

TRANSPORT FOR LONDON

RAIL AND UNDERGROUND PANEL

SUBJECT: MANAGING DIRECTOR'S REPORT – LONDON RAIL

DATE: 26 FEBRUARY 2009

1 PURPOSE AND DECISION REQUIRED

1.1 The purpose of the report is to highlight the performance of London Rail. Members are asked to note the report.

2 RECOMMENDATION

2.1 The Panel is asked to NOTE the report.

3 CONTACT

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LONDON RAIL

MANAGING DIRECTOR'S REPORT

1 KEY HIGHLIGHTS AND SIGNIFICANT EVENTS SINCE PERIOD 10

- The DLR Woolwich Arsenal extension opened 7 weeks early on 10 January 2009.
- ODA have confirmed their £107m funding contribution for the North London Railway Infrastructure Project (NLRIP).
- The Office of Rail Regulation (ORR) have confirmed that they are minded to approve a 15 year track access option for the North London Railway.
- Funding confirmed for Three Car running on DLR to Beckton.
- Funding for Phase 2 of the East London Line was agreed with the Department for Transport (DfT) on 13 February 2009.
- South West Trains have signed up for Oyster implementation at their stations.

2 MANAGING DIRECTORS OVERVIEW

Performance on London Overground improved markedly in the period as London Overground Rail Operations Limited (LOROL) re-familiarised themselves with normal service patterns following the end of the Autumn blockade.

DLR performance also showed improvement in the period with all reliability and service quality measures exceeding target. Journey time performance was slightly behind target and the franchisee is working closely with DLR to improve this.

London Tramlink continued to perform above target.

The DLR Woolwich Arsenal extension was opened by the Mayor on 12 January 2009, some seven weeks early and early indications are that usage is above expectations.

On the North London Railway Infrastructure Project (NLRIP), the Implementation Agreement (IA) with Network Rail (NR) is almost complete, with one specific issue requiring resolution.

On 18 December 2008, the Project Review Group gave funding approval for the project to enable three car operations on the DLR Beckton line. This project will be wholly funded by third parties and is the last stage in enabling three car operation across the whole of the DLR network. This will provide line capacity to cope with the anticipated level of demand during the Olympics as well as supporting future residential and commercial development.

Funding for phase two of the East London Line has now been agreed with the DfT providing £60m towards the cost of the project and TfL contributing £15m. The scheme will link Surrey Quays on the East London line extension to Clapham Junction, providing direct links to the City and Docklands and helping to reduce congestion on radial routes and at central London interchange stations. Significant benefits will also be delivered to stations on the route including staff at all stations while trains are running and improved safety and security. Phase two will also reduce any disruption caused by the Thameslink works at London Bridge by providing passengers with alternative routes.

3 OPERATIONAL PERFORMANCE

3.1 DLR

3.1.1 Ridership

Period journeys of 3.9m were 0.4m below forecast due to ongoing major project work and an overly optimistic forecast over the Christmas period. With Tower Gateway closed until early March 2009 and further planned weekend closures, journeys are expected to continue at lower than forecast levels.

3.1.2 DLR Reliability and Service Quality

| Standard | Period System Performance | Target |
|------------------------------|---------------------------|--------|
| Departures | 99.6% | 98.0% |
| Service Reliability | 96.3% | 96.0% |
| TVM Availability | 99.2% | 98.0% |
| Lift Reliability | 99.3% | 97.0% |
| Escalator Reliability | 100.0% | 98.0% |
| PID Availability | 100.0% | 98.0% |
| Train Kilometres (thousands) | 278 | 332 |

After last period's poor performance, the improvements this period were encouraging with all measures apart from train kilometres above target.

Train Kilometres were below target due to a change in assumptions on service plan and possessions since the time of setting the budget.

3.1.3 Journey Time

| Journey Time | Period System Performance | Target |
|--------------------------|---------------------------|--------|
| Bank – Lewisham | 94.77% | 95.0% |
| Bank – Canary Wharf | 92.94% | 95.0% |
| Bank – King George V | 94.95% | 95.0% |
| Stratford – Canary Wharf | 94.12% | 95.0% |
| Canning Town – Beckton | 96.67% | 95.0% |

All but one of the routes remained below target, although scores were on average 11% higher than the previous period. Lower system performance was attributable to several problems (control systems, equipment and points failures, non communicating trains, power outages and new vehicle door opening in service).

Serco and DLR continue to work closely to improve the performance further.

3.2 LONDON OVERGROUND OPERATIONS

3.2.1 Operational Performance

PPM¹ in period 10 was 92.8% which was an improvement of 6.7% compared to the previous period and 0.4% compared to the same period last year. The MAA² remained at 92.7%.

The overall satisfaction rating measured by TfL's Customer Satisfaction Survey in Quarter 3 2008/09 showed a 3% decline from the previous quarter. The survey field work was undertaken in period 9 when the performance was significantly lower than anticipated and this will have had an impact on the result. A meeting will be held with LOROL to better understand the findings of this survey and agree measures to improve future survey results.

The autumn 2008 national passenger survey (NPS) overall satisfaction measure was 77% an improvement to both the previous spring survey (+12%) and the autumn 2007 survey (+6%).

The anticipated transfer of London Overground (LO) Operations at Stratford from platforms 1 and 2 to platforms 12a and 12b did not occur on 2 January 2009 due to NR not completing the work. This is now anticipated to be complete by April 2009.

3.3 LONDON TRAMLINK OPERATIONS

| | Period Result | Target |
|--------------------------------------|---------------|--------|
| Passenger Journeys | 1.84m | 1.90m |
| % of scheduled service km's operated | 98.8% | 98.0% |

3.3.1 Ridership

Period journeys of 1.84m were 0.06m below target due to early closures for engineering work and 0.9% higher than the same period last year.

3.3.2 Reliability

Period service performance was above the contracted target despite the seasonal weather the railway. However, a number of points failures impacted on service delivery on particularly cold days.

