



Department  
for Transport

# Rail Investment Opportunity Day

Monday 14<sup>th</sup> May 2018, London





Department  
for Transport

# Welcome

Conrad Bailey,  
Director, Rail Strategy, Reform and  
Analysis  
Department for Transport



# Today's Agenda

Morning session	
9.30	<b>Welcome</b> - Conrad Bailey, Director, Rail Strategy, Reform and Analysis - Department for Transport
9.40	<b>Rail Network Enhancements Pipeline</b> - Department for Transport
9.55	<b>Market-led proposals guidance</b> - Department for Transport
10.10	<b>Role of the System Operator</b> - Network Rail
10.20	<b>Open for Business</b> - Network Rail
10.40	Coffee break
11.00	<b>Financial, legal and procurement considerations for market-led proposals</b> - Department for Transport
11.30	<b>Panel Q&amp;A</b> - Department for Transport
12.30	Lunch
Afternoon session	
13.30	<b>Further guidance on submitting proposals</b> - Department for Transport
14.00	<b>Housing and rail: Does you MLP unlock housing?</b> - Department for Transport
14.10	<b>The role of the regulator in market-led proposals</b> - The Office of Rail and Road
14.30	<b>A view from industry</b> - Railway Industry Association
14.40	<b>Closing remarks</b> - Conrad Bailey, Director, Rail Strategy, Reform and Analysis - Department for Transport
14.50	<b>Informal networking</b>
–	<ul style="list-style-type: none"><li>• Government officials on hand to answer queries</li></ul>
16.30	<ul style="list-style-type: none"><li>• Exhibition stalls</li></ul>
End	



Department  
for Transport

# Rail Network Enhancements Pipeline

Thom Evans  
Department for Transport





Department  
for Transport

# Rail Enhancements

Thom Evans, Investment and Planning Manager





## The Statement of Funds Available

Underpinning assumptions

The SoFA was published on 13 October 2017. Here's what went into it.

Total  
expenditure  
around:

£47.9bn

Of which  
Government  
grant up to:

£34.7bn

While final allocations are for the ORR to confirm, we have assumed provision for:

**Significantly increased renewals spending** - allowing for an increase of roughly 60% on CP5 levels to address the backlog and improve reliability

**Increased maintenance spending** - improving reliability on a larger network

**Completion of committed enhancements that now span CP5/ CP6** - subject to ongoing consideration of business cases and passenger outcomes

**Increased development funding** – to support the pipeline of enhancements

**Funding for Freight and Accessibility** - recognising the success of funds supporting these in CP5.

### Key challenges:

**Efficiency:** Our SoFA assumes NR will make year on year efficiency savings across CP6. Progress on renewals efficiency, in particular, must improve. **We need co-ordinated action across industry and the supply chain to achieve this.**

**Delivery:** Problems delivering CP5 enhancements have harmed the reputation of the industry. We've learned lessons from CP5 and taken steps to improve our systems, but we need co-ordinated action on delivery.

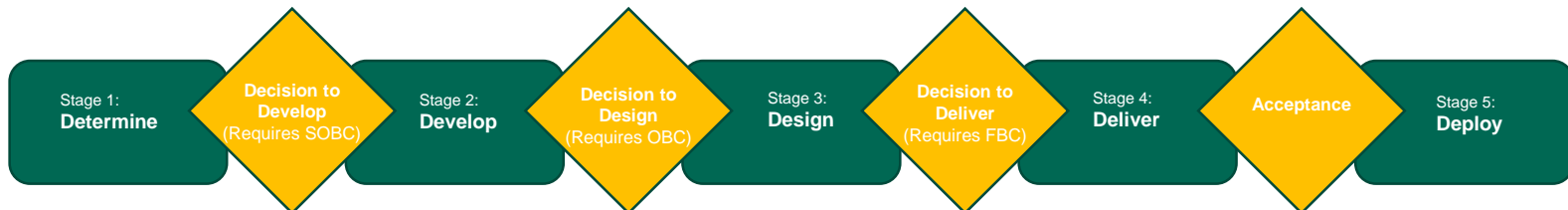
**Planning for the future:** We have not used the HLOS or SoFA to commit to new enhancement projects. We have a new approach and will work with industry to develop these throughout the control period.



## Rail Network Enhancements Pipeline

A new approach to rail enhancements

- The **Rail Network Enhancements Pipeline** (RNEP) (published 20 March 2018) sets out a new pipeline approach to enhancements.
- This establishes a multi-stage framework of five stages: **Determine, Develop, Design, Deliver, Deploy**, separated by four decision points (shown below). <https://www.gov.uk/government/publications/rail-network-enhancements-pipeline>



- The **RNEP**:
  - sets out the government's strategic priorities for rail enhancements;
  - sets out the principles that the department will use in making investment decisions;
  - establishes a rolling programme of investment throughout the control period and beyond;
  - gives the Department far greater control over the enhancements process and how infrastructure is planned and delivered;
  - Creates clearly defined requirements and priorities.



## Rail Network Enhancements Pipeline

### Engaging with the pipeline

- Government will not be able to fund all stakeholder aspirations for enhancements to the rail network so we will need to prioritise our investment. We will use the following priorities and principles to do so at each stage:

#### Priorities for Enhancements

Enhancements must provide outcomes meeting one or more of the Secretary of State's strategic priorities:

- Keeping people and goods moving smoothly and safely
- Delivering the benefits from committed programmes and projects already underway
- Offering more: new and better journeys and opportunities for the future
- Changing the way the rail sector works for the better

#### Principles for Investment

To be considered for funding, enhancements will also need to demonstrate and/ or consider:

- A robust business case
- A focus on the outcomes provided for railway users and the taxpayer
- The impact of the enhancement on the existing network
- Railway demand
- The balance of the portfolio
- Opportunities for private investment
- Increasing contestability

- Each decision relates only to whether the enhancement will progress to the next stage of the pipeline.
- Government will not commit to progress any enhancement beyond the next stage of the pipeline and entry into the pipeline does not guarantee it will be delivered.
- Depending on the level of maturity of an enhancement, it may enter the pipeline at any point.
- Each decision taken will be informed by a business case, with increasing levels of detail and clarity each time (but this does not necessarily directly align with Network Rail's GRIP stages).





