

Atkins response to Shaw Report: Scoping Study

Contact:

Atkins

John McSheen

Business Development Director, Transportation

[contact details redacted]

<http://www.atkinsglobal.com/>

1. What are your views on the scope of Network Rail's functions?

The intended scope of Network Rail's functions is acceptable and appropriate with regards to its obligations under the Network Licence. The reach of these functions and the manner in which responsibilities are discharged are, however, not appropriate due to the manner in which they impact the market.

Network Rail's functions have grown beyond their original intent which has often resulted in duplication of the services provided. It has also impacted on the organisation's ability to provide the best monetary value to the travelling public and the taxpayer.

It is important that the scope of Network Rail's functions is assessed with regards to the Network Licence, granted to Network Rail Infrastructure Limited as of 1st April 2014.

While there are many potential models and there is a need to agree the outcomes and benefits that government is trying to achieve, Atkins believes that it is important to retain Network Rail's position as an informed client, but in the context of enabling the market to step forward and deliver the efficiencies that the industry so badly needs.

2. Have we failed to mention any specific and important factors?

Network Rail's core obligations are to secure the operation, maintenance, renewal and enhancement of the railway with regard to the quality and capability of the network's primary function and the facilitation of service performance.

While there are also specific responsibilities to maintain appropriate, accurate and readily accessible information about the network's assets, linking these into route utilisation strategies, the nature of Network Rail's structure makes it challenging to deliver these effectively.

It is critical that the organisation has a wide range of competencies, experiences and drive to deliver the necessary outcomes. Despite being an intelligent client, in recent years Network Rail has expanded beyond its original remit. This has created a bottleneck to, rather than an enabler of, innovation.

To circumvent this issue, a solution could be for British engineering companies to absorb this workload, providing the professional surety and competence and support frameworks for individuals delivering expertise from regional offices situated close to the routes.

3. What are your views on these accountability arrangements and their effectiveness?

Credible arguments can be made for Network Rail to be a strong, single, centralised body. There is evidence that the organisation's performance was historically higher – and a case can be made for a fully devolved, market supported model; but the current accountability proposals are unlikely to be effective or sustainable as they may create an inherent tension between route and centre.

More importantly, is the classification of accountabilities as either 'Centralised' or 'Route'. The role of the market and Network Rail's supply chain have been ignored as well as the potential for

responsibilities to be discharged to the supply chain. Atkins has a detailed view on each individual function stated within Figure 7 of the Scoping Report and can discuss in further detail if required.

It is important to note that the supply chain working practices currently reflects that of Network Rail. Going forward there will need to be a change in the way Network Rail performs its duties and a need to encourage behavioural change across the supply chain.

Mechanisms for enabling this cultural shift must span Network Rail, cascading to the Train Operating Companies, Freight Operating Companies, other direct customers and the supply chain.

4. Have we correctly identified and defined Network Rail's customers?

Network Rail exclusively owns Network Rail Consulting (NRC) as well as Network Rail Certification Body (NCB), both of which have customers outside the UK (such as California High Speed Rail Authority) and inside the UK, such as Thameslink. There may be other entities similar to NRC and NCB with customers who could also be impacted on but are presently not identified. Subsequently, changes to the legal structure, operation or financing of Network Rail could affect the customers of NRC, NCB and others. Network Rail also has a joint venture 'Doddle' which interacts directly with the public across the UK.

These entities, while established as part of Network Rail's commercial strategy to meet its financial challenges (in some cases under its De Minimis allowance), increase competition in areas not traditionally associated with an infrastructure operator and are not clearly within its Network Licence. As part of this review, it should be assessed whether or not these functions continue.

In addition to Network Rail's direct customers, as defined in paragraph 4.2 of the Scoping Report, there are the travelling passengers, those who send their goods and materials by rail, and people who use its facilities such as retail outlets situated at stations. There will also be untapped demand e.g. those who do not currently use the railway but would do so if accessible to them, and enablers, such as developers, who have the ability to help to potentially increase and unlock demand.