3.3.3 Infrastructure Management

Work continued with Carillion to develop the first annual maintenance plan for implementation under the extended infrastructure maintenance contract which is due to commence on 31 January 2009.

Carillion (supported by Grant Rail) continued to undertake the programme of remedial welding repairs around central Croydon prior to the roll out of track replacement works in 2009/10. Whilst the continuing spell of sub-zero temperatures continued to impact planned

¹ PPM (public performance measure): % of trains that arrived within 5 minutes of their stated arrival time as per the timetable currently in operation.

² MAA: moving annual average.

work, the works at West Croydon Station are now complete. Given that the temperature is forecast to remain low, further welding work has been postponed until early February 2009 when the section across London Road will be tackled.

3.3.4 Projects

A further three trams were refurbished on the Tram refresh project in line with the programme and a total of eleven have now been completed.

Ten tram stop refurbishments were partially complete at the end of the period, with only the signage outstanding.

The Reeves Corner track replacement project is on programme to be delivered during the February 2009 half term.

4 CROSSRAIL SPONSORSHIP

On 23 December 2008, agreement was reached with Canary Wharf Group (CWG) on the funding of the new Crossrail station at Canary Wharf. CWG will construct the new Isle of Dogs station for a fixed price of £500m and when completed in 2012, the station will be purchased by Crossrail for £350m, thus securing a £150m contribution from CWG. CWG will also develop retail space and a rooftop park above the new station. Construction is due to start within the next few months.

Discussions continued with NR on the terms of the protocol agreement for the on network works. Completion is targeted for the end of March 2009.

The invitation to tender (ITT) for the Crossrail Project Representative (P Rep) was issued on 19 December 2008. The P Rep will be a joint appointment of the sponsors and will be embedded within Cross London Rail Links Ltd (CRL) to act as the sponsors' "technical eyes and ears" on the programme. As such, the P Rep is crucial to enabling the sponsors to discharge their responsibilities as informed clients of the Crossrail programme. There are nine short listed bidders. Contract award is expected to be announced in April 2009.

The Head of the Joint Sponsorship Team (JST) represented the sponsors as the three short-listed companies bidding for the Programme Delivery partner role made their final presentations on 19 December 2008. A paper was submitted by CRL to the Sponsor Board meeting on 15 January 2009 setting out their approach to the remuneration and incentivisation arrangements, in accordance with the project delivery agreement (PDA) requirements.

A review of Crossrail demand forecasts has been commissioned to facilitate sponsor decisions regarding required opening capacity. This is being led by MVA and will inform work on capacity options which has been requested from CRL. The work is being overseen by a steering group chaired by the JST and comprising RfL, TfL Corporate Finance and DfT representatives.

5 PROJECT PERFORMANCE

5.1 TfL INVESTMENT PROGRAMME

EAST LONDON LINE PROJECT (ELLP)

Safety

There was one reportable accident in the period, which increases the reportable accident KPI from 0.19 per 100,000 hours worked to 0.22 (against the benchmark of 0.59). An investigation is almost complete.

Main Works

Balfour Beatty Carillion (BBC JV) submitted 20 final designs for assurance acceptance against the target of 28 and cumulative submissions now stand at 511 against a target of 518. The Independent Technical Certifier (ITC) approved 13 designs against a target of 28 bringing total ITC approvals to 418 which is 15 behind target. Weekly meetings continue with BBC JV and the design house managers to assist them in achieving the revised submission schedule.

Two short term critical milestones were achieved to programme in the period:

- All 33Kv switchgear and associated equipment was installed at the Hoxton traction sub station on 12 December 2008.
- The updated equipment and material procurement tracking schedule for the whole of ELLP was issued by BBC JV on 9 January 2009.

Two planned milestones remain outstanding and are now expected to be completed next period:

- Completion of the central section trackslab stage 2 southwards to Surrey Quays. The target date of 23 December 2008 was not met due to soft ground conditions, but the delay can be accommodated within the overall track programme.
- Submission of the PA system planning consents application. The revised submission date still allows for approval before noise barrier and PA system installation works are programmed to commence.

Network Rail (NR) Works / Services

Programme slippage on design, due to Scott Wilson resource issues remains the key issue for this work stream. NR has been asked to review the design programme and provide realistic dates for design submissions considering the workload of their signalling resource and the relative priorities between the outstanding work packages.

Despite these design delays, installation of the new crossover at South Croydon and panel modifications at London Bridge were completed successfully during possessions over the Christmas period.

Enabling works at Crystal Palace continued in the period with further cable route clearance works, preparatory works and site surveys being undertaken.

LUL Works/Services

Hand tracing and tagging of all known assets is complete, records of the removals have been issued to the project team for acceptance and the final accounts are being calculated.

BBC JV proposals for the system interfaces at Whitechapel and Canada Water have been submitted and discussions are continuing with LU and the relevant PPPs. BBC JV are preparing a programme for these detailed activities.

Infrastructure Manager (IM)

Negotiations have continued with the two remaining tenderers for the infrastructure maintenance contract and a recommendation forwarded to the Commissioner. Contract award is expected by the end of February 2009.

Progress was made on a number of the work streams including:

- The contract to verify the accuracy of existing asset records has been awarded to Faber Maunsell, training is in progress and inspections are planned to commence by the end of January 2009.
- The contract to ensure the completeness of asset records has gone through the tendering process and the contract is currently being finalised.
- Interim asset management plans have been issued in draft format and are currently under review.
- The asset management strategy document is on track for completion in February 2009, with approval expected by the end March 2009.
- The core asset register has successfully completed user acceptance testing and is currently being tested in the TfL SAP environment. Go live is expected by mid February 2009. The procurement process has continued for the full asset management information system (AMIS) solution.

LONDON OVERGROUND ROLLING STOCK

Delivery dates for the first North London Railway (NLR) units continue to slip, but the expectation is that the first units will be accepted into operation by the end of May 2009.