Department  
for Transport

# Market-led proposals guidance

Jenny Raynor

Department for Transport



Department  
for Transport

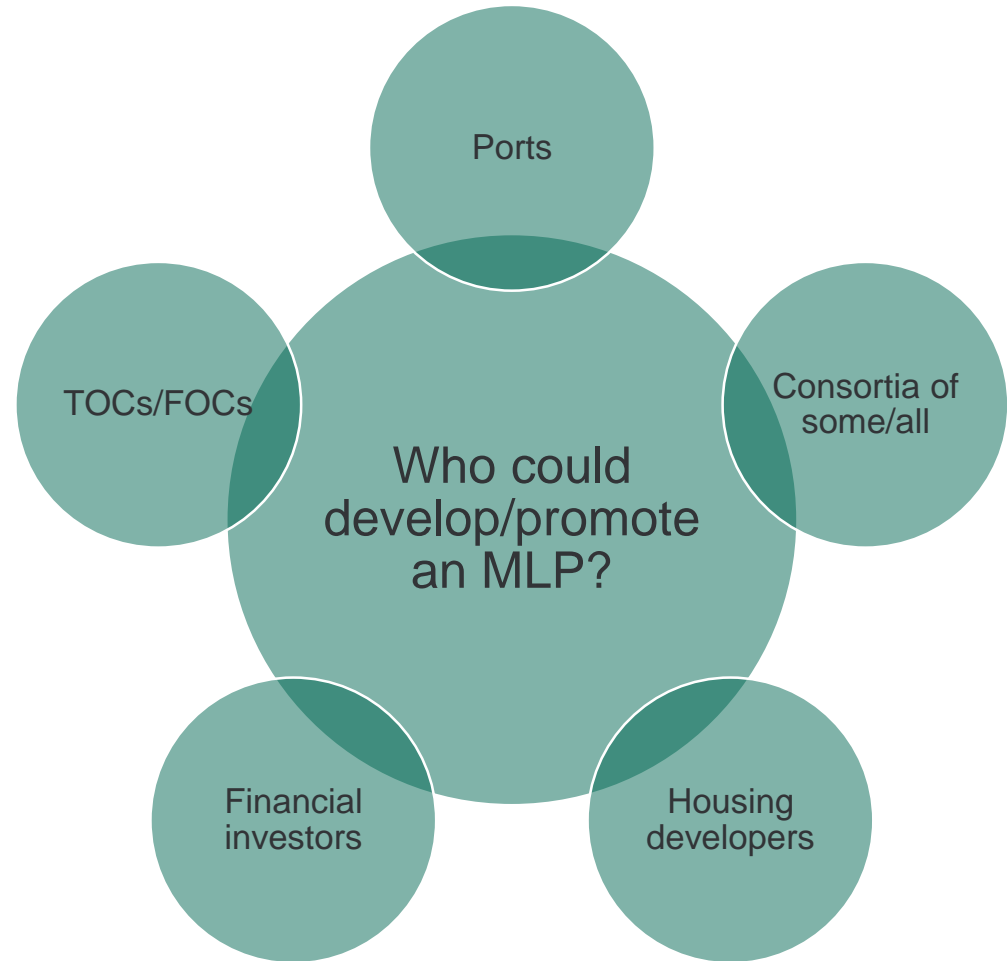
# Rail market-led proposals Guidance





# What is a market-led proposal?

“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)”





# Why are we interested in market-led proposals?

Relieve burden on taxpayers and farepayers

Open up development and delivery of rail infrastructure

Create real contestability in the market

Increase overall investment in the railway



# Types of market-led proposals

## Category 1

- **Does not require public funding** that is provided either directly or indirectly by central/local government such as government grants or public financing guarantees
- Has **no contractual requirements that involve government action** such as changes to franchise agreements or usage guarantees
- Involves **no asset exclusivity requests**, such as government guaranteed exclusivity for the scheme

## Category 2

One or more of the following is true:

- **Public funding is provided** either directly or indirectly by central or local government such as government grants or public financing guarantees
- **Contractual requirements involve government** such as changes to franchise agreements or guarantees, such as usage guarantees
- **Asset exclusivity is required**, such as government guaranteed exclusivity for the scheme

**Category 1 MLPs are not required to enter a procurement or address the priorities set out in the guidance.**

Category 2 MLPs are competing with other unfunded government projects for capital and therefore require a compelling business case to demonstrate value for money. **Category 2 MLPs are therefore subject to procurement and should address the priorities set out in the guidance and follow the framework for MLPs.**





# I don't need government funding but...

MLP category	Funding source	Finance	Balance sheet	Asset usage exclusivity*	Example
Category 1	Total cost provided by alternative sources of funding	Privately financed	Off	None	iPort Doncaster
Category 2a	Total cost provided by alternative sources of funding	Privately financed	Off	Exclusivity provided	Channel Tunnel
Category 2b	Publicly funded (partially or wholly)	Privately financed	Off	Exclusivity provided	Nottingham Tram
Category 2c	Publicly funded (partially or wholly)	Privately or publicly financed	On	Exclusivity provided	Mersey Gateway



Department  
for Transport

# Connecting people: a strategic vision for rail

The strategic vision sets out DfT's priorities and the actions we plan to take as funder, franchise authority and sponsor to progress them.

The first high-level statement of intent and direction from government since 2012.

Sets out Secretary of State's clear ambitions for change.

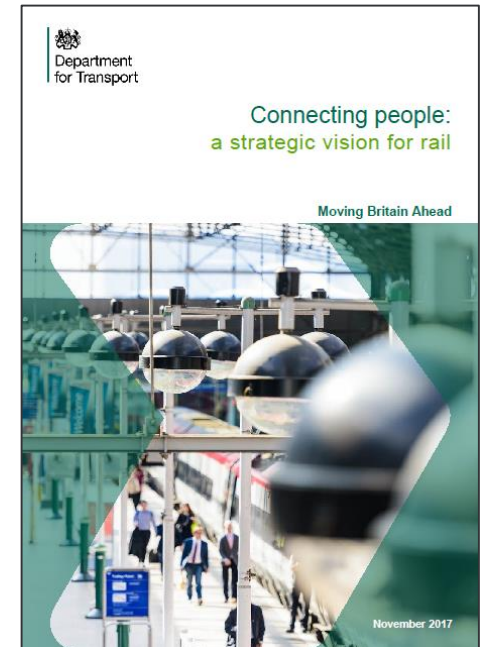
Our plans for better reliability – investing in the basics and putting passengers first by joining up track and train