Acknowledging the framework for Network Rail as defined by its Licence, there does not appear to be a direct line of sight to end-customers as in other sectors, such as water and aviation.

5. How effectively are customer needs and expectations met by Network Rail at present?

While the Train Operating Companies (TOCs) and Freight Operating Companies (FOCs) may be best placed to answer this question, by their own metrics, Network Rail may be regarded as failing to meet its customer needs on both the Public Performance Measure, Cancellations/Significant Lateness and Renewals. From an Atkins perspective, the speed to market and delays in delivery of projects caused by inadequate initial scoping, can result in anticipated benefits to Network Rail's direct customers, and ultimately to passengers and those who require their goods and materials to be transported, being delayed. TOCs are also adversely impacted as a result of renewals and enhancements not being delivered in a timely manner.

Considering the customers of the network and experience from other sectors, we believe that the metrics for assessing whether customer needs and expectations are met are dated and backward-looking. 'Pass through' metrics from operators to Network Rail will help to establish a line of sight. It is important to consider end-to-end journeys, communication of information, advancements in ticketing, and to focus on outcomes.

6. Should direct customer pressure on Network Rail be strengthened? If so, how might this be achieved?

In terms of the direct customers, this depends very much on the nature of the franchise agreed between each TOC/FOC and the Department for Transport. From a franchise perspective there is currently little incentive for TOCs or FOCs to encourage the active development of the network. Under the current system of management type franchise agreements, TOCs have little or no incentive to encourage change to the network. Such activity introduces the risk of potential disruption for which they can be penalised in terms of performance measures. Strengthening TOC pressure on Network Rail in this environment will likely limit improvement works being delivered as they receive no benefit from any increase in passenger volumes or satisfaction.

Typically, for those TOCs operating 'collar and cuffs' type agreements, incentivisation is limited to the first 1/3 of their contracts. Franchises of this nature are likely to cause spikes in supply and demand, increasing costs to the industry. Where multiple TOCs and FOCs run over the same section of shared network infrastructure, Network Rail is frequently conflicted in trying to meet customer demands.

These two core scenarios indicate that increased customer pressure on Network Rail could create an adverse impact, but there are exceptions; longer term franchises, such as those operated by Chiltern Railways provide a better alignment of asset lifecycle and renewal. In these circumstances, the management teams on both sides are better aligned to work together in a collaborative rather than pressure based environment. The industry does not need more adversarial relationships when the key output is effectively predicated upon the operation of regional monopolies.

7. Are there more positive incentives for delivery which would be useful? Are any of these incentives more effective than others?

At a strategic level, improvements to asset availability and capacity remain disconnected with franchise lengths and the wider economic business case that the railway should present. At a tactical level, incentives can be improved in the planning cycle, the delivery cycle and the handover of major projects.

It can be assumed that regulatory pressures have driven Network Rail to secure works in an unrealistic timeframe in order to provide 'cost surety', which is counterproductive in any planning cycle. While Network Rail has an opportunity to improve its cost forecasting and estimating functions, the regime has resulted in works being pushed out to market with insufficient scope information or early stage design; this often results in errors being compounded as they move through the process.

New programmes could have their investment tied to the performance of the TOCs and FOCs. If a scheme is delivered faster than expected or if more capacity is unlocked than designed, different track access charges could be agreed. Alternatively a joint venture between Network Rail and the TOC franchises creates the potential for improved residual values that could manifest at the end of a contract.

This could help to facilitate a step change in capacity resulting from major enhancements, however, demand is incremental and TOCs rarely see the full benefit. This acts as a potential deterrent to fully supporting Network Rail's ambitions.

For example, vertical integration of decision making between infrastructure provider and TOC could remove the conservative and inflexible behaviours seen on renewals works by removing Schedule 8 risk as an issue. Line of sight incentives to driving benefits to the ultimate customer should also be introduced.

8. Is there a case for changing the route structure and what are the advantages and disadvantages of different approaches to disaggregating the network, for example on the basis of: physical, political or economic geographies; service type e.g. commuter services, inter-city services and regional services.