Unit one continued with route proving on the NLR. This unit has covered most of the available network and has enabled platform checking exercises to be carried out by LOROL at stations on the Euston Watford line. A further ten units are in production.

There are a number of equipment shortages, including CCTV interior panels and harnesses, which are impacting train completion. Bombardier's underframe casting supplier went into receivership this period. This will affect production given that this is a critical part for assembly. Bombardier is in discussion with an alternative supplier.

LOROL are to implement power restriction working instructions on the NLL (Acton – Acton Wells) for the new Class 378 trains to accommodate the 60 amps limit in AC mode on this line. The timetable can still be achieved when applying this power restriction. Bombardier and LU are now working together to agree a single solution that will suit both Overground class 378 and LU S-Stock. Two viable options are awaiting detailed costings prior to evaluation.

NORTH LONDON RAILWAY INFRASTRUCTURE PROJECT (NLRIP)

Tender evaluations have been completed for the NR core works contract and for the signalling contract. A standstill letter has been issued identifying Carillion (core works) and Atkins (signalling) as the preferred bidders and both contracts are due to be awarded by the end of February 2009. The tender returns confirmed the target opening in January 2011. With a 16 week all lines blockade from Christmas 2009.

The Office of Rail Regulations (ORR) consultation on the revised infrastructure proposals is now complete and a "minded to" letter was received on 13 January 2009 confirming the 15 year track access option.

Ownership of the cables within the bridge deck at Dalston Junction remains unknown. BBC JV is undertaking additional investigation and cable tracing activities following utility company responses to the project's proposal to spike the cable. This problem has delayed the start of demolition of the Dalston Junction bridge deck until February 2009 but is not anticipated to cause an overall project delay.

Birse Metro with Tony Gee and Partners are progressing on programme with detailed design for the civil engineering works on the Dalston Western Curve and continued to mobilise on site and undertake site investigations.

DOCKLANDS LIGHT RAILWAY

Woolwich Arsenal Extension

The infrastructure certificate accepting construction as complete was issued by DLR to the concessionaire Woolwich Arsenal Rail Enterprises (WARE) on 24 December 2008 and the extension opened seven weeks early on 10 January 2009.

Three Car Capacity Enhancements

Productivity during possessions was generally good with the majority of planned works completed during period 10.

Package 1 (Bank to Crossharbour)

At Tower Gateway, staircase foundations have been completed and trackwork and the south side canopy are largely complete. Platform finishes at Shadwell were completed and the platform steelwork at Westferry is 95% complete. Crossharbour works have been completed. Overall Package 1 works are generally adhering to the accelerated programme, although slippage at Tower Gateway was not recovered over the Christmas period and the station will now reopen in early March 2009. This is still ahead of the original programmed opening date of May 2009.

Package 2 (Lewisham Extension)

Substantial completion of Package 2 had been achieved by 5 January 2009 as per programme with formal completion date under review by DLR and Serco. At Mudchute, the acoustic noise barrier was installed as were the points for the new third platform which will be commissioned during Period 11.

Package 5 (Delta Junction)

The installation of steel beams was completed ready for the pre-cast deck slabs to be installed during Period 11. Formwork for the new Delta fly-under is nearing completion and

the tie-in between West India Quay and Canary Wharf is expected to take place during Period 11. Work also continued behind hoardings at West India Quay station to complete the outstanding platform works.

Package 7 (Canning Town Junction)

At the Limmo site, work continued to install the column beams and the concrete for the lift wall was poured at the north approach. At the central compound, the London Underground footbridge piles were completed and the boundary fence modified. The central pier structure installation is underway and insulation of the track starter bars has been completed. The southern approach trial holes and piling has started at Victoria Dock Road. Track signalling work around Royal Victoria Station is ongoing, with tamping installation and inspection having been successfully completed.

Stratford International Extension

Package 8 (Network Rail Platforms at Stratford)

The planned Christmas blockade and commissioning work did not take place due to a number of unresolved issues by the contractor culminating in NR not granting the possession. Dialogue continues on the next available period for a blockade to enable the balance of works to be completed and the hand over of the high level platforms, Easter is the expected possession date. Despite the cancellation of the blockade, construction works continued through the Christmas period with the completion of trackwork, overhead line equipment and power supplies in those areas outside of the blockade area. Work also continued on site with the civils work for the platforms, staff accommodation building and subways all completed.

Package 6 (Conversion of NLL to DLR)

Due to the Package 8 Christmas blockade not taking place, the lower level platforms at Stratford could not be handed over to the Package 6 project team for construction works, but works are currently proceeding with work in line with the current programme. Station designs review continued within DLR with 95% of design work now approved. Discussions with the contractor (Skanska/Grant Rail) indicate the opening date will not be affected.

Critical activities for relocating the gas main at Star Lane remain incomplete due to poor ground conditions, which means that Manor Road will now open at the end of February 2009. Excavation works at Canning Town continued and are now at a depth of four metres. The West Ham piling commenced and the platform demolition and new foundations were completed. The Lower Lea substation is underway and the platform walls and 80% of the platforms have been cast at Stratford International.

Woolwich / Three Car / Olympic Railcars

Seventeen vehicles have been delivered to Beckton and taking over certificates have been issued for nine. The last two vehicles were commissioned in less than the planned twenty days which presents an opportunity to accelerate the programme. This has been agreed in principle with Serco who are undertaking a review of their processes. There are a further five vehicles ready for shipment in Bautzen and another four vehicles in various stages of production.

Three Car North Route

Package 3 &4 (North Route + Blackwall and East India)

Work continued at All Saints and Bow Church where the new stairs were installed and the north end platform extension was completed at Pudding Mill Lane. Package 3 is on programme to complete by the end of June 2009. At Blackwall the pile caps have been completed and work has commenced on the superstructure. Site set up has been completed at East India and work on the utility investigations is ongoing. Package 4 is on programme to complete by the end of August 2009.