Our plans for better connections and new capacity – working with a range of partners

Our work with industry on a better passenger experience that delivers for all

Our plans for new franchise models, evolving the franchise system

Work to support a skilled, diverse workforce, and a sustainable, innovative sector and supply chain





Department  
for Transport

# The department's priorities for investment and action

Keeping people moving safely and smoothly

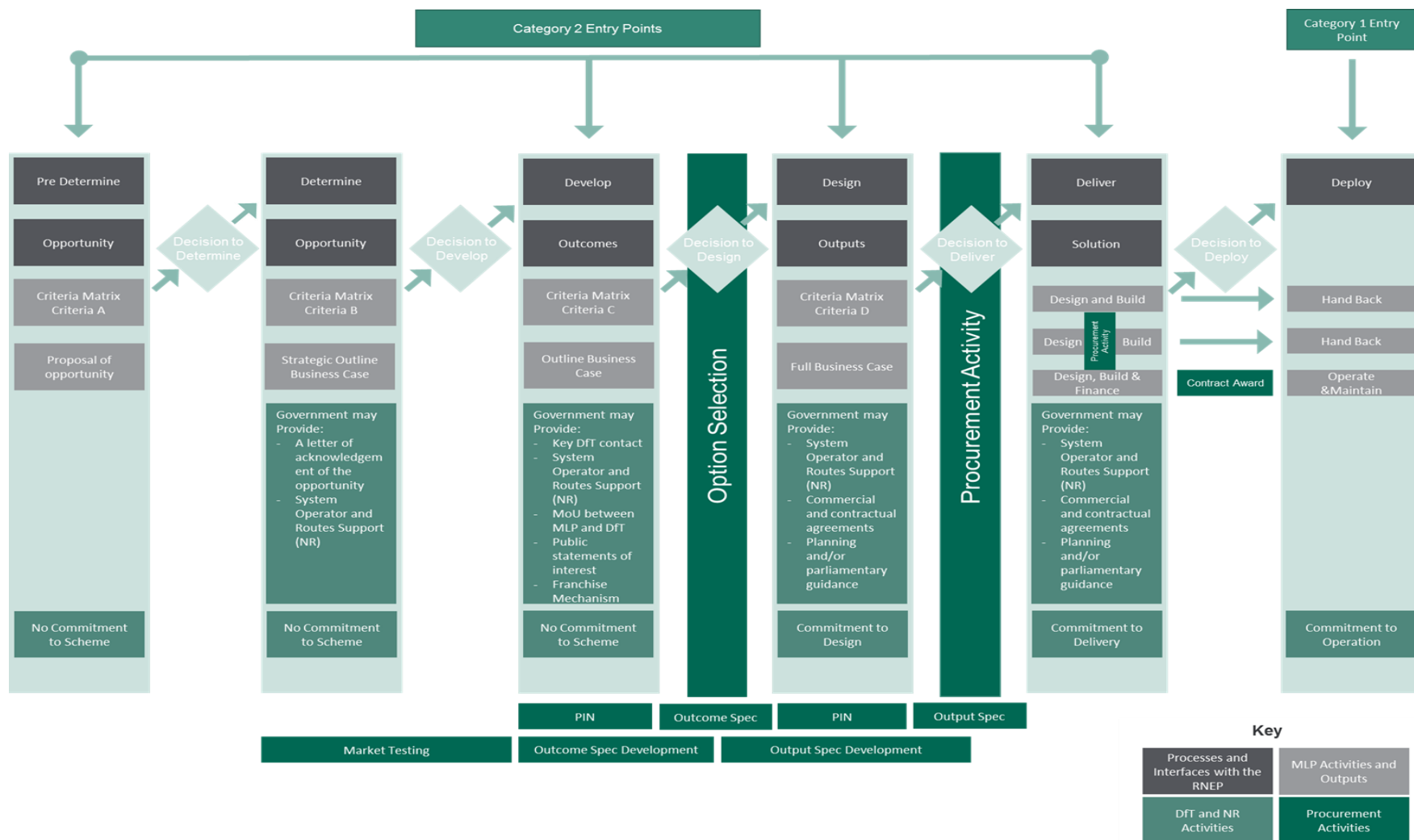
Delivering the **benefits** from programmes and  
projects **already committed to**

New and **better journeys and opportunities** for  
the future

**Changing the way the rail sector** works for the  
better



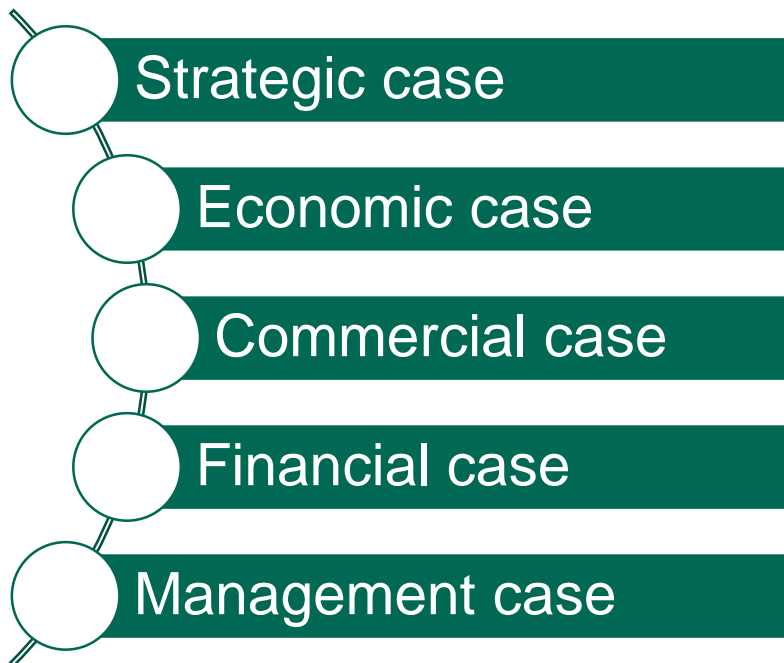
# MLP framework





Department  
for Transport

# Demonstrating a compelling business case



HM TREASURY

## THE GREEN BOOK

Appraisal and Evaluation in Central Government

Note explaining changes made to the Green Book in July 2011:

This is the 2003 edition of the Green Book. However, pages 57-58, which deal with the valuation of non-market goods, have been updated alongside the release of a Green Book discussion paper on this subject - Fujiwara and Campbell (2011), Valuation Techniques for Social Cost Benefit Analysis: Stated Preference Revealed Preference and Subjective Well-Being Approaches.

