

Open for Business

Network Rail's information to support the roll out of its
pilot contestable projects 2018



Working for you

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Foreword

Network Rail is open for business. We want to make it easier for other organisations to invest in and build on the railway.

The purpose of this document is to provide some high level information for third parties that are interested in delivering Network Rail ‘contestable’ work. By ‘third parties’, we mean not Network Rail or central government. Network Rail is publishing this now to support the updated **opportunities for third parties to fund, finance or deliver improvements on Britain’s railways**. This document already contained

opportunities for those interested in funding rail projects. It now also contains a set of projects/works that might be suitable for third party delivery and a small number that might be suitable for project financing. Both of these latter types of opportunities are ‘contestable projects.’

This is how Network Rail defines contestable projects:

“Contestable projects are funded projects that can be delivered by parties other than Network Rail, where it is safe to do so. This is different to the normal contracting process because the delivery manager role, currently delivered by Network Rail’s Infrastructure Projects team or route-based works delivery teams, will be offered to the market as part of the contract. In addition, the contract will be based, where appropriate, on operational and/or asset output requirements. These non-Network Rail parties will be able to compete for and deliver renewal and enhancement schemes. The aim is to increase rail sector innovation and efficiency through minimising barriers to delivery, developing the industry supply chain and encouraging a multiplicity of suppliers.”

Contestable delivery is different to our normal way of doing business, because we will include our ‘delivery manager’ role in the contract scope and in doing so, we will have a more hands off approach in some aspects of delivery. Organisations working with us will find they are less constrained as we move to a more output focussed approach to our project requirements. This move towards operational and/or asset output based requirements, where it is appropriate, supported by the introduction of the **standards challenge process**, will help drive innovation and creativity as well as value for money. We are looking forward to learning from third parties delivering our work

and also having a benchmark to assess the value for money of our current portfolio of renewals and enhancements.

The development of contestable work is just one of several recommendations to come from the **Hansford Review**. This was an independent review commissioned by Network Rail’s chief executive which aimed to uncover the real and perceived barriers facing third parties wishing to fund, finance or deliver projects on Britain’s railways.

This is why we have a number of areas of opportunity for third parties, categorised as follows:

- Third party **delivery** of Network Rail funded renewals and enhancements. These are ‘contestable’ projects. Network Rail route managing directors now have the autonomy to put the delivery of projects or activities out to market directly, rather than via our own internal ‘delivery manager’ teams, if they feel it will offer improved value for money.
- Third party **funded** projects. If a third party has a particular project that it would like to take forward, and is in a position to do so, then the most effective model may be for it to take on responsibility for the funding, design and build. We will advise on standards, network compatibility and protection of our existing infrastructure. Equally, if a third party wishes Network Rail to deliver some or all aspects of the project, this can be agreed on a case by case basis.
- Third party **financed** schemes. We know there is considerable private sector appetite to finance long-life secure assets such as railways. We have established a dedicated team to identify suitable opportunities for this and to work through key issues. We have a number of private financing projects as pathfinders in our current opportunities for third parties and these are, by definition, contestable.

In addition to creating opportunities for third parties, we are also working on improving our internal processes, capability (knowledge, skills and experience) and capacity to make working on the rail network easier. So far, we have made the following changes:

- We have appointed business development directors into each of our route businesses to ensure we have people with the right skills to work collaboratively with third parties to bring in new sources of funding to the railway. These people are the front door to Network Rail for all third parties interested in funding rail infrastructure projects. The business development directors will also direct third parties interested in delivering Network Rail projects to the right person for their works/project and will direct private financing enquiries to our internal private finance team.
- We are standardising our approach and process to delivering asset protection and optimisation (ASPRO) to provide a consistent and timely service to third party deliverers.
- We have launched a process to encourage proposals for **improvements to railway standards** and standards challenge to improve project efficiency and deliverability
- We are enhancing our internal processes, capability and capacity to support the delivery of contestable projects. For example, we will review and enhance as appropriate our approach to procurement and risk allocation to support contestability.

We are keen to experiment with these new approaches, so please get in touch.

This publication is provided to inform third parties about the high level approach and is intended to be adapted over time as Network Rail learns from initial pilot works/schemes.

If you would like to find out more about specific contestable opportunities or what we are doing to make it easier for other organisations to promote improvements to the railway and deliver projects themselves, **please contact your local business development director**.



Jeremy Westlake,
chief financial officer

Introduction

Purpose

The purpose of this document is to provide some information to support the publication of Network Rail's pilot contestable third party delivery opportunities. As well as our definition of contestable opportunities, it provides a link to the pilot works and projects we are offering with a rationale for why these have been chosen. This is a significant change to ways of working within Network Rail and we are working internally to build the needed capability and capacity. We will use the initial contestable projects/works as pilots to learn from and refine our approach before deciding where there are benefits in offering more to the market in this way.

