



Lilian Greenwood MP
Chair
Transport Select Committee
House of Commons
London
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Dear *Chair*

Thank you for your letter of 8 February regarding the impact of Carillion entering into receivership. I have addressed your questions individually below but first wanted to outline our overall approach to this important issue.

First and foremost, passengers can be reassured their services will be running as normal as Carillion's work for Network Rail does not involve the day-to-day running of the railway. Prior to Carillion entering into receivership in January, Network Rail had formed a number of contingency plans in December 2017 and enacted them on 15 January 2018.

There has been a dedicated team established within Network Rail to address any potential safety, immediate delivery and transition aspects since. To maintain continuity in the projects and programmes an arrangement was entered into between Network Rail with the Official Receiver's Special Manager, PwC.

Carillion's work for Network Rail therefore continues for the time being as Network Rail works closely with the official receiver and special manager to ensure the continuity of its project work and provide the best support to staff and suppliers alike.

To that end, we announced that all certified work after 15 January to all suppliers on rail projects will be paid until further notice and that Carillion rail employees will be paid until at least mid-April. Further, on 26 January we moved to protect SMEs in the supply chain by announcing that Carillion's smaller rail suppliers are to be paid the arrears they are owed following a further agreement between the Official Receiver's special manager, PwC, and Network Rail.

Our aim is to ensure, as far as possible, that this news has as little impact as possible on our projects to grow and expand the railway network and my team is working hard to ensure this.

Q1. Which rail projects Carillion was involved in directly or indirectly?

A1. At the time of Carillion entering into receivership, they held 22 contracts with Network Rail as follows:

- Kettering to Corby- GRIP 3-4-5
- Kettering to Corby Works GRIP 6-8
- Kentish Town GRIP 3/4, 5 & 6
- Market Harborough LSI (MML)



London to Corby GRIP 6-8 MML
Brent Cross station - Grip 3/4
L2C T&C (Package 1) GRIP 4-8 - MML
L2C Electrification (CPL) - GRIP 4-8 - MML
Plain Line Track Renewals - LNE 16/17
PLTR - LNE - WBI 2017-2018
Sheffield Tram Train Early/Main Works
IEP Gauging Priority 1 Sites
IEP Gauging Priority 2 Sites
NEP - Shotts Electrification Adv
North West Electrification Programme - Phase 4 & 5
OOCPA (Crossrail)
WITI (Western Inner Track Imp)
Oxford Corridor Trackworks
Knottingley Area LX Renewals
CP5 Renewals Oxford
Splott Road Bridge
Waverley NR12 G4-8

Q2. What steps Network Rail is taking to ensure that projects involving Carillion will proceed as planned?

A2. Network Rail entered into an interim arrangement with the Special Manager that has provided the necessary framework to continue operations on the projects whilst the Carillion Rail business sale process is undertaken. The interim arrangement covers work until 14th April.

Q3. On what projects and programmes work has been halted and when is it expected to resume?

A3. Work was paused on projects initially to allow for a review of safety and operational arrangements. Work quickly recommenced on the projects although there has been some loss of productivity and/or use of planned access. The interim arrangement is still in operation and we are unable to quantify the impact, as this changes on a daily basis.

Q4. What options Network Rail has considered for successor arrangements following the collapse of Carillion?

A4. Network Rail are supporting the Special Manager (PWC) with a potential sale of the Carillion Rail business whilst developing detailed alternative transition plans with the supply chain should the sale of Carillion be unsuccessful.

Q5. How much it will cost Network Rail to pay ex-Carillion employees working on rail projects? How Network Rail plans to finance these payments? What the status of ex-Carillion employees who are now being paid by Network Rail via the Official Receiver? How long this arrangement is expected to last? And how the pensions of such employees are affected by this arrangement for paying them?

A5. Individuals will remain employees of Carillion and will continue to be paid by Carillion/PWC. The Special Manager will review the impact on pensions as part of their sale process and Network Rail has not had access to individual arrangements due to data protection. Network Rail has undertaken to underwrite costs in delivery of the projects for the period up to 14th April. This is not an additional cost but covers costs Carillion would have invoiced in normal business circumstances for the delivery that has continued. Carillion have estimated the cost to be circa £21m. These costs are already budgeted and funded in the project costs and have been secured by the continued delivery of the projects.

Q6. How much will it cost Network Rail to cover arrears payments to small rail suppliers? How Network rail plans to finance these payments? How long does it expect to make such payments?

A6. The payments to arrears holders are being made by PWC (Carillion) on advice from NR, they are not being paid directly by NR. These are being funded from balances owed by NR to Carillion on pre-liquidation business.

Q7. What estimate Network Rail has made of the costs of renegotiating or re-letting existing contracts affected by the collapse of Carillion?

A7. Network Rail is actively supporting the Special Manager's sale process of the Carillion Rail business as this will avoid the requirement for renegotiation of contracts while developing individual transition plans if the sale is unsuccessful.

Q8. What arrangements are being made for apprentices affected by the collapse of Carillion? How many apprentices are affected? How many have transferred to another employer?

A8. The answer to Q8 will be dependent on the terms of the sale of the ex-Carillion business by the Special Manager.

I hope these answers are helpful and provide reassurance to you and the Committee. If any further information is required, please do not hesitate to get in touch.

Yours sincerely

A handwritten signature in blue ink, appearing to be "Mark Carne", written over a large, stylized blue scribble or watermark.

Mark Carne
Chief Executive