The changed text on pages 57-58 has been highlighted in red within this updated document. Because of the changes there is some duplication of paragraph numbers, and there is some change to the sequence of footnotes in this section.

Treasury Guidance

LONDON:TSO

Guidance

## Transport analysis guidance: WebTAG





Department  
for Transport

# Over the course of the day we will cover...

RNEP

Network  
Rail

Accounting  
treatment

Intellectual  
Property

Exclusivity

Procurement

Housing

Regulation



Department  
for Transport

# Role of the System Operator

Calvin Lloyd  
Network Rail



Department  
for Transport

# Open for Business

Philip Nias

Corporate Commercial Manager

#### Open for Business:



- Transforming Asset Protection
- Encouraging industry to challenge our standards
- Improving our capacity and capability
- Overseeing contestability effectiveness
- Sharing appropriate risks



## “Open for Business” programme update

Delivering Network Rail’s response  
to the Hansford review

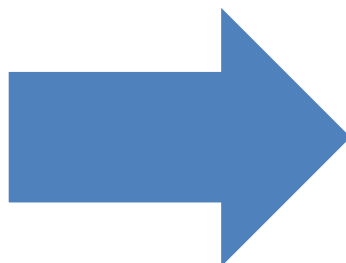


# *We are open for business...*



**‘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’**



## **Open for Business:**



- Transforming Asset Protection
- Encouraging industry to challenge our standards
- Improving our capacity and capability
- Overseeing contestability effectiveness
- Sharing appropriate risks



# *Competition and contestability – at the heart of CP6*





## Why are we doing this?



- Network Rail commissioned the **Hansford Review** of barriers preventing third parties building and investing.
- Commitment to change our behaviours and approaches **to remove barriers**.
- Network Rail will **demonstrate and evidence that it is genuinely “Open for Business”**.
- We will drive efficiency, creativity and innovation.





## Our key objectives



**Introducing contestability in the delivery of projects and renewals**



**Enabling third-party delivery of Network Rail funded activities**



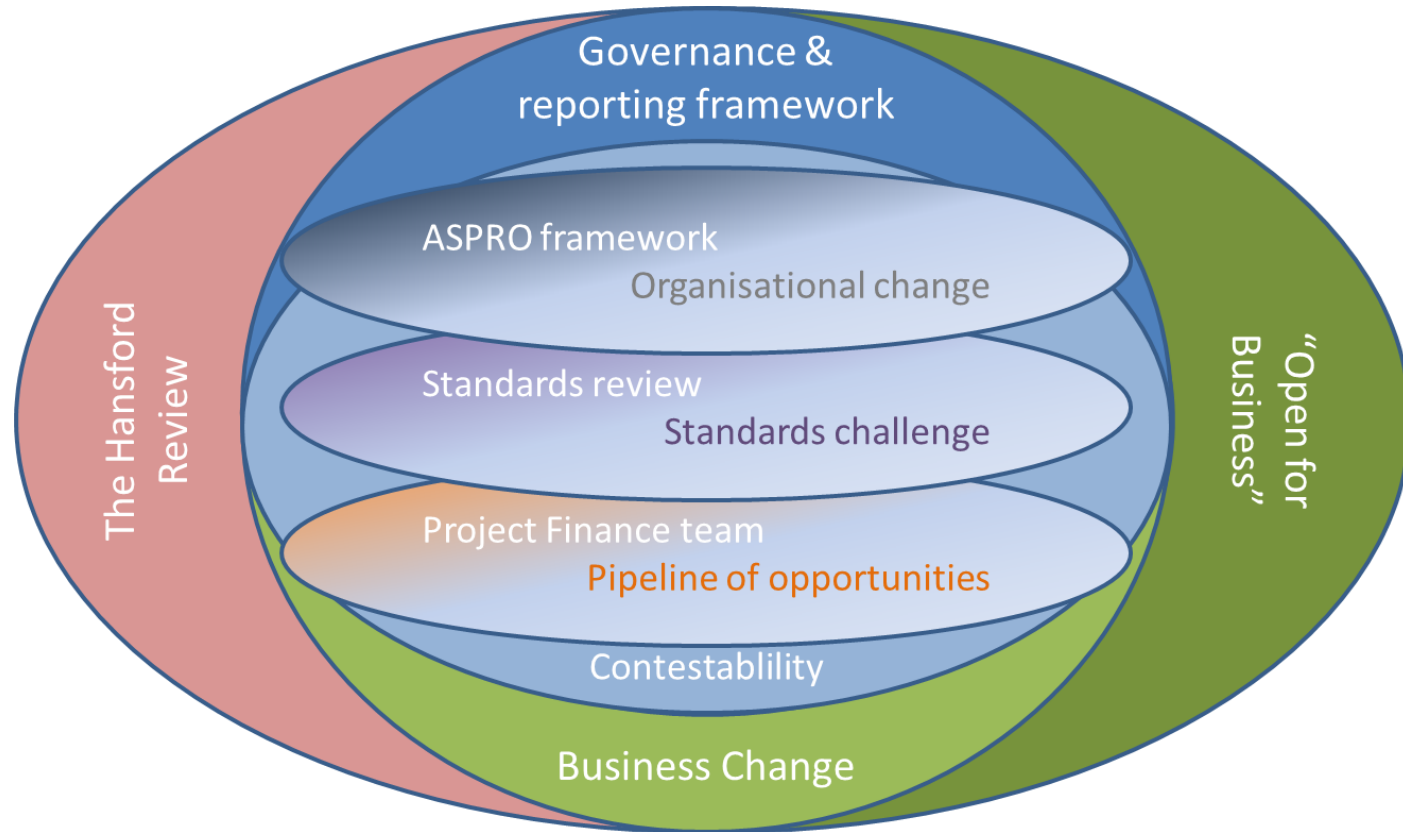
**Enabling third-party delivery of their own funded activities**



**Attracting third party finance and delivery**



## How are we delivering the programme?





## ***Role of the BDDs***

- BDDs appointed for each NR Route + Freight
- First port of call in NR for potential funders
- Developed Route business development strategies to attract incremental funding for enhancement projects
- Work closely with Route and System Operator sponsorship teams to identify and develop opportunities
- Link to contact details for BDDs:-

[https://cdn.networkrail.co.uk/wp-content/uploads/2018/03/Open-for-business-March-2018\\_Final.pdf](https://cdn.networkrail.co.uk/wp-content/uploads/2018/03/Open-for-business-March-2018_Final.pdf)



## Funding and financing

The Network Rail Routes, Network Rail, DfT and HMT have liaised closely to agree a pipeline of potential schemes suitable for third party funding and/or delivery (but excluding projects for financing at this stage), including consultation with Transport Scotland and Welsh Government on schemes in Scotland and Wales.