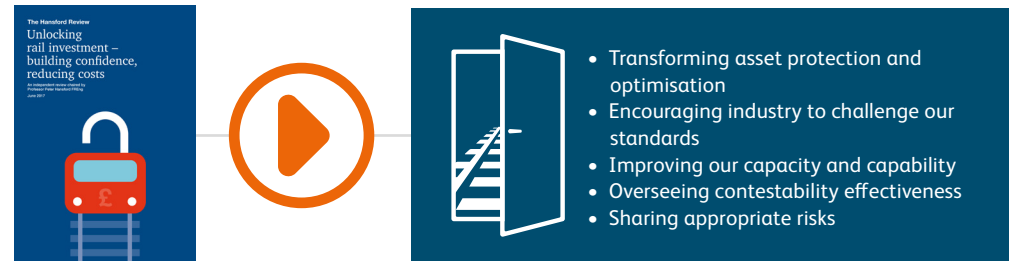
Background

“My message to the industry is that Network Rail is Open for Business. I believe in the power of competition to drive efficiency, creativity and innovation. These are not always words associated with the rail industry.

Open for Business is a core theme for the Strategic Business Plan and we will see this reflected in the latest submission.”

Jeremy Westlake, chief financial officer, Network Rail

Until now the market has consisted of work that is funded by central government and then delivered by Network Rail. For example, 95 per cent of the enhancements planned for Control Period 5 will have been delivered by Network Rail's Infrastructure Projects directorate. The great majority of infrastructure renewals and smaller enhancements are delivered by Network Rail's route based 'Works Delivery' teams. Network Rail recognises that this needs to change, with more diversity in the delivery of infrastructure. Contestable delivery is being introduced to support this increase in diversity.



Other publications related to investing and delivering in the rail network

This document fits within a wider landscape of contestability and compliments other published documents that have been designed to support third party delivery and funding of rail infrastructure projects:

- **Investing in the Network:** This is Network Rail's existing guide for those seeking to fund railway schemes that fit with our strategic priorities. It steps through the processes and contracts in use and explains what services Network Rail can offer and what services, such as asset protection and timetabling, need to be delivered by us. The Office of Rail and Road (ORR) has published its equivalent of this document recently and Network Rail's document should be read in conjunction with the **ORR's broader framework**.
- **Rail market led Proposals Guidance:** This is a Department for Transport produced document, calling for ideas from the industry to enhance the railway, encouraging promoters and investors to bring forward proposals. These are market led ideas rather than those identified by Network Rail or the DfT in the long-term planning process and as such are different to Network Rail's contestable projects.
- **The Rail Network Enhancement Pipeline:** This policy approach will be significant in the event of Network Rail securing funding for enhancements in the future and then offering them to the market as contestable projects. The Rail Network Enhancements Pipeline outlines the incremental approach to investment and delivery decisions by the DfT for rail enhancements. If Network Rail offers an enhancement to the market to deliver as a contestable project, it will be offered in stages in line with the process documented here.
- The Scottish Government's approach to investment in Scotland's railway is set out in its **Rail Enhancements & Capital Investment Strategy**, published on 19 March 2018.

What is changing and what opportunities does this present?

What is changing?

Contestable delivery may be applicable to several types of works/schemes for which Network Rail has secured funding and might be considered before receipt of funding as part of the business case approval process between the DfT and Network Rail. An initial set of decision criteria will be applied to decide whether projects are contestable and then projects will be offered to the market. The key change to our current way of working with the supply chain is that we will include the delivery manager role in what we offer to the market. We will act as the client and offer the market the opportunity to develop the solution to deliver the required outputs, project/programme manage, develop designs and deliver these. In addition, Network Rail plans to go to market, where appropriate, with output focussed requirements to help drive innovation and value for money. This is a significant change from our current approach based on detailed input driven specifications.

What is not changing?

There is no change where a third party wishes to fund a project or where a third party promoter is seeking to fund and deliver a project on the rail network. These opportunities will continue to be managed in accordance with the [Investing in the Network](#) document.

What opportunities will this offer?

For third parties:	For Network Rail:
<ul style="list-style-type: none">• New business e.g. if not already a framework contractor, or a different business model for those who are framework contractors	<ul style="list-style-type: none">• Opportunities for greater innovation
<ul style="list-style-type: none">• Commercial opportunity in exchange for project risk	<ul style="list-style-type: none">• More robust benchmarking data
<ul style="list-style-type: none">• Enhanced control of delivery	<ul style="list-style-type: none">• Increased value for money, innovation and creativity for specific contestable projects
<ul style="list-style-type: none">• Role diversification	<ul style="list-style-type: none">• Value for money, innovation and creativity increasing across the Network Rail portfolio of renewals and enhancements
<ul style="list-style-type: none">• Franchise benefits e.g. acceleration of outputs which unlock higher patronage, passenger satisfaction, higher revenue etc.	