Atkins believes there is a case for changing the route structure so that greater value for money can be delivered for the UK taxpayer. Changes to the existing route structure would however require changes across the political, geographical and economic landscapes – these cannot be disassociated and also

need to be assessed with regards to the balance of power and responsibilities that exist between central Network Rail, the routes and the supply chain.

There are two primary drivers to justify changes to the route structure. Firstly, to act as a catalyst for cultural and behavioural change across the rail industry – not just within Network Rail. Secondly, to enable the market to once again effectively re-engage with the provision of private rail services so that the direct burden on the tax payer can be reduced.

Central planning cannot easily address the needs of the local market. In the rail industry, this has been exacerbated by the fact that the need to permit social mobility has resulted in the development of an overly complex fare structure; those regulated by government and those unregulated and decided by the industry. With minimal opportunity for passenger and revenue growth for the majority of the TOCs, regulated fares now account for around half of the fares available and include season tickets. This effectively creates an artificial cap on the revenue for the industry and limits the appeal of the industry for external investment.

There are only a limited number of locations that could be separated geographically without significant interface and integration risks. Scotland could be run separately, possibly East Anglia, North and South Wales, the South West beyond Exeter, Merseyrail, and the Cumbrian Coast. Others are much more difficult such as Transport for London, where the lines carry both commuting and long distance services. Setting this aside, many more options for Government emerge – including the construction of economic areas; we are happy to discuss this further if that would be helpful.

9. Does the current balance of responsibilities between routes and the centre seem at the right level? Are there any further responsibilities that should be devolved or centralised?

There remains a common perception that the routes have no power, but there has in reality been extensive devolution in recent years. While there is the potential to devolve more responsibility, it is our belief that the question of devolution is as much about what can be transferred to the markets as other geographic regions of Network Rail.

The scale of what else can be done will depend on the route. For example, greater power might be devolved to Scotland e.g. timetabling, but less to other routes where the route is more operationally integrated with the network – for example, London North West, or a new region aligned to the Northern Powerhouse.

Particular care is required over safety. Safety policy should come from the centre but might be applied locally to prevent inappropriate solutions being selected.

10. Can you point to any specific economies of scale that should be protected at national rather than route level?

The National Delivery Service (NDS) procures a number of different items that are likely to result in economies of scale across the network. These include items such as rail (due to the need for batch production), ballast (due to the limited number of source sites in the UK) and cascaded materials that need to be graded prior to re-use.

Of the national assets, while Telecoms could be theoretically disaggregated to a regional (or even a route level), to do so would likely result in major challenges and introduce significant extra costs. Some specific equipment heavy plant types such as High Output Track Renewals plant and ballast cleaners cannot easily be disaggregated down to route level – and for the former there are particularly unique challenges with regards to utilisation.

Central Contracts & Procurement and Business Services both offer centralised efficiencies today. Over time, these can be retained but provided through Crown Commercial Services, ensuring a common procurement approach and closer integration with platforms supported by Government Digital Service. The vast majority of services in these two areas are non-rail specific. Combined spend is estimated at

c. £500m over CP5. Other areas, such as legal and group strategy should be kept centralised because of the need to coordinate and respond to common themes and issues – such as the development of ERTMS or changes in Spectrum Strategy for likely migration from GSM-R.

11. What processes and capabilities need to be in place (at both the centre and route level) to support Network Rail's current devolved structure?

While there is considerable opportunity for route differentiation in processes and capabilities, there is a need for a 'guiding mind' across services, infrastructure and rolling stock to ensure consistent development and integration of railway architecture. This would not necessarily have to be delivered by Network Rail. The Railway Development Group, Rail Safety & Standards Board, Department for Transport or the market could all provide this functionality. Whoever the delivery agent may be, all central services need to be provided on a basis that is transparent and responsive to local customer needs e.g. timetabling should be driven by a local understanding of the market and the network and not by the priorities of the centre.