The first elements of the pipeline have already been published, alongside DfT's Industry Market Led Proposals and the second part of the pipeline is due to be published alongside our own "guide to doing business" in early summer

A Project Finance team is now in place to identify schemes suitable for third party finance. The team is considering the potential for private financing of a small number of schemes.



**Open for Business**

Opportunities for third parties to fund improvements on Britain's railways March 2018

▶ Anglia	▶ London North Eastern and East Midlands	▶ London North Western
▶ Scotland	▶ South East	▶ Wales
▶ Wessex	▶ Western	▶ Freight



# Funding and financing



**Funding** – cash contributions to an enhancement project from a Third Party, who perceives a benefit from the enhancement.

- Third party funding contribution for projects is not new
- Well-established process:
  - ORR: Investment Framework
  - Network Rail: Investing in the Network
- Approx. £850m of third party funding contributions in CP4 and first half of CP5.
- Hitherto we have been reactive but now more proactively seeking funding.

Financing is **NOT** a source of funding: all financing requires longer term funding to service the financing, whether from Government or other revenue stream.

**Financing** – an investment from a Third Party, who is seeking a return on that investment from the project.

- Projects involving third party financing overall require:
  - Approval from DfT and HMT of a business case in accordance with HM Treasury Green Book guidance (Five Case Business Model), including evaluation and analysis demonstrating:
    - Value for Money
    - Affordability
    - High degree of confidence that the project financing would achieve off balance sheet treatment for Government (Eurostat Standard of Accounting 2010) desirable and helps the VfM case.
  - An emphasis on output specification and a whole-life cost approach
  - A bankable structure, i.e. in terms of risk allocation, stable revenue stream, clear asset boundary, robust contractual provisions etc.



## *What are we doing/ Alignment with DfT*

- As part of the contestability workstream, we are determining the process for private financing.
- We are working closely with DfT to ensure alignment with RNEP and MLP
- There are a number of potential pathfinder projects:
  - Western Rail Link to Heathrow
  - Digital Railway
  - Brighton Mainline
  - Potential for other projects, e.g. depots and stations

**Postscript: These are not MLPs, but rather NR led projects which may have elements delivered or financed by the private sector**

## Appendix - Standards challenge

*“Encouraging the industry to challenge our standards”*

- We want to encourage contractors, suppliers and stakeholders to propose changes to our standards to encourage greater innovation, cost efficiency and third party funding into the rail network, whilst maintaining safety.
- Appropriate incentives will be progressively introduced to encourage challenges, for example:
  - through providing corporate recognition of successful applications;
  - assessing contract performance in relation to standards innovation, or;
  - in certain scenarios sharing a proportion of savings realised following a successful challenge on a project

New money and new ideas anticipated for railway as barriers facing investors and suppliers reduced

### Category list

Anglia  
Crossrail  
Featured  
London North Eastern  
London North Eastern & East  
Midlands  
London North Western  
Major Projects  
National  
Northern Hub  
Our Stories  
Property  
Scotland  
South East  
Thameslink  
Uncategorized  
Wales  
Wessex  
Western





Department  
for Transport

# Coffee break





Department  
for Transport

# Rail Investment Opportunity Day

Monday 14<sup>th</sup> May 2018, London





Department  
for Transport

# Legal considerations

Jennifer Raynor



# Legal considerations

- ▶ Intellectual property (IP)
- ▶ Disclosure requirements
- ▶ Exclusivity
- ▶ State aid