Three Car East Route

Letters of commitment have been received from all external parties funding this project (Olympic Delivery Authority, Department for Communities and Local Government and London Development Agency) and approval to commence this project was granted by TfL project review group on 18 December 2008. Three bids have been received for the detailed design work and are being evaluated by DLR.

Upgrade of Ticket Vending Machines

Fourteen machines have been installed across the network as part of the extended trial (with six of these at the new Woolwich Arsenal Station) and their reliability continues to be monitored.

5.2 OTHER PROJECTS

North London Railway (NLR) Stations Upgrade

LOROL and London Rail have completed the value engineering exercise to review processes and design for station enhancements and to ensure co-ordination with the NLRIP project. This has resulted in a new delivery programme to be completed by December 2010. Additionally, the SEWA related works for Crystal Palace have been transferred to the East London Line project.

LOROL has presented Operator Final Proposals (OFP's) for Kensal Rise and Kensington Olympia incorporating the revised programme.

Wider London Oyster Rollout

The project to rollout Oyster 'Pay As You Go' (PAYG) ticketing to all of London's National Rail services is being taken forward in two phases. Phase 1 involving One, C2C and Chiltern was completed to schedule on 2 January 2008.

On phase 2, Oyster PAYG at First Great Western London area stations went live on 21 September 2008. The passenger validator (PVAL) agreement (to install PVALs in advance of signing up to the PAYG commercial agreements) was signed by South Eastern Trains at the end of November 2008 and installations are to begin on the 26 January 2009. Heathrow Connect is not participating in PAYG leaving South West Trains (SWT) as the only train operating company (TOC) where PVAL installation is yet to be agreed. At the association of train operating companies board meeting on the 13 January 2009 the PAYG agreement was approved subject to minor amendments. The likely completion of PVAL installation is September 2009 with go live by the end of 2009.

London Overground Gating and Oyster

Good progress continued on the revenue systems for the East London Railway (ELR). There are new gatelines and additional ticket vending machines (TVM's) in operation at the main entrances at Sydenham, Forest Hill, Norwood Junction and Brockley station. The gatelines for the second entrances at Norwood junction and Forest Hill will be commissioned in January and February 2009 respectively.

6 FINANCIAL PERFORMANCE

Financial overview for period 10

| £'m | Current Period | | | Year to Date | | | Year End | | |
|--|----------------|--------------------|--------------------|--------------|--------------------|--------------------|--------------|--------------------|--------------------|
| | Actual | Var to Q3 Forecast | Variance to Budget | Actual | Var to Q3 Forecast | Variance to Budget | Q3 Forecast | Var to Q2 Forecast | Variance to Budget |
| Operating income | (7.6) | 0.4 | 0.4 | (85.3) | 0.6 | 4.8 | (118.2) | 4.2 | 3.4 |
| Operating expenditure | 20.3 | 0.2 | 0.0 | 195.3 | (1.5) | (34.2) | 269.9 | (6.6) | (25.0) |
| Total net operating expenditure | 12.7 | 0.6 | 0.4 | 110.0 | (0.9) | (29.4) | 151.7 | (2.4) | (21.6) |
| Total net capital expenditure | 38.7 | (2.3) | (16.1) | 423.3 | (0.2) | (117.0) | 542.4 | 0.2 | (181.8) |
| Total net expenditure | 51.4 | (1.7) | (15.7) | 533.3 | (1.1) | (146.4) | 694.1 | (2.2) | (203.4) |

(Brackets) : Income higher / Costs lower No Brackets : Income lower / Costs higher

Variance over 10%

Variance between 5 and 10%

Variance below 5%

Period net expenditure was below Q3 forecast by £1.7m due mainly to an underspend on the East London Line main works (£4.3m).

Operating income for the year to date of £85.3m was £0.6m (0.7%) below Q3 forecast and £4.8m (5.3%) below budget.

The variance from Q3 forecast was due mainly to a change in allocation factors which had a negative impact on revenue, on London Overground Operations (£0.4m) and lower passenger numbers on DLR (£0.4m). The variance against the budget was due mainly to lower passenger numbers on DLR (£3.5m) and the Rail Settlement Plan (RSP) retrospective adjustment to London Overground Operations (£2m).

Operating expenditure for the year to date of £195.3m was £1.5m (0.8%) below Q3 forecast and £34.2m (14.9%) below budget.

The variance against budget was due mainly to London Wide Oyster (£23m), reflecting protracted negotiations with the TOC's and rephasing of NLR station enhancement works (£9.6m).

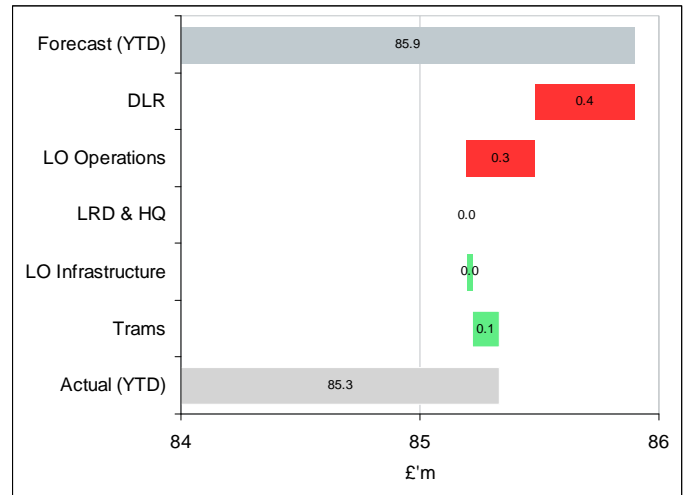
Net capital expenditure for the year to date of £423.3m was £0.2m (0.1%) below Q3 forecast and £117m (21.7%) below budget.

The variance from Q3 forecast was due mainly to reduced activity over the Christmas period on the East London line (£2.9m) partially offset by increased activity within DLR (£2.8m) mainly on the Three Car Project. The variance from budget was due mainly to East London Line (£51m), Three Car (£32m) and NLRIP (£20.3m).