12. Drawing on your previous experiences where relevant, what would be the potential impact on your organisation of further structural change within Network Rail?

There is a risk that any reorganisation will cause a hiatus which will reduce confidence in the supply chain with regards to near and mid-term investment, including investment in employee learning and development. This could impact on the delivery of Network Rail's future programmes directly but also other major projects such as HS2 and Crossrail 2, where there are significant Network Rail interfaces and interactions.

Close market engagement will be needed to reduce the risk associated with change. For example, if work decreases it makes it difficult to retain skills in the supply chain. Consequently, there are greater start up/wind down costs for the whole industry. This was seen at the start of Control Period 4 when there was a significant system shock as a result of a reduction in the Track Renewals work bank, impacting designers and tier one suppliers. If a hiatus occurs in the UK market, overseas opportunities become relatively more attractive because Network Rail now relies on a global supply chain.

13. What are the strengths and weaknesses of Network Rail's current approach to planning and enhancements?

An inability to robustly manage the development of projects through GRIP stages 1 to 4 has resulted in inefficient delivery with cost borne by both Network Rail and the supply chain. Historically, this has taken place where Network Rail has been under pressure to progress detailed design prior to the completion of development (e.g. Great Western Electrification Programme).

Although this presents a picture of relative weakness, projects are still, in general delivered – broadly on time and broadly to cost. This contrasts with the last control periods of Railtrack and the early tenure of Network Rail, where projects were often abandoned mid cycle.

14. What are the strengths and weaknesses of Network Rail's current approach to delivering enhancements?

Network Rail engages competent designers and contractors who have the ability to deliver projects and are prepared to manage the risks. However, there is an existing culture of Network Rail's over-involvement in schemes. This is largely driven by regulatory pressures and by the sheer numbers of individuals within Network Rail who are aligned with and shadow the supply chain – 'man-to-man' marking.

This involvement adds cost, blurs ownership, reduces the liability of the contractor and costs the industry more money by frequently delaying project completion. This has a cascade effect that ripples from the

routes (that frequently do not issue robust output based remits) to Infrastructure Projects that are forced to ameliorate the situation.

15. How well do the current delivery and planning processes work for projects of different sizes?

The contractual arrangements make fundamental differences to the delivery and planning of scheme success. In this respect, we would commend our recent experience of 'deep' alliancing under the 'Staffordshire Alliance', a partnership of Atkins, Laing O'Rourke, Network Rail and VolkerRail, which worked as part of a new collaborative contract to transform the delivery of rail infrastructure projects in the UK. Regardless of Network Rail's future structure, this model for supply chain engagement needs to be retained, built upon and enhanced.

Within Network Rail there is frequent reference to the GRIP Lite process which has been designed for small investment projects – with the intent of reducing overhead and burden for simple schemes. Unfortunately there is a lack of common understanding for its application and as a result, smaller projects intended for delivery via GRIP Lite are unpicked at the review/approval stage, resulting in rework. More consistency needs to be developed in this area.

A way to improve this could be structurally aligned Investment programmes for delivering major or 'national' projects and use of local contracts for smaller projects being delivered through the routes, tying down the specification, delivery, and performance at a more local and focused level.

The lack of commonality remains an issue. At the start of CP4, there was a major push to introduce modular track design, modular signalling and modular station design – all of which appeared logical and mapped well to efficient delivery in other industries. This appears to have fallen away without any clear justification for the shift in strategy – making planning difficult for the broader supply chain.

16. Are there any useful models or precedents from other sectors or countries for long term infrastructure planning and delivery processes that we should consider, including in relation to management of and engagement with suppliers during the planning processes?

Atkins is supporting Banedanmark in its programme to replace all signaling on the entire Danish railway network with ERTMS by the end of 2021 and all signaling on the Copenhagen S-bane by 2018. This is the largest signaling project ever undertaken in Europe, and the largest metro signaling upgrade in the world. The programme delivery model combines a thin client organisation with a team of specialist consultants to achieve excellence in programme execution. The construction of the delivery model focused on collaborative behaviours and the necessary flexibility to allow the delivery organisation to adapt over time - in response to the different resource requirements of each phase of delivery, whilst securing the scarce technology resources and international experience over the 15 year life of the programme.