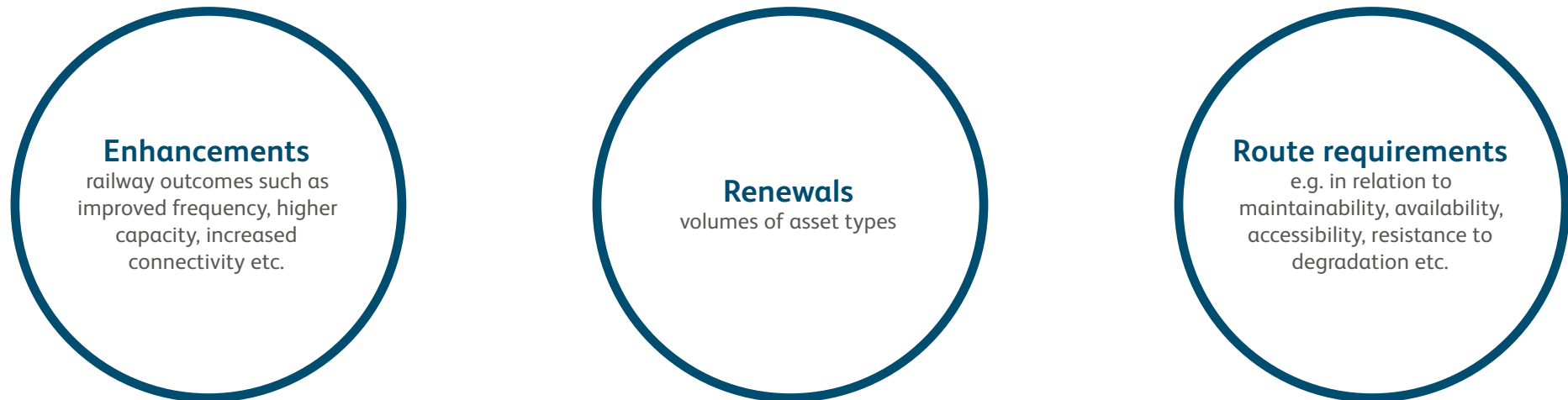
The approach

A phased, evidence based approach

The volume and type of projects to be offered will initially tend towards the smaller, simpler and lower risk projects, for example, certain types of bridge repairs or car park resurfacing, while capability and capacity is developed. The benefits of increased value for money, innovation and creativity will be monitored and the opportunities for third parties will be adjusted accordingly. We will use the pilots as an opportunity to test our decision criteria for contestable projects as well as our supporting processes and principles. To assure alignment and consistency, we will do this in conjunction with third parties and also the DfT's emerging and wider contestability policy. As our experience, capability and capacity grows, we will offer larger, more complex and higher risk projects in line with evidence of the benefits achieved.

Contestable schemes – when and how the decision will be made

Schemes will be considered for contestable delivery at an early stage, but not before outcomes, constraints and asset requirement outputs are clear, to allow maximum creativity and innovation. These outcomes and outputs could include:



The contestability decision criteria

We have started with low risk, small scale pilot projects with which to test, validate and enhance new capability and capacity. We have developed an internal broader decision criteria and draft set of principles that we will test via the pilots in collaboration with third parties and in line with the DfT's emerging policy and process.

The pilot contestable projects

The pilots are renewals rather than enhancements and include low risk projects that have a limited impact on the operational railway, for example, car park resurfacing and footbridge renewals. These can be found within the **opportunities for third parties to fund, finance or deliver improvements on Britain's railways document**.

Appendix

Q What do I do if I want to deliver a contestable project?

A Look on our published list and **contact the route business development director** who will identify the correct person internally to speak to.

Q Who takes accountability for ensuring a contestable project is delivered?

A The third party will be responsible for the delivery of contestable projects. Every contestable scheme will have a Network Rail sponsor who will be accountable for overseeing delivery in line with the agreed arrangements.

Q What do you mean by a third party?

A A non-central-government or non-Network Rail entity.

Q I have ideas about how to drive improved levels of innovation and value for money, how do I get involved?

A Please contact the Network Rail contestability work-stream lead: Helena.Brennan@networkrail.co.uk

Q Will contestability work for Digital Railway?

A Yes. East Coast Mainline South digital railway is being developed using the contestable delivery principles. We will use this project to test our approach.

Q What happens about partially funded schemes?

A If a Network Rail scheme is only partially funded, the business development directors will seek further third party funding to secure the business case. At the point a scheme is fully funded, it can then, in principle, become a contestable project.