Year to date revenue compared to Q3 forecast

£0.4m lower income on DLR due mainly to 0.5m lower passenger journeys as a result of the greater impact of works and closures on the network than that factored into ridership forecasts.

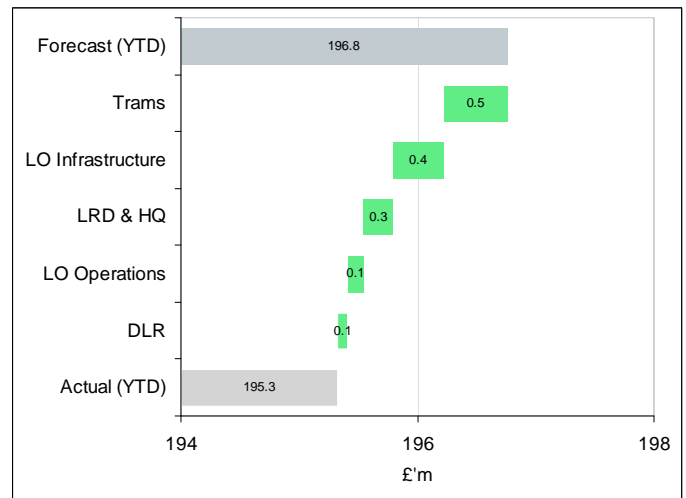
£0.3m lower income on LO Operations to a change in allocation factors, which had a negative impact on revenue.



Year to date operating expenditure compared to Q3 forecast

£0.5m underspend in Trams due mainly to delays across a number of projects (£0.4m).

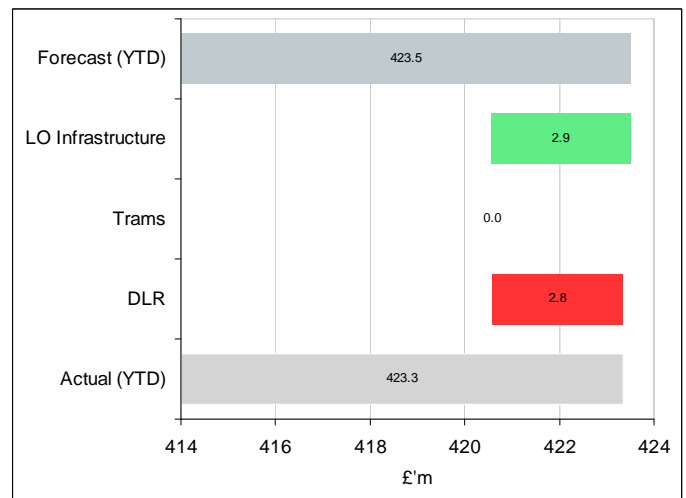
£0.4m lower on LO Infrastructure due mainly to lower activity across the Infrastructure Manager work streams (£0.3m).



Year to date net capital expenditure compared to Q3 forecast

£2.9m decrease on LO Infrastructure projects driven by ELLP main works reflecting reduced activity over the Christmas period. Actuals are expected to come back in line with forecast next period.

£2.8m increase in DLR due mainly to additional Three Car works (£4m) partly offset by £0.9m of ODA contributions for Stratford International received earlier than anticipated.

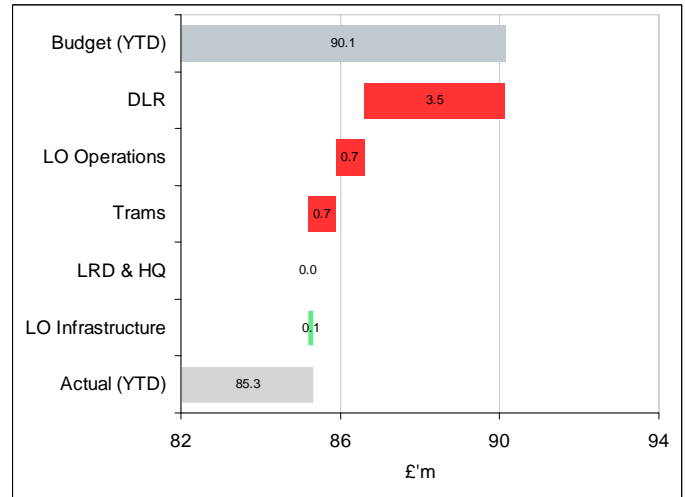


Green = underspend Red = overspend

Year to date revenue compared to budget

£3.5m lower revenue on DLR due to passenger journeys of 49.5m being below budget by 4.4m (£4.1m) partly offset by yield of 96.5p being 1.3p more than budget (£0.6m) as a result of the revision of the travel card rate earlier in the year.

£0.7m lower revenue on LO Operations due mainly to the Rail Settlement Plan (RSP) retrospective adjustment for travelcard sales.

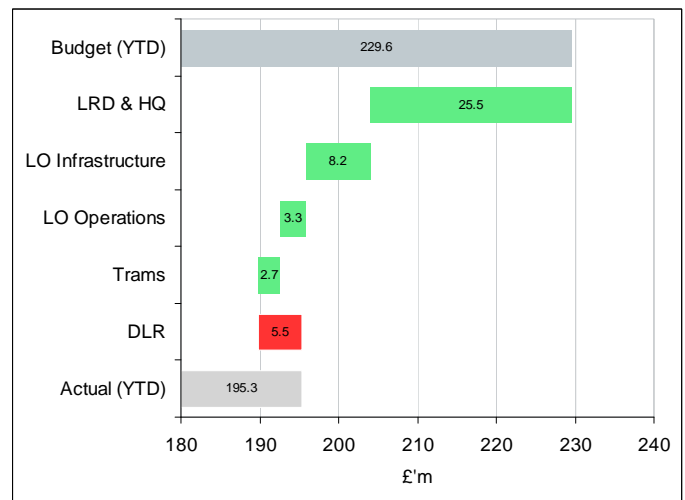


Year to date operating expenditure compared to budget

£25.5m underspend in London Rail Developments and Headquarters due mainly to an underspend on London Wide Oyster (£25.5m) largely as a result of continuing delays in signing the Oyster PAYG agreement with the TOCs.