The emphasis of the delivery organisation was to provide client side services covering programme management, systems engineering, systems integration, programme assurance, testing and commissioning, and operations and maintenance. These functions were embodied in a Programme Management Office and an Engineering Management Office in the organisational structure. Key to the success of the programme was shared business processes and delivery methods.

Within the UK rail sector, Atkins has had the relatively unique experience of working on Evergreen 3 – a TOC-led project. Completed in 2012, Atkins successfully delivered the detailed design for the Chiltern Railways upgrade, one of the UK's most important and technically challenging rail modernisation programmes. Atkins delivered GRIP stages 4 to 8 in less than 2 years resulting in improved fare box revenue of 30% over the first 12 months. While atypical for works on Network Rail's infrastructure, we believe that our learning from this could form the basis for new models in the future – and indeed could even be expanded through to Design Build Finance (DBF) or DBF&M (Maintain) models of delivery.

Drawing on experience from the UK water sector, we believe that there must be focus on translating the need for resilience and any reasonable expectations of passengers and freight operators into the

plans for evolution of the rail sector. Formal quality, environmental and safety obligations remain, but the water sector has shifted from planning and charging based upon outputs (like specific projects) to committing to achieving outcomes in line with carefully researched expectations of the customers and stakeholders.

17. What would be the most important structural features of any future infrastructure provider?

Typically, the view would indicate the need for the provider to act as a 'guiding mind', to have asset knowledge, delivery planning and network improvement capability, but Atkins believes that an adequate alternative is possible.

The adoption of an open source model for the provision of asset information data would be a progressive step. Rather than internalising the data, make it freely available so that the supply chain through peer production can produce improved models of UK asset maintenance, renewals and enhancements that feed into Building Information Modelling or similar tools. This approach would provide a virtuous cycle of a stronger supply chain, investment clarity and greater opportunities for financing, in addition to a more robust regulatory review and funding process.

Network Rail has the engineering data and network information that if openly shared, can become a competitive advantage for UK PLC to export its engineering expertise.

18. Are there any other processes which we have not highlighted, either within Network Rail or the wider industry which could be improved?

The role of Schedules 4 and 8 is to compensate train operators for the financial impact of planned (possession) and unplanned service disruption. Compensation is intended to cover fare revenue losses, and costs, such as those associated with running replacement buses.

While this is a risk reduction mechanism for the TOCs, in fact it results in disagreeable behaviours that drive up industry related cost, particularly with regard to the application of contingency, and as such is a major cause of financial inefficiency. The key driver in the cost of working on the railway, compared to other industries, is the possession or access length; fixed costs may be similar, but productivity drops with access constraints. To avoid any risk of a Schedule 8 payment and overrun (rather than for instance agreeing pre-planned bus alternatives), there is often significant time contingency built into possessions to ensure early handback. This drives design and construction to be developed sub-optimally, often increasing weekend possessions, which itself causes midweek under-utilisation in the supply chain. Atkins is able to expand on this if required.

19. Do you have any views on how the relationship between the periodic review process and other processes with which you are involved could be improved?

The periodic review process is not aligned with franchise renewals. This means that TOCs, that may be modelling opportunities to expand network usage, are unable to effectively communicate their proposals to Network Rail at a time when Network Rail is trying to design and secure its investment plans. Atkins believes it is possible to construct independent asset management plans from an intelligent mobility perspective that reconciles this misalignment.

20. What criteria should be used to assess structural options under consideration? How, if at all, should these criteria be prioritised?

The structural changes being considered for Network Rail are far reaching and will impact the entire economy. Therefore, the criteria should start with the broader economic assessment of Network Rail's contribution to national and regional growth.