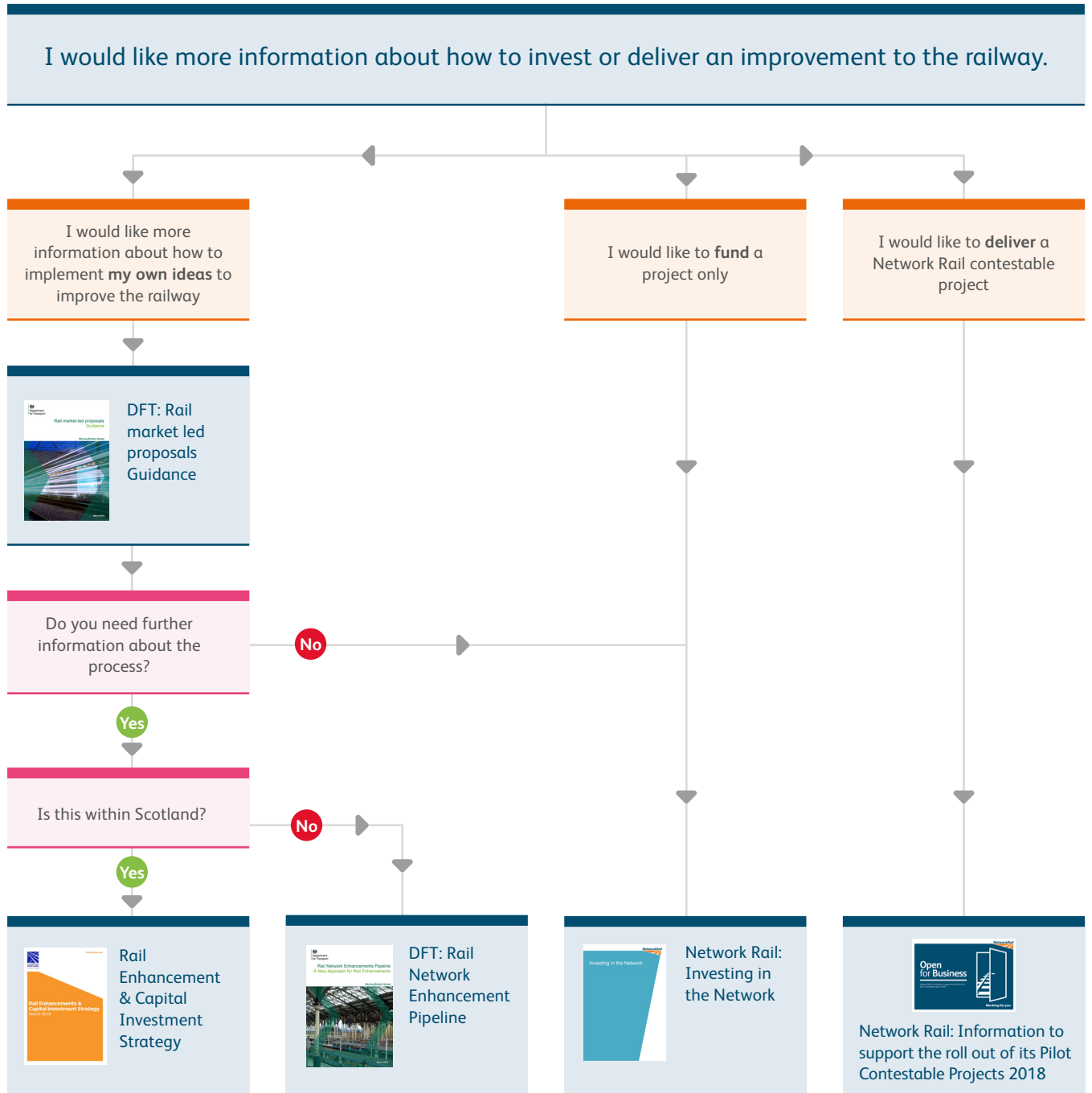
Q Why are so few of your many projects being offered on a contestable basis?

A This is because the contestable works/ projects currently in our published opportunities for third parties document will act as pilots from which we can learn before deciding on next steps.

Appendix

Q There are a number of publications related to investing and delivering on the Network. How do I know which one to read?

A The flow-chart might assist you:



Appendix

Glossary

Term	Description
Client	Organisation or role with a business need
Financed	Investment provided by third party with an expectation of the capital being repaid plus a return on the investment from Network Rail/government
Funded	Monetary input provided by DfT/Network Rail or third party without expectation of a return on investment from Network Rail/government
Third party	An organisation other than Network Rail or central government. Third parties may include train and freight operator companies and station operators, local passenger transport executives, local authorities, commercial developers etc.
Market led proposals	A project promoted by the private sector that addresses an opportunity not necessarily identified or prioritised in a departmental programme or through the long-term planning process (LTPP)

Appendix

Acronyms

Acronym	Meaning
ASPRO	Asset protection and optimisation
BDD	Business development director
DfT	Department for Transport

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