVID-19 levels by the end of CP6 (March 2024), though we are optimistic that ScotRail Trains Limited will play its part in revitalising services.

With forecast spend by Network Rail this FY, representing circa two-thirds of total Scottish Government support for the rail industry, the outstanding pressures on revenue mean Network Rail must contribute to the challenge of restoring the net cost to Government of the rail sector to sustainable levels, mindful of patronage that can realistically be achieved.

Following discussions with Network Rail Scotland, we believe that it is able to bear a reduction in its baseline budget of approximately £65 million in both FY 2022-23 and FY 2023-24, and we have confirmed with the ORR that Transport Scotland can specify such a reduction.

At the same time, it is imperative that in any cost reduction plans, safety is not compromised and the work addressing climate change risks must be maintained as a priority. There is also a shared appreciation among the parties, and experience that significant cost reductions may be secured through efficiency, though this will likely require step changes in process and approach to achieve this cost reduction.

I trust you will be able to progress these measures which we believe will ultimately allow to us move forward with far greater certainty into the next control period.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



I am copying this letter to [REDACTED]

Yours sincerely,

[REDACTED]

2.

From: [REDACTED]

Sent: 27 July 2020 10:03

To: [REDACTED]

Subject: Letter from [REDACTED] - Funding in CP6

Dear [REDACTED]

Please see attached letter from [REDACTED] re Network Rail Funding in Control Period 6.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

*Our logo may not display properly on some computer systems

Attachment 1 – Letter to Andrew Haines – see separate file

3.

From: [REDACTED]

Sent: 10 August 2021 08:35

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: FY 2021-22 - Final letter to [REDACTED] NR re CP6 Savings - 090821

OFFICIAL

Good morning [REDACTED]

I can confirm receipt of the letter and acknowledgement of the request.

Best wishes

[REDACTED]

From: [REDACTED]

Sent: 09 August 2021 17:50

To: [REDACTED]

Cc: [REDACTED]

Subject: FY 2021-22 - Final letter to [REDACTED] NR re CP6 Savings - 090821

Commercial in confidence

Good afternoon [REDACTED]

Please see attached the final letter, which was previously sent to you by [REDACTED] in draft form on 23rd July. We have since updated following discussion with [REDACTED] and finalised.

I would be grateful if you could please send for notification to be sent to [REDACTED], to confirm receipt of the letter and acknowledgement of the request.

Kind regards

[REDACTED]

[REDACTED]

Attachment 1

Transport Scotland Rail

Buchanan House,
58 Port Dundas Road
Glasgow G4 0HF
Direct Line: [REDACTED]

a

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

[REDACTED]
[REDACTED]

Date:
9 August 2021

Dear [REDACTED]

I am writing regarding the current financial pressure on Scotland's Railway and Scottish Ministers' request that Network Rail contribute savings to place funding on a secure footing.

Since March 2020 the COVID-19 pandemic has wrought severe detriment to the revenues of Scotland's Railway. With patronage only recently beginning to recover and ongoing public health measures likely, the revenue shortfall will continue for some time yet. As an indication of this, the extra franchise payments from March 2020 to end of FY 2020-21 made under EMAs as a result of Covid (excluding Management Fees) is estimated to be £407 million, with a further circa £176m expected potential revenue loss this FY. We must recognise that travel patterns – at least for the foreseeable future - have significantly changed, especially with many rail commuters absent from the rail market and reductions in footfall in Glasgow city centre^[2] particularly acute.

As a result we do not now expect Scottish rail passenger traffic to return to pre-COVID-19 levels by the end of CP6 (March 2024), though we are optimistic that ScotRail Trains Limited will play its part in revitalising services.

With forecast spend by Network Rail this FY, representing circa two-thirds of total Scottish Government support for the rail industry, the outstanding pressures on revenue mean Network Rail must contribute to the challenge of restoring the net cost to Government of the rail sector to sustainable levels, mindful of patronage that can realistically be achieved.

Following discussions with Network Rail Scotland, Transport Scotland ask that Network Rail look for a reduction in its baseline budget of approximately £65 million in both FY 2022-23 and FY 2023-24. Network Rail should then report to Transport Scotland on the feasibility of these reductions. It has been confirmed with the ORR that Transport Scotland can request and specify such a reduction.

At the same time, it is imperative that in any cost reduction plans, safety is not compromised and the work addressing climate change risks must be maintained as a priority. There is also a shared appreciation among the parties, and experience that significant cost reductions may be secured through efficiency, though this will likely require step changes in process and approach to achieve this cost reduction.

Transport Scotland ask that Network Rail explain the short and long term financial impact of the proposals on maintenance spending over the remainder of Control Period 6 and in Control Period 7. In their submission, Network Rail should also seek to maintain PPM performance levels around the current target however, they should additionally specify the performance impact that would be associated with reaching the reduction in budget as set out above. Transport Scotland ask that network Rail include wider impact assessments, particularly covering financial, renewals costs over the longer term and asset sustainability as part of their response.

I trust you will be able to progress these measures which we believe will ultimately allow to us move forward with far greater certainty into the next control period.

I am copying this letter to [REDACTED]

Yours sincerely,

[REDACTED]

From: [REDACTED]

Sent: 15 October 2021 17:32

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: FY 2021-22 - Final letter to [REDACTED] NR re CP6 Savings - 090821

OFFICIAL

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

Good evening [REDACTED]

As requested in your commissioning letter below, I am enclosing our response to the request to identify spending reductions over the remainder of the current control period. This includes an overview of and outlook on the current fiscal climate in which Scotland is operating, along with specifically identified areas where consideration can be given to spending reductions, subject to the relevant review and approvals processes contained within the document.

I am copying this note to [REDACTED] to allow [REDACTED] to now begin their scrutiny process as part of the overall governance arrangements.

Arrangements are being made to meet with you to go through the proposals in detail.

Regards

[REDACTED]

[REDACTED]
[REDACTED]

From: [REDACTED]

Sent: 09 August 2021 17:50

To: [REDACTED]

Cc: [REDACTED]

Subject: FY 2021-22 - Final letter to [REDACTED] NR re CP6 Savings - 090821

Commercial in confidence

Good afternoon [REDACTED]

Please see attached the final letter, which was previously sent to you by [REDACTED] in draft form on 23rd July. We have since updated following discussion with [REDACTED] and finalised.

I would be grateful if you could please send for notification to be sent to [REDACTED] to confirm receipt of the letter and acknowledgement of the request.

Kind regards

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Attachment 1

Document title

CP6 Budget Reduction Scotland's Railway Transport Scotland Commission

DRAFT

**SUBJECT TO NETWORK RAIL EXECUTIVE COMMITTEE APPROVAL AND ORR
REVIEW/CONSENT**

[REDACTED] Section 10(5)(e)

Yours sincerely

Lorna Davis

TS : TS RD Rail Policy

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St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



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