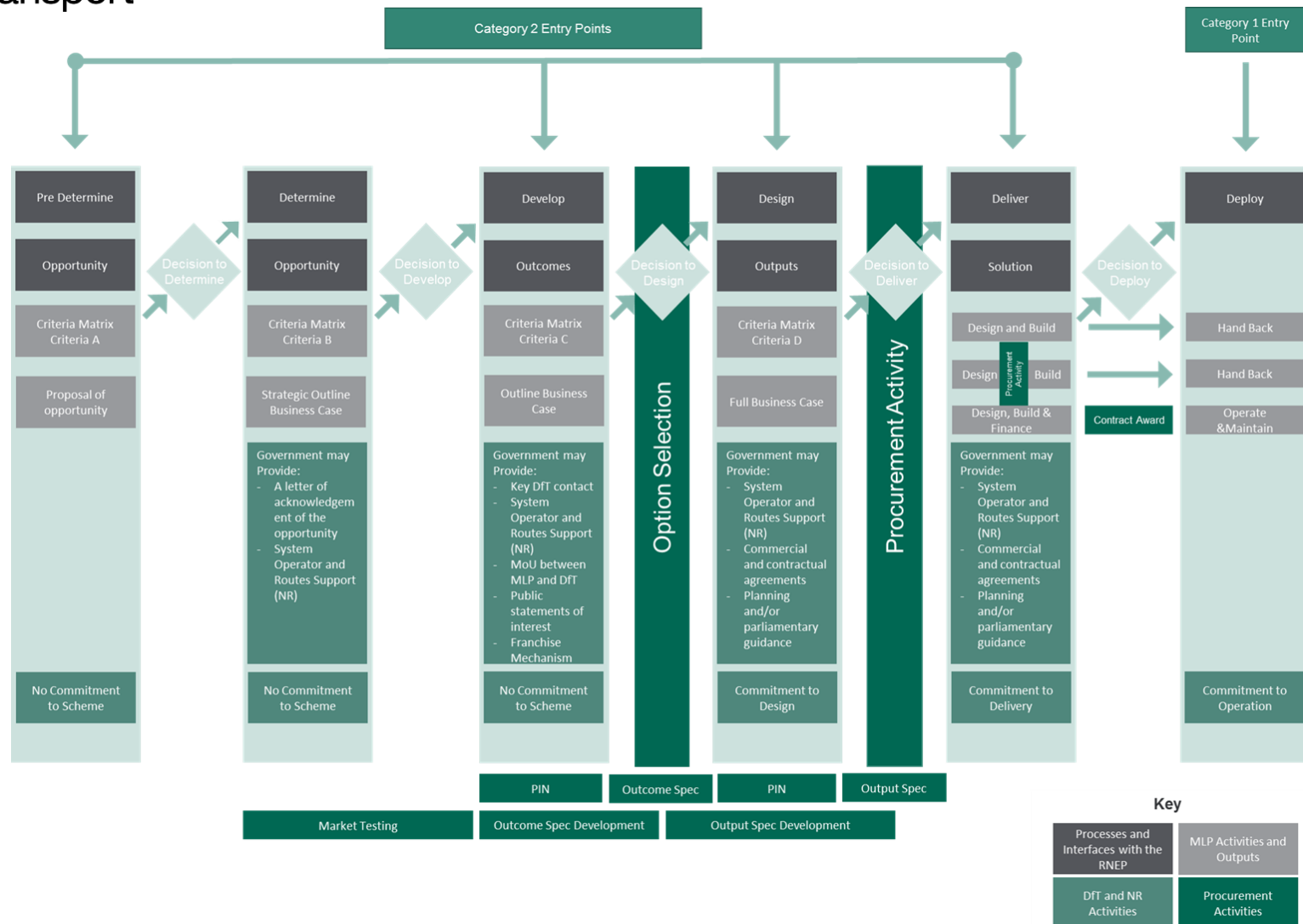


Department  
for Transport

# Procurement considerations

James Doran

Department for Transport





Department  
for Transport

# Financial considerations

Malcolm Lowe

Department for Transport



Department  
for Transport

# ...the Finance Bit

Malcolm Lowe CPFA

Head of Funding Strategies, DfT Group Finance





Department  
for Transport

# Quis pecuniam dat?



Department  
for Transport

*Who pays?*

~~Quis pecuniam dat?~~



## “Who pays?” ... because that is where it hurts

- ▶ We have:
  - ▶ Fixed annual budgets for several years ahead
  - ▶ Existing commitments (likewise)
  - ▶ Longer term funding and affordability constraints
- ▶ So, if the answer is “Government pays”, our ability to approve even the best proposal is going to be constrained
- ▶ This applies:
  - ▶ To any up-front costs
  - ▶ To any on-going payments:
    - To pay back and earn a return on the investment
    - For operating costs
- ▶ ...and with annual budgets, jam tomorrow does not pay for bread today





Department  
for Transport

“Who pays?” ... because that shapes the accounting



ESA10



“Who pays?” ... because that shapes the accounting

### **How and why the ESA10 accounting matters...**

If an asset is “on balance sheet” for Government, it’s like we’ve bought it up-front

Any private cash is then just a form of Government borrowing

So the impact in budgets, on affordability etc, is just the same as if we paid the cash ourselves



## “Who pays?” ... because that shapes the accounting

### “Option A” – it’s Government that pays over time

- ▶ To be off balance sheet for Government, “someone other than Government” has to take (and keep) the “risks associated with the asset”
- ▶ This means (in very broad terms):
  - ▶ Construction risk – cost variations, programme, build quality
  - ▶ Maintenance risk – the cost of keeping it working
  - ▶ Financing risk – whether payments coming in cover costs, repay the investment and provide a return
- ▶ As an example:
  - ▶ “No play – no pay” payments look good
  - ▶ “Hell-or-highwater” payments don’t



## “Who pays?” ... because that shapes the accounting

### “Option B” – it’s “someone else” that pays

- ▶ Again, to be off balance sheet for Government, “someone other than Government” has to take – and keep – the “risks associated with the asset”
- ▶ That means (in similarly broad terms):
  - ▶ The same list as before, **PLUS**
  - ▶ Revenue risk – whether “someone else” is actually willing and able to pay



Department  
for Transport

It's substance over form...





## It's substance over form...

Is “a TOC pays”, really about them paying?

What about:

- Franchise requirements set by DfT?
- Cost pass-throughs back to DfT?
- Usage guarantees committing future TOCs?



Department  
for Transport

# T&Cs apply





## DfT Panel Q&A

- Jennifer Raynor (Market-led proposals)
- Thom Evans (RNEP)
- Malcolm Lowe (Accounting treatment)
- James Doran (Procurement)
- Jerry Upshall (Corporate Finance)



Department  
for Transport

# Lunch



Department  
for Transport

# Rail Investment Opportunity Day

Monday 14<sup>th</sup> May 2018, London





Department  
for Transport

# Further guidance on submitting proposals

Jenny Raynor & George Chilcott  
Department for Transport





Department  
for Transport

# Rail market-led proposals

## Call for ideas- further guidance





20 March

- Launch of call for ideas
- Publication of guidance

14 May and  
5 June

- Rail Investment Opportunity Days (RIODs)

24 May

- *Southern Access to Heathrow industry event*

June - July

- Initial proposals submitted to DfT

Autumn

- DfT responds to initial proposals



# Financially credible without government support

## What does this mean?

Proposals should contain significant elements of funding from **alternative sources** to meet the scheme's development, design and construction costs

Schemes that use private financing should **generate sufficient revenue to repay financing costs**; central government payments should not be relied upon

In operation, schemes should **generate sufficient revenue to cover the costs of maintaining and operating the asset**





# What makes a good proposal?

## Opportunities we might consider

- ✓ Require no up front financial commitment from government
- ✓ Identify a revenue stream that could support the repayment of any financing and OMR
- ✓ Address the government priorities set out in the market-led proposals guidance
- ✓ Show clear consideration of criteria matrix (Annex A of the guidance)
- ✓ Demonstrate local support or need


## Opportunities we might not consider

- ✗ Require up-front government funding
- ✗ Have no clear revenue stream
- ✗ Do not address any of the government priorities identified in the market-led proposals guidance
- ✗ Do not include consideration of the criteria matrix (Annex A of the guidance)
- ✗ Do not consider key stakeholders




# What do you need to submit by 31 July?

## Content

- ☐ 
- ☐ Description of opportunity
- ☐ High level proposal of solution
- ☐ Address Criteria A
  - Qualitative assessment
  - Demonstrate understanding
  - Identify impacts and interfaces
  - Focus on benefits