£8.2m lower on LO Infrastructure due mainly to rephasing of the NLR station upgrade to reflect the revised approach that ties into NLRIP (£9.6m).

£3.3m lower on LO Operations due mainly to lower fixed track access costs.



£2.7m lower on Trams due mainly to delays across a number of projects (£1.8m) and savings in staff costs (£0.7m).

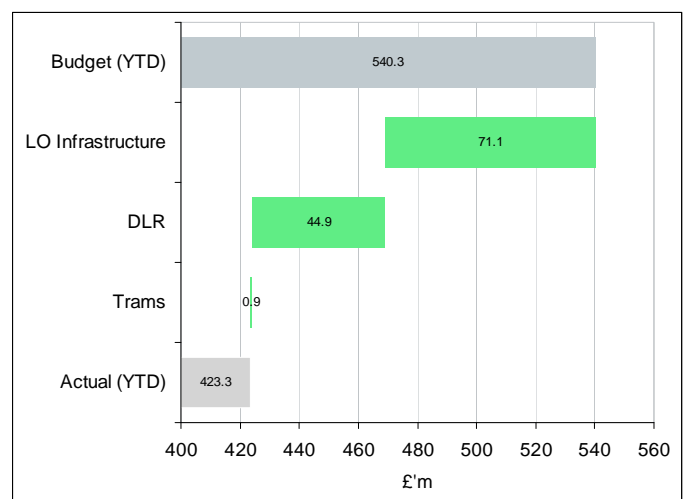
£5.5m overspend in DLR due mainly to the Lewisham blockade bus service (£3.2m), higher franchise costs (£1.5m) and additional Dagenham Dock planning work resulting from route changes (£1.1m).

Year to date net capital expenditure compared to budget

£71.1m decrease on LO Infrastructure projects due mainly to rephasing of risk and contingency on the East London Line (£21.9m) and rephasing of NLRIP (£20.3m) due to the delayed Network Rail Board approval. Contract award will not now take place until February 2009.

£44.9m reduction in DLR largely due to Three Car works (£32m) mainly because of phasing of works (£21.1m) and reassessment of value of work to date by Taylor Woodrow (£7.5m).

Green = underspend Red = overspend



7 HEADCOUNT PERFORMANCE

Headcount overview for period 10

| FTEs | Year to date | | | Full Year | | |
|----------------------|--------------|----------------|-----------------|--------------|----------------|-----------------|
| | Actual | Variance to Q3 | Variance to Bud | Q3 Forecast | Variance Q3-Q2 | Variance Q3-Bud |
| Permanent | 221.4 | 12.3 | 27.3 | 225.1 | 8.4 | 35.0 |
| Temporary | 38.0 | (11.0) | (11.0) | 48.0 | (1.0) | 0.0 |
| Effective FTE | 259.4 | 1.3 | 16.3 | 273.1 | 7.4 | 35.0 |

Variance over 10%

Variance between 5 and 10%

Variance below 5%

(Brackets) : FTE lower **No Brackets** : FTE higher

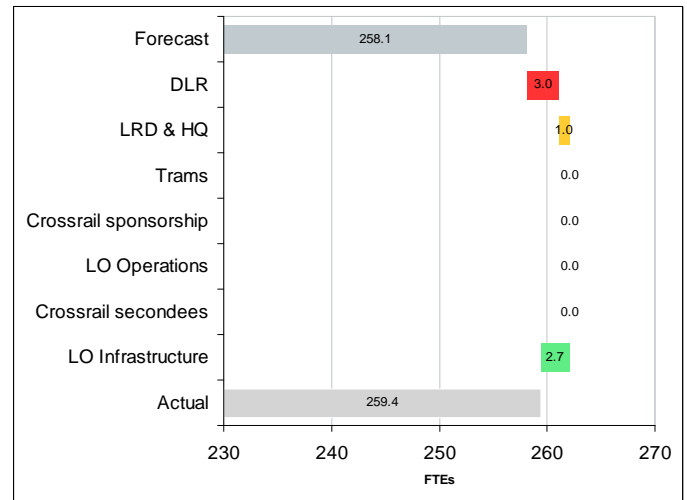
Permanent FTEs excludes staff on maternity leave

Period 9 headcount compared to Q3 forecast

3 FTE more than forecast for DLR due to faster recruitment than anticipated for the Engineering department.

1 FTE more than forecast in London Rail Developments and Headquarters due to a system double count which has subsequently been rectified.

2.7 FTE less than forecast in LO Infrastructure due mainly to slower recruitment than anticipated



Period 9 headcount compared to budget

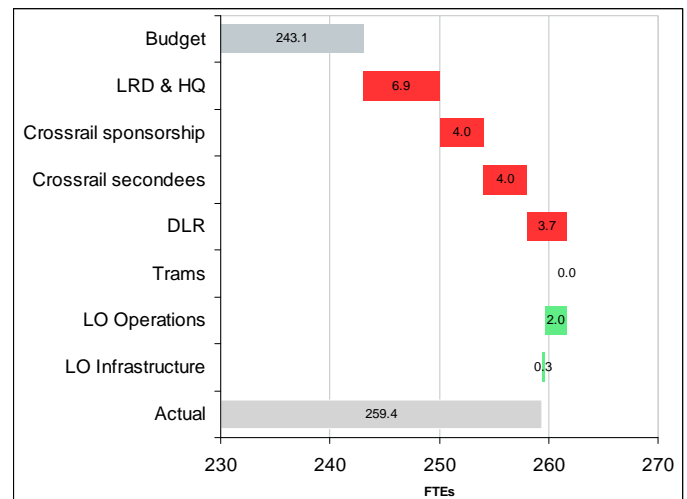
6.9 FTE more than budget in London Rail Developments and Headquarters due mainly to additional headcount within London Rail Developments (4).

