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3 June 2009

Dear Bill

### **Licence Condition 11 - Sufficiency of Resources**

I enclose the statement required from Network Rail Infrastructure Limited (Network Rail) under Condition 11 of its network licence, which I have been authorised to sign following a resolution of the Board of Directors of Network Rail.

After due and careful consideration and having made the appropriate enquires, the statement confirms that, in the Board's reasonable opinion Network Rail has adequate management resources and financial resources and facilities to enable it to carry out its activities for the period of 12 months commencing on the date of the statement. The main factors that the Board has taken into account in making this statement in accordance with Licence Condition 11.7 are as follows:

1. The 2008 Periodic Review provides funding stability and clarity on outputs required over the control period to enable us to plan our business efficiently
2. We welcome the focus of your determination on the delivery of outputs as this allows us flexibility within the regulatory settlement to decide how we deliver these in the most effective manner. It is crucial that this flexibility remains throughout the control period and we have assumed that this is the case in making the attached statement
3. The CP4 delivery plan we published at the end of March describes the plans we have for achieving the required outputs. We believe that our plans are deliverable and do not result in financial ratios that give cause for concern. However, our plans will clearly have to evolve and be refined over the control period as we identify more efficient ways of achieving the outputs or as circumstances change or requirements from stakeholders alter. This will require a framework that allows us flexibility and again we have assumed that this flexibility remains in place in making the statement

4. We acknowledge that the company faces a significant challenge to meet the outputs whilst making ever more efficiencies but we are confident that the transformation programme described in our plan will provide the changes needed to meet this challenge
5. The AAA-rated Debt Issuance Programme guaranteed by HM Government that we launched in November 2004 continues to provide a highly flexible financing platform that enables us to raise a wide range of debt finance for a sustainable and efficient capital structure. In addition, the company continues to benefit from a £4 billion stand-by facility provided by the Secretary of State for Transport. This facility has a current expiry date of October 2052. We believe it is right that we seek to move away from a reliance on debt supported by indemnities from government. However this will not be possible in the short term and we will keep this under review as market conditions and other factors change over the next few years
6. One of the key challenges facing the industry is to accommodate the increased demand for passenger and freight traffic. We have worked closely with stakeholders to develop plans for the best ways of meeting this demand and continue to make good progress in developing Route Utilisation Strategies (RUSs). The restructuring that we put in place a few years ago to create route enhancement teams and a dedicated delivery team continues to prove beneficial and helped to enable us to deliver over £1.5bn of enhancements in 2008/09, a significant increase on previous years, and provide a sound basis for developing and delivering the further increases in investment planned over the new control period
7. We have assessed the company's ability and the capability of the supply chain to support the delivery of the CP4 investment programme and developed a robust strategy for mitigating risks and delivering the work as described in our delivery plan.
8. We have reviewed the financial projections used for the CP4 Delivery Plan over the next twelve months and beyond. They indicate that at the end of 12 months the Adjusted Interest Cover Ratio will be 1.77 and the gearing ratio, Debt to RAB, will be 64%. Both ratios indicate the financeability of the company over the next twelve months.

The Board is confident that the changes we have already made to the company and the further changes planned will provide the necessary leadership, management and resource to meet the challenges we currently face.

Yours sincerely



Patrick Butcher  
Group Finance Director

## **Statement of Adequacy of Resources made in accordance with Condition 11.5 of Network Rail's network licence**

Date: 3 June 2009

In this statement:

- references to the licence holder are to Network Rail Infrastructure Limited;
- references to the Act are to the Railways Act 1993 (as amended);
- references to a period of 12 months are to the period of 12 months commencing on the date of this statement.

After making enquiries, and subject to the outcome of any access charges review which is due to be concluded within the 12 month period referred to in this statement, the directors of the licence holder have a reasonable expectation that the licence holder will have available to it, after taking into account in particular, but without limitation:

- (i) any dividend or other distribution, loan repayments or other sums due which might reasonably be expected to be declared or paid by the licence holder;
- (ii) any mortgage, charge, pledge, lien or other form of security or other encumbrance; and
- (iii) any indebtedness or guarantee;

sufficient resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities, on such terms and with all such rights, to enable the licence holder to: (a) properly and efficiently carry on the Permitted Business; and (b) comply in all respects with its obligations under the Act and under its network licence, for the period of 12 months referred to in this statement.

Signed.....

Director, pursuant to a resolution of the Board of Directors of Network Rail Infrastructure Limited dated June 2009.