## Structure

- ☐ 
- ☐ No uniform requirement
- ☐ Laid out logically, including an executive summary
- ☐ Be concise and make use of appendices
  - No requirements to present a business case with the proposal, but we encourage using the 5 case model to structure the submission

**All proposals will be treated as confidential**



# Criteria Matrix

## Why have we included a criteria matrix?

- Proposals will vary in scope and scale
- Minimum requirements
- Focus the technical content for “DfT audience”
- Illustrates the progressive approach to scheme development

## How do I comply with the criteria matrix?

- Submissions must make reference to each “essential” criteria element
- Submissions may refer to items not listed in the matrix (i.e. not exhaustive)
- It is not required to address all criteria elements *positively*



# Department for Transport

		To enter the Determine stage		To enter the Develop stage		To enter the Design stage		To enter the Deliver stage	
What will be assessed?		Proposal of opportunity		Proposal of outcomes		Proposal of outputs		Proposal of solution	
Criteria reference		Criteria A	Essential	Criteria B	Essential	Criteria C	Essential	Criteria D	Essential
Business case		Pre-business case		Strategic Outline Business Case		Outline Business Case		Full Business Case	
Delivery plan		None		Outline		Detailed		Finalised	
<b>Priority 1:</b> Keeping people and goods moving safely and smoothly	1.1 How will the construction and operation of the enhanced asset integrate with the rest of the network?	Identify, if any, the required change to baseline operations- including passenger, freight and network maintenance/operations.	Y	Assess strategic fit with current network operations. Produce impact assessment of construction and operation phases.	Y	Perform timetable assessment. Demonstrate that the proposed asset maintenance regime can be supported by the network.	Y	Demonstrate support from route operators, affected train and freight operators and relevant system authorities.	Y
	1.2 How will the scheme provide an acceptable level of reliability and performance?	Identify reliability and performance targets for the enhancement and demonstrate that the proposal considers performance risks.	Y	Identify how the scheme will contribute to performance targets and demonstrate how network resilience will be considered in the design.	Y	Quantify the scheme design impact on network performance.	Y	Demonstrate acceptable level of reliability and performance.	Y
	1.3 How will the change in passengers numbers on other parts of the network be mitigated?	Identify where required train capacity will be found from the existing network, or justify how your proposal will generate new capacity.	Y	Identify which existing station and route capacities will be impacted and identify mitigations.	Y	Quantify the impact on existing stations and routes, with and without proposed mitigations.	Y	Demonstrate effective mitigation of change in passenger numbers.	Y
	1.4 How will the scheme enhance the safety of the rail network?	Indicate how the scheme will address safety requirements and identify if the scheme is able to enhance the current requirements.	Y	Identify relevant safety requirements, regulations and systems with which the scheme must be compliant.	Y	Indicate how the scheme outputs contribute to the safe construction and operation of the scheme	Y	Demonstrate safety management competence and achieve approval of system authority.	Y
	1.5 Does the scheme adhere to the necessary regulatory and planning requirements?	Identify the regulatory and planning requirements to which the scheme should adhere.	Y	Produce an integrated planning application and delivery schedule.	Y	Evidence compliance/support for the planning and regulatory requirements.	Y	Evidence compliance/support for the planning and regulatory requirements.	Y
<b>Priority 2:</b> Delivering the benefits from programmes and projects already committed	2.1 Will the MLP scheme outputs be dependent on any Government committed schemes?	Identify interfacing enhancements which will contribute to the proposed scheme benefits, including infrastructure projects, network digitisation, rolling stock programmes or interfacing modes.	Y	Quantify required outputs from other committed schemes and perform risk assessment on scheme output assumptions.	Y	Integrate MLP scheme programme with committed schemes. Demonstrate approval from scheme authority.	Y	Demonstrate committed scheme output assumptions are still valid.	Y
	2.2 How does the scheme impact other government committed schemes?	Identify interfacing enhancement projects throughout the MLP lifecycle. Estimate impact on construction, operation, maintenance and passenger usage.	Y	Qualify scheme impact on interfacing enhancements and propose mitigations.	Y	Quantify scheme impact on interfacing enhancements and validate mitigation.	Y	Evidence authority(s) from impacted schemes.	Y



# Opportunities and challenges- an exciting future

- Realise aspirational improvements to our railway
  - Reputation
  - Image
  - Credibility
- Drive change in areas which are important to industry
  - Sector sustainability
  - Skills
  - Competitiveness
  - Volume of work
- Ensure our railway's reputation of world-class endures into the 21<sup>st</sup> and 22<sup>nd</sup> centuries



Department  
for Transport

# Housing and rail: Does your MLP unlock housing?

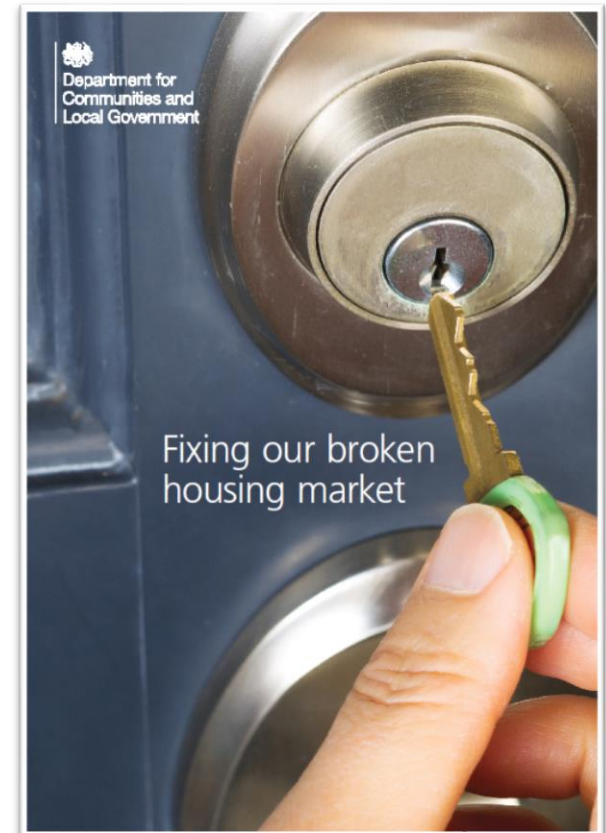
Isobel Pastor

Department for Transport



# Government's housing priority

- Housing White Paper
- Government target of 300,000 new homes every year.
- Transport - unlocking housing & creating places people want to live
- MLP's have a role to play in the housing agenda