4 FTE more than budget due to the inclusion of the Crossrail sponsorship team.

4 FTE more than forecast for Crossrail secondees as more TfL staff have transferred to Crossrail, the costs are reimbursed by Crossrail.

3.7 FTE more than forecast for DLR reflecting the recruitment of additional Engineering resource.

Green = below forecast
 Amber = SAP reporting issue
 Red = above forecast



8 REVIEW OF DEVELOPMENTS ACROSS NATIONAL RAIL

8.1 Office of Rail Regulation (ORR) Periodic Review, DfT 'high level output statement' and NR 'strategic business plan'

The ORR published its final determination on the Periodic Review in Autumn 2008. ORR announced on 5 February 2009 that Network Rail had decided to accept ORR's determination on outputs and funding. This means that the High Level Output Statement (HLOS) enhancement programme will be delivered and CP4 charges will be implemented from April 2009.

8.2 Network Rail matters

8.2.1 Route Utilisation Strategies (RUS)

The Great Western, East Midlands, West Midlands & Chiltern, Kent, Sussex and Network RUSs are all currently under way. They are generally all at the stage of appraising options and London Rail has an appropriate level of involvement in each of these.

8.2.2 National Station Improvement Programme (NSIP)

Of the 44 stations in London in NSIP, 15 had been identified for an 'early start'. These were proposals that were scheduled to have reached GRIP 3 stage (option selection) by September 2008, to go to stakeholder consultation in the Autumn and proceed to GRIP 4 ('working up' preferred option) by the end of 2008. These schemes would then commence on site throughout 2009.

The intention of the NSIP programme is, wherever possible, to draw in additional third party funding such that the NSIP works (at approximately £1m per station) combine with other proposals at the station. Network Rail are finding it more difficult than anticipated to gain the commitment of additional funding and this is contributing to the programme proceeding rather more slowly than was expected.

The most advanced NSIP schemes, that have achieved GRIP 4 status, are those most firmly aligned to other investment programmes and where third party funding has been identified. In London, these include: Crystal Palace where NSIP is combined with Access for All and East London Line Extension works, Smitham and Hounslow where works are accompanying highway schemes and West Hampstead where NSIP works are to support the Thameslink programme.

8.3 Office of Rail Regulation (ORR) matters

8.3.1 ORR Consultations

ORR consulted on its strategic business plan in the autumn and issued its plan for 2009-14 in December 2008.

ORR is currently consulting on the Network Rail Licence. The proposed licence retains the reference to Network Rail engaging with Mayor and TfL as key stakeholders and strengthens the requirement to engage with stakeholders.

8.4 DfT matters

8.4.1 DfT consultations and announcements

DfT is consulting on Delivering a Sustainable Transport System (DaSTS) which sets out a framework for transport planning in the medium to long term and which will be important in determining HLOS2 rail requirements.

8.4.2 Franchise replacements and extensions – progress

TfL has secured agreement with the DfT to incorporate various enhancements into the Invitation to Tender for the next South Central franchise, including the staffing of stations throughout the traffic day and a station refresh programme. These enhancements will be backed by an appropriate incentive regime to protect their value throughout the lifetime of the next franchise. TfL will continue to work with the DfT throughout the franchise bidding process to ensure the enhancements are delivered in the final specification. TfL will also have a role in overseeing performance throughout the duration of the next South Central franchise in conjunction with the DfT.

8.4.3 Accessibility and the ‘Access for All’ programme

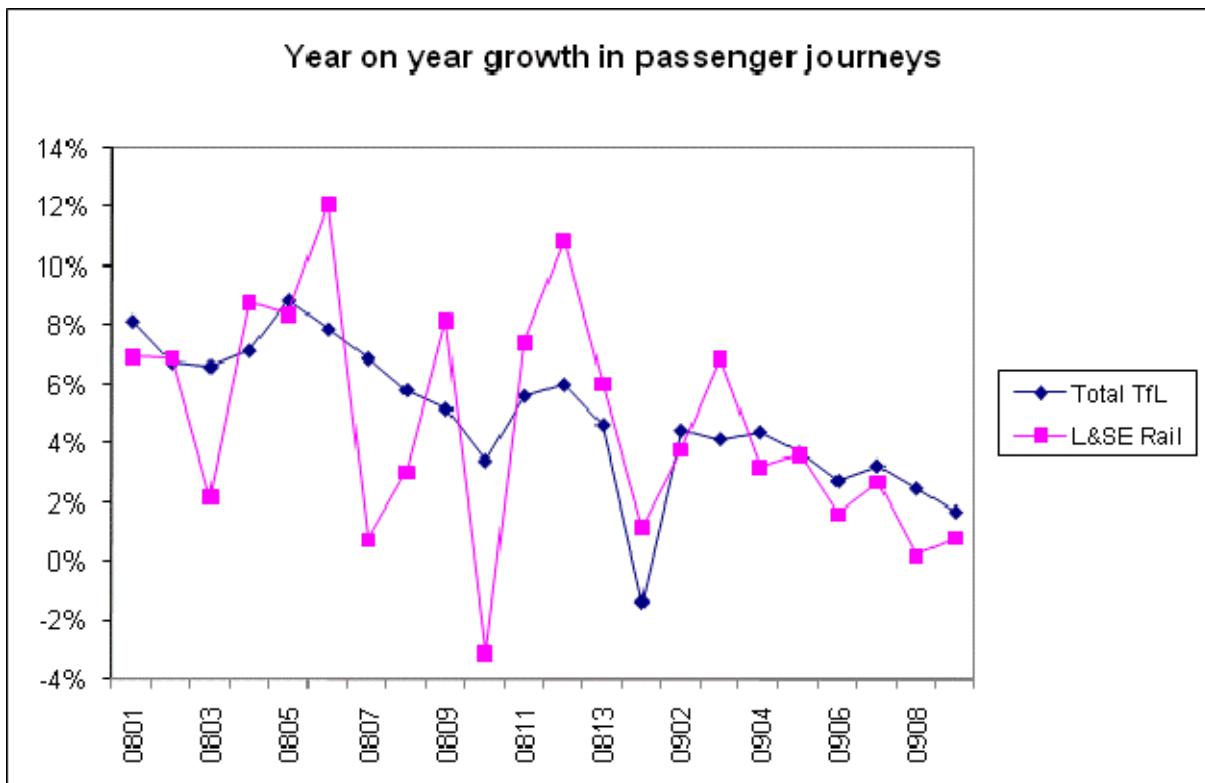
Of the 13 stations in London originally in Phase 1 (2006-09) of the Access for All programme, work at a number are now complete, including Balham, Blackheath, Kingston and Orpington, whilst work at others are on-site, including Clapham Junction and Streatham Hill. Clapham Junction is the largest Access for All scheme in the country.