Alongside the broad economic criteria, there are key additional criteria such as the cost to the national purse, the achievement of Government policy and desired outcomes, management capability, and the management of risks, be they reputational, delivery, commercial, or safety.

We would recommend an options-based appraisal that resulted in a fully balanced business case. As such, in line with Green Book principles, it is appropriate to define 'Where are we now?', 'Where do we want to be?' and 'How are we going to get there?' Atkins would be keen to contribute further.

21. Do you have any views on whether the RAB remains a relevant concept for the railway, and if not, what should replace it?

We believe that the RAB remains a relevant concept to provide investor confidence and a leaner Network Rail, within the context of a stable regulatory environment. While the regulator will always be required to focus on the passenger, it also needs to bring an economic focus to create an environment for long term investment and long term certainty of return.

This regulatory focus should shift away from the detail of individual projects towards one of strategic outcomes for the railway. This change in focus should reduce 'vanity' projects in favour of customer-led investments, such as Evergreen. Empowering regulation should prove positive for creative investment to flourish, and a model – as demonstrated in the aviation sector – for positive and collaborative change in the rail sector.

22. How should financial risk be managed in Britain's rail infrastructure in the future?

The ability to deliver effective systems integration and hence minimise risk across the industry should remain within Network Rail. Network Rail should continue to be the central 'guiding mind' capable of balancing the need to future proof the network against short term thinking that may result as a consequence of misaligned objectives in the franchisee or routes. Network Rail should maintain a strategic overview in order to minimise the peaks and troughs that can impact the supply chain.

Financial risk on the railway remains somewhat unique. Any system operator will need the financial capability to absorb a major system shock. Given the potential for such failures to cascade outside immediate route areas and the difficulties in historical asset condition assessment opposed to new build, government involvement is almost inevitable. It is possible that this could be structured with the market managing more risk in economic areas. For example a market-led joint venture structure could be possible for the London South East and other economic areas, but for uneconomic areas the balance of any JV with the private sector would need to be with government.

23. Do you have any views on how Britain's railway infrastructure should be funded in the future, regardless of corporate structure?

In general, government finance for the railway should prove cheaper than private sector finance, but this in large part stems from the fact that the private sector can only provide enhanced value if it drives efficiencies (usually through some form of ownership). Both Network Rail's current contracting models and the TOCs franchise agreement terms do not accommodate this approach.

In the event that routes can be structured within economic regions (for both TOC and infrastructure operator), then this would provide added incentive for performance and investment. We note that a number of major suppliers have financing arms capable of supporting the industry in the event of a change in the operating approach.

24. What positive case studies are there (e.g. international examples in the railway sector, other sectors internationally/in the UK), where more affordable and sustainable funding and financing structures have been implemented, with or without private sector capital input? And how do you think the lessons learnt could be applicable to Britain's railway infrastructure?

France, Canada and Australia all have mature PPP procurement mechanisms for new railways and/or enhancements, e.g. overlay of GSM-R on the French railway network, LGV Tours-Bordeaux SEA, Ottawa Confederation Line LRT, Queensland Rail New Generation Rolling Stock, Sydney North West Line, and Gold Coast LRT. Although appetite for PPP models for delivery of transport infrastructure may have waned in Britain, Atkins has previous experience as Lenders Technical Advisor on these projects and can share learning and best practice. .

The success of the model adopted by the Mass Transit Railway Corporation (MTRC) is well understood where MTRC captures the development potential unlocked by the stations. In the UK, to a lesser extent but increasingly, new or re-modelled stations such as Birmingham New Street and St Pancras-Kings Cross are generating significant retail opportunities, as well as creating regeneration opportunities and potential for funding support through increased business rates.

25. What are your views on the enabling factors facilitating a sustainable and affordable capital structure for Britain's railway? What factors would be required specifically for private sector capital introduction?

For the private sector, capital financing is usually balanced by the ability to generate a return and manage the risks required for that return. Public finance can take into account the wider economic and social benefits that will accrue, as well as take on risk levels that would be unusual in private finance situations. That mix makes it difficult to imagine an environment without any public funding or underpinning of capital commitment.

