



September 2013

Consultation Response

Valentina Licata
Office of Rail Regulation
1 Kemble Street
London
WC2B 4AN

Dear Ms Licata,

[Re: Periodic review 2013: Draft determination of Network Rail's outputs and funding for 2014-19](#)

The Civil Engineering Contractors Association's (CECA) welcomes the opportunity to respond to the above named consultation.

CECA provides the voice for those companies who create, improve and maintain the UK's vital transport and utility networks. Our membership of more than 300 companies together delivers an estimated 70-80 per cent of all infrastructure construction work carried out nationwide. Our industry supports the employment of around 200,000 people with annual activity worth up to £25 billion.

CECA welcomes the proposals in the draft determination, most notably, the increased volumes of work on civils, the increased investment in safety and the plans to monitor Network Rail's performance.

We believe that the draft determination has the potential to deliver real value for money. We are extremely keen to work with Network Rail and the Office of Rail (ORR) Regulation to ensure the plan is delivered particularly those schemes targeted at improving the civil engineering assets which have suffered from years of underinvestment.

However, it is important to state that while the passage of this periodic review process has progressed well, there remains a concern that any delays in agreeing the final outcome would have a detrimental effect on a positive start to the new control period.

In our response, we have focused on the areas where we believe we can add the most value. We reiterate our comments made earlier this year in response to your consultation on Network Rail's Strategic Business Plan. We trust that you find our comments helpful and that they will be taken into consideration.

Yours sincerely,



Mike Cocks
CECA UK Rail Director

**For more information, please contact CECA director of external affairs
Alasdair Reisner on 020 7340 0454 or alasdairreisner@ceca.co.uk**

Periodic review 2013: Draft determination of Network Rail's outputs and funding for 2014-19

The Office of Rail Regulation's (ORR) draft determination sets out the package of overall decisions on Periodic Review 2013 for consultation. As we have indicated above, CECA welcomes the proposals and is pleased that the plan has such clear visibility for 2014-19.

The supply chain will benefit from the large capital programme, including the increased volumes of work on civils. Given the early stage of development of the programme there will be considerable scope for early supplier involvement in scheme design. CECA supports this, but seeks clarity on how the process will work to enable our members to plan ahead.

We are pleased to see that steps have been taken to further improve the relationship between Network Rail and train operating companies. This will enable the supply chain to deliver work more effectively.

The clear visibility for 2014-19 enables Network Rail to plan ahead and engage its supply chain on long term contracts in a timely fashion. It also creates the right environment for innovation. Furthermore, the long term planning of resources will ensure that Network Rail's supply chain is able to confidently invest in training and development in the knowledge that work is forthcoming.

A contractors' workforce is its biggest asset. A steady projected workload will help businesses take on staff and play their part in reducing local unemployment. It also means that firms will find it easier to plan workforce levels in all sectors of their business. This point is extremely pertinent for Scotland and Wales where substantial civil engineering activity is planned in the rail sector.

The Welsh Government is specifically promoting the use of "Community Benefits" in public sector contracts, and Network Rail needs to be aware of the expectation in respect of training and employment opportunities that accompany such an approach.

In respect of the SME sector in Wales (both the supply and the contractor side), Network Rail should establish the local market conditions to determine the availability of and opportunities for increased activity in this area.

Certain "off-track" works e.g. boundary fencing, could be an example of such opportunity to support local companies that may not traditionally be associated with rail work, but which may prove adaptable and dependable if afforded the opportunity.

Network Rail should also be encouraged to enter into discussion with the manufacturing sector in Wales to determine the availability or opportunity to develop or manufacture components for the rail investment envisaged.

In Scotland there are not only the ongoing works on maintaining Network Rail's extensive asset base but also major new works on the reopening of the Borders Railway and continuing the Edinburgh to Glasgow Improvement Programme (EGIP), which are both currently in construction on the ground. These two projects alone will constitute around 5 per cent of Scotland's total civil engineering outturn for the next two years.

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CECA hopes that long term planning by Network Rail and the ORR will discourage the regular cycles of boom and bust that some members have experienced in the water and rail sectors (see Box 1 on the water sector below).

Box 1: Boom and Bust in the Water Sector

In a report published in 2012¹ Infrastructure UK (IUK) confirmed that boom-and-bust spending was having a substantial impact on the industry and consumers.

The report found that the consequences of five-year investment cycles was costing the industry up to £1.1 billion each Asset Management Plan (AMP) cycle.

The report included input from the supply chain which estimated that between 20,000 and 40,000 employees were lost and re-hired every five years.

The report found that there was no one cause to this problem. Instead, it said that the cyclical effect had become 'cultural' and that industry needed to make a conscious effort to challenge this.

In order to help solve this, the UK Government challenged water companies and the supply chain to work more collaboratively and improve communication. This is being reflected in the regulator OFWAT's Price Review 2014 work.

CECA members have suggested that further certainty of future work could be given if Network Rail and the ORR moved to a situation where the determination was approved earlier. This would enable all parties to work towards even longer term work programmes. In turn, it would make subsequent control periods clearer and more defined, increasing efficiencies and avoiding standstills between projects. CECA is also keen to ensure that when letting contracts begin from 1st April 2014 there is a certain amount of work that contractors can immediately start.

CECA supports the steps taken to put Britain's rail network onto a sustainable basis by addressing the legacy of under investment in renewing the system's earthworks, tunnels and bridges. This extra investment will equip the network to meet growth in demand from passengers and freight as well as rising customer expectations. CECA notes that long term programmes and early contractor involvement will increase efficiencies here and encourage innovation in order to reduce the impact of train delays.

CECA further notes that the money allocated to improving safety and in particular track worker safety is extremely welcome.

1. *Smoothing Investment Cycles in the Water Sector*, <https://www.gov.uk/government/news/government-calls-for-action-to-address-damaging-impacts-of-cyclicity-in-the-water-sector>

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CECA applauds the steps taken by Network Rail to introduce new technology to the railways and the progress made in greening rail travel. While no money has yet been aside specifically for R&D, CECA would be keen to work with all parties to ensure that this opportunity is maximised.

CECA seeks clarity on the benefit to SMEs of the draft determination. There is some concern that encouraging larger frameworks excludes SMEs from Tier 1. CECA is keen to ensure that there is an improved relationship between Tiers 1 and 2 to enable SMEs to fully realise their potential.

Finally, we would like to stress how keen we are to see the continuation of the open partnership approach and collaborative working adopted by Network Rail in recent years. This model has enabled members to work more efficiently and at less cost to themselves and Network Rail. It would be a significant disappointment if there were any decline in progress made.

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