Of the 12 London stations originally in Phase 2 (2009-11), most have proposals that Network Rail are discussing with interested parties. Some of these are well advanced, e.g. Vauxhall, New Cross, New Cross Gate and Forest Hill, as are the three proposals from Phase 3 (2012 – 15) that TfL asked the DfT to bring forward prior to 2012 because of their importance as access routes to the Olympics: West Hampstead, Camden Road and Gospel Oak. Works at these stations are being co-ordinated as appropriate with proposals for Thameslink and London Overground’s programme of station enhancements.

At West Hampstead Thameslink, an Access for All scheme to provide a new bridge and Network Rail Development Fund works to provide a southern entrance to the station will be undertaken concurrently but as separate projects. Both projects are subject to planning permission being granted and the southern entrance project is dependent on National Rail Development Fund (NRDF) funding being granted for the project in March, although this seems likely.

8.5 Performance of the passenger network

London and South East Rail demand growth has slowed in recent periods as has TfL's total demand. Rail demand growth is now close to zero as shown in the chart.



8.6 Freight

8.6.1 Strategic freight network

A number of the freight schemes included in Control Period 4 plans are potentially of benefit to London by reducing passenger conflicts through routing trains away from the capital, including capacity enhancements between Ipswich and Nuneaton. However, our analysis shows that there will still be capacity problems between Gospel Oak and Willesden and London Rail is investigating a number of options to address this.

The DfT has made extra funding available for works at Camden Road to reduce freight and passenger train conflicts. These works were previously dropped from the scope of the NLRIP project.

London Rail is pushing for electrification of the Gospel Oak to Barking line, with both passenger and freight benefits, and also for electrification of the spur to the new London Gateway port development at Thames Haven; whilst this is outside the GLA area, all freight trains serving London Gateway must pass through London.

8.6.2 Facilities to support freight on the High Speed line

London Rail and the London Thames Gateway Development Corporation have completed a study into rail terminal provision for high speed one (HS1) and London Riverside. The study suggests that one of the most promising activities for HS1 is high-speed freight and suggests potential locations for the terminal(s). Further work will now be carried out to get a more detailed understanding of the technical feasibility and employment impacts of these options.

There are a number of sensitivities about land use in the area and London Rail will continue to work with stakeholders to resolve these issues.

8.6.3 Rail freight trends

The following information is the latest available from the ORR and is pre-recession.

The latest Quarter 1 2008-09 figures for freight moved (billion net tonne kms) and freight lifted (million tonnes) together with the previous eight quarters are shown below.

| Year | Quarter | Freight Moved (bn net tonne/kms) | Freight Lifted (million tonnes) |
|--------------------------------------|---------|-------------------------------------|------------------------------------|
| 2006-2007† | 1 | 5.72 | 27.81 |
| | 2 | 5.77 | 29.13 |
| | 3 | 5.25 | 27.08 |
| | 4 | 5.37 | 29.48 |
| 2007-2008 | 1 | 5.48 | 25.50 |
| | 2 | 5.23 | 25.34 |
| | 3 | 5.23 | 25.8 |
| | 4 | 5.25 | 25.8 |
| 2008-2009 | 1 | 5.40 | 26.3 |
| Year on year change for Quarter 1 | | -1.4% | 3.6% |

Source: National Rail Trends produced by the Office of Rail Regulation

Quarter 1 shows rail freight moved reduced by 1.4% when compared with the same quarter last year, while freight lifted increased by 3.6% over the same period.

The overall picture is accentuated in London because the most important sector – deep sea container traffic – has continued to grow (Q1 year on year change is 9.8% growth). It should be noted that although this container traffic either passes through London or skirts around London, very little is destined for London. Construction, which is also an important sector to and via London, has remained broadly stable. The declining sectors are in bulk markets, notably coal and metals which are not represented in London.

8.7 Environment/sustainability

London Rail has been working with LOROL to improve the standards of their environmental reporting and assist them in the implementation of initiatives such as provision of recycling facilities, implementation of regenerative braking and incorporating energy efficient features into station upgrades. Progress is also being made implementing the London Rail Energy Action Plan across the Overground, DLR and East London Line project to ensure energy use and therefore carbon emissions are minimised.

London Rail has also been working with other parts of the rail industry including the DfT on the upgrade of the environment module of their National Modelling Framework, the Rail Safety Standards Board on various work streams including carbon reduction and future fuels and 'Drain London' who are seeking to assess flood risk and mitigation for infrastructure in London. London Rail also provided evidence to the GLA Environment Committee's review of the environmental sustainability of the GLA group.

8.8 High speed lines

London Rail is now a member of Greengauge 21's steering group and public interest group. Greengauge have been seeking TfL views on London stations/terminals for new lines; London Rail Strategy are carrying out some analysis and consulting with modal/GLA colleagues to form such a view. London Rail has also been in contact with both Network Rail and DfT about their parallel New Lines and High Speed Two studies respectively.