Around one million people commute into London by rail every day, but so far it has not been possible to construct an effective operating market that meets the needs of customers. The reasons for this are complex, but the physical structure and organisation of the routes and TOC franchises is a significant factor.

However, Network Rail's structure could reflect those areas of the country where the existing routes are either net contributors to government in terms of revenue, or where there is only marginal subsidy. Many of the TOCs in these areas have large sections of their networks that are economically viable today – even without an alteration of fare structures or track access charges.

Creating economic regions, free from government subsidy, reflecting modern patterns of customer usage is the key enabler for capital sector introduction. Atkins has a clear vision for this concept, designed to create an environment for viable market led investment.

26. What are the types of investors that may be interested in investing in Network Rail, any of its functions, or in select parts of it? And for these types of investors, can you indicate: key attractions, risk appetite, required enabling factors.

Given the range and diversity of Network Rail's assets, external investment could potentially be attracted not just at route level (if economically and effectively aligned with TOC operations), but also to the sale of its telecoms assets, electricity substations and distribution capability, property, passive infrastructure to mount third party equipment such as bridges, wayleave right, asset information and database rights.

In the sale of any assets, there would doubtlessly be a combination of long term funding institutions and short term opportunists and the need to protect the ongoing service provision of the railway would have to be maintained. We would propose identifying longer term outcomes that could be contracted along with asset transfer or access.

Infrastructure fund management organisations would be keen to invest in financing enhancements by the private sector, providing risks were managed appropriately and returns could be guaranteed, i.e. projects would have to be bankable, of an appropriate scale, and over a manageable time-frame.

27. What characteristics do you think enhancement projects would need to have to attract private sector investment and to what extent and in what form would public sector support would be needed? What types of financing structure could be brought to bear?

Enhancement projects would need to provide surety of return on investment. Given the extended build times and delay in commissioning that sometimes arises on the railway for major schemes, it is likely that for RAB investment, remuneration would need to commence from the point of construction, rather than the point of operation.

However, there are many alternative financing models which are viable and where the market has expressed interest. Third parties in Network Rail's recent mobile connectivity tender were prepared to invest trackside (£150m+) in exchange for the rights to sell services on-train (WiFi etc.). Other revenue models, such as gaining a share of passenger uplift associated with service improvements, were also of interest. An inability to reconcile the aims of TOCs and Network Rail was a primary reason for the collapse of the deal.

28. What incentive mechanics or control structures on Network Rail would facilitate third party involvement in the financing of enhancement projects?

Our observation is that Network Rail tends to think largely in terms of the railway and not in terms of the nature of its assets. From working with the farming industry to change the railway into pollination corridors or altering its passive drainage schemes into active water transfer schemes (valuable in terms of water trading ability), to changing the way it specifies fibre optic cable to a minimal specification (attracting dark fibre investment), there are dozens of ways for Network Rail to facilitate third party financing and provide broader benefits to the UK.

Investment on traditional 'track' infrastructure is only one route to financing the railway and enhancements. There are many options available. The control structures relate to a cultural shift, broader thinking and a better understanding of how concessions can be sold in order to facilitate speed of deployment. If required, Atkins can provide additional details on how these items can be constructed into a cohesive approach to attracting investment.

29. Do these feel like the right risks? Has anything been missed that is vital to consider at this stage?

The Scoping Report has captured the primary risks associated with future changes to Network Rail. We would also add that there may be risk of wider economic impacts and unforeseen consequences if the right measures are not implemented. The focus needs to be forward looking and based on outcomes, with sufficient attention to scenario planning and future proofing.

One of the biggest risks in any change programme is the transition/migration risk, the distraction this creates, the sense of 'loss', and reversion to what went before. From the perspective of the supply change, any hiatus caused by this change could be very damaging and may impact on the success of the change itself. Continuity is key.

Contact:

Atkins

John McSheen

Business Development Director, Transportation

<http://www.atkinsglobal.com/>