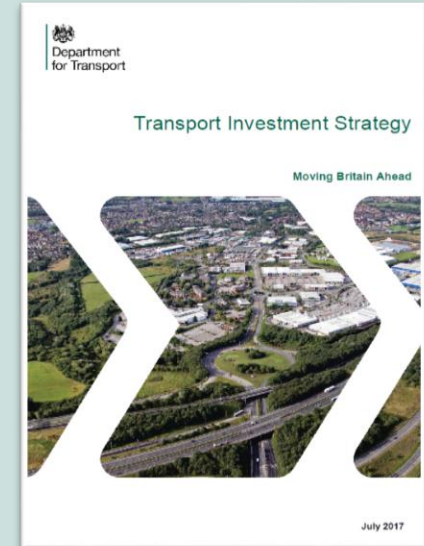




# How can an MLP sponsor consider housing in their business case?

DfT's guidance - economic and strategic benefits of housing growth can be captured in business cases.

- Vision
- Place-based forecasting
- Demonstration of dependency
- Wider urban realm benefits or transformation
- Innovative solutions around stations







# Case study: Leeds rail growth

## Kirkstall Forge:

- Proposal for two new stations
- Part of wider strategic objective to boost rail travel within West Yorkshire
- 1,085 new homes and commercial space dependant on the station – boosting the economic and strategic case.
- The value for money is highly dependant on benefits and revenues coming from the development at Kirskstall





Department  
for Transport

# Let's talk



Does your proposal link to housing growth?

If so - we are here to talk to you!



Department  
for Transport



Homes England



Ministry of Housing,  
Communities &  
Local Government



Department  
for Transport

# The role of the regulator in market-led proposals

Graham Richards

Office of Rail and Road



# **DfT Rail Investment Opportunity Day**

London

14 May 2018

# The Office of Rail and Road

- The independent economic and safety regulator for the UK railway
- About 280 people based in London, Glasgow and 4 other cities
- Responsible for five key areas that may be relevant to anyone exploring opportunities to invest in the network:
  - Safety
  - Access and charging
  - Licensing
  - Interoperability
  - The Investment Framework
- Lots of information on our new webpage, please take a look.

# Safety

- ORR's expectations for all railway scheme developers are that:
  - Excellence in the management of health and safety is achieved through use of a highly reliable safety management system; and
  - The principle of *health and safety by design* is applied, making sure that appropriate safety standards and good practice are considered as early as possible in project development.
- Infrastructure managers and train operators will normally need a safety management system endorsed by us.
- Anyone proposing to introduce a technical, operational or organisational change to the railway must carry out an appropriate risk assessment. For significant changes, the EU common safety method on risk evaluation and assessment must be followed. This includes having your risk assessment validated by an independent assessment body.

# Access and charges

- If your investment relies on buying access to the rail network or selling access to your infrastructure, you will need to talk to us.
  - We approve access contracts between train operators and infrastructure managers and there are rules about (e.g.) contract duration;
  - There are EU regulations we enforce that limit what kind of charges an infrastructure manager can recover from train operators, and impose obligations on infrastructure managers and others.
  - We have published guidance on these regulations, available on our website.
- In January 2018 we published a short guide to how investors can secure access to the national rail network – also on our website.

# Licensing

- Anyone who intends to operate a rail network, trains, stations or light maintenance depots will need to get some kind of licence from us. We issue these to people who are 'fit and proper' to be an operator.
- Operator licences have conditions the operator must comply with. These promote consistent, effective and efficient working relationships between licensed operators. They cover issues such as consumer protection, insurance and standards.



# Interoperability

- All new, upgraded or renewed infrastructure or rolling stock must:
  - Be authorised by ORR before it can be placed into service; and
  - Comply with various common technical standards, including EU “Technical Specifications for Interoperability”.
- This process can be complicated, especially if derogations from standards are needed.
- So again, early engagement with ORR if you are proposing new or upgraded infrastructure or rolling stock is recommended to avoid delays later.

# The Investment Framework

- We set Network Rail's outputs and funding every 5 years. The Investment Framework is a framework for specifying and delivering capital works outside this process.
- It has been used by UK, Scottish and local governments, passenger and freight train operators and others for investing in the network.
- It includes guidance and a suite of template agreements that may be used to streamline how you engage with Network Rail (although bespoke contracts can be used if preferred).
- We can advise on the process, template contracts and disputes.
- We are currently reviewing some of the costs associated with the framework and working with Network Rail to optimise these to encourage investment in future.

# Summary

- Investors will need to think about how their proposals will work with the domestic and European legislation that affects railways.
- We regulate several aspects of the railway industry, both economic and health and safety.
- It is likely investors will need to talk to us about some of these as they develop and implement their plans.

# Where can I find out more?

- We have created a webpage covering investing in the network and some frequently asked questions:
  - <http://orr.gov.uk/rail/investing-in-the-rail-network>
- This page covers the 5 areas mentioned earlier with advice and links to key documents.
- We have also set up a single point of contact email address:
  - [investment@orr.gov.uk](mailto:investment@orr.gov.uk)
- Please email any queries and we'll direct them to the best team to address your question.



Department  
for Transport

# A view from industry

Peter Loosley

Railway Industry Association



**Railway Industry Association**

---

## **Rail Investment Opportunity Day**

**Peter Loosley**  
**Policy Director**

14 May & 5 June 2018

[Peter.Loosley@riagb.org.uk](mailto:Peter.Loosley@riagb.org.uk)



Department  
for Transport

# Thank you

Conrad Bailey,  
Director, Rail Strategy, Reform and  
Analysis  
Department for Transport



## Informal Networking

- Government officials are on hand to answer queries
- Exhibition stalls

Exhibition Stalls	
Rail Freight Strategy Department for Transport	Railway Industry Association
Rail Strategy Development Department for Transport	Young Rail Professionals
Rail Industry Competitiveness Department for Transport	Network Rail
Department for International Trade	National Skills Academy for Rail





Department  
for Transport

# Rail Investment Opportunity Day

Monday 14<sup>th</sup> May 2018, London

