Rail Roundtable

Beale & Company recently hosted the second in its series of industry focused roundtable discussions, bringing together key stakeholders in the rail industry to discuss the effect of the latest developments in the industry, as well as its future.

Roundtable

We are seeing potentially significant changes in the rail industry, from announcement of major projects and spending plans to changes to the way in which work for upcoming projects is being procured, as well as the recent reclassification of Network Rail. To explore these matters further and the effects that these changes are having, Beale & Company hosted a roundtable discussion on 24 October 2014 at the headquarters of the Institution of Civil Engineers, One Great George Street, London.

These events provide a rare opportunity to discuss matters with colleagues and competitors, as well as industry clients. Key figures attended from across the industry, including client representatives, consultants and contractors of various tiers.

Hot Topics

Spending Commitments and Major Projects

Earlier this year, the Government announced a spending and investment plan of £38 billion in the next five years (Control Period 5). In addition, other investment projects include Crossrail, with an estimated cost of £14.8 billion, and HS2, reportedly the biggest infrastructure project in Europe with an estimated cost of around £43 billion.

There are concerns in the industry that at the start of each new control period, the first year can be very slow to take off. Suggestions to counter this included bridging frameworks across control periods or longer term funding to ensure a steadier flow of work across projects. In addition, there is a need for consistency in procurement methods and tender evaluation across the industry and the regions.
There is some concern that projects such as HS2 and Crossrail may squeeze resources, particularly in specialist areas of expertise. To minimise inefficiencies it was suggested that successful designs could be replicated more often, rather than re-designed for each project. Whilst this would not work for all projects, it was suggested that a ‘plug and play’ type approach could be used where possible.

Is the industry becoming more collaborative?

The rail industry is pushing forwards with collaborative working. Although not as advanced as some industries, in particular the water sector where long-term alliancing is already used, Network Rail has procured a number of major projects on an alliance basis, such as the first rail industry “pure alliance”, on the Stafford Area Improvement Programme.

A change in mindset is necessary for alliancing to work: key elements for successful alliancing include alignment of the parties’ objectives, good leadership and transparency between alliance members. The extent to which collaboration is appropriate will depend on each particular project, with alliancing often more suited to complex major projects, rather than for more straightforward procurements.

Future opportunities and challenges

BIM has already become widespread throughout the construction industry and this uptake will continue with the Government aiming for all centrally procured public sector construction projects to be using BIM by 2016.

However, there is concern that the benefits of BIM are not yet being fully realised in the rail industry and BIM is not yet delivering the required outputs i.e. usable information. This partly stems from the need to drive BIM down the supply chain, as well as making it more accessible by breaking down both technical and cost barriers.

The Government is pushing to promote the UK rail industry internationally; however, there are concerns as to whether such international work actually boosts the UK economy or would be carried out through local offices of UK and other international companies. Perhaps UK resources should be concentrated in UK development first?
The reclassification of Network Rail

Following the announcement of the Office of National Statistics’ decision in December 2013, Network Rail was reclassified as a central government body in the public sector on 1 September 2014. Although this reclassification brought an additional £34 billion debt to the national balance sheet, the industry view is that there is unlikely to be any practical effect at present.

Network Rail has down-played the significance of the reclassification, classing it as “a statistical decision” which “will not affect the Government’s commitment to the railways or its plans for investment”. However, there is scope for changes to be made to investment plans for budgeting reasons or to deliver value for money.

Although reclassification should mean that Network Rail will be more accountable, it was noted that the Department for Transport could influence and hold Network Rail accountable before the reclassification in any event.

One area which may well be subject to further development is the extent to which Network Rail’s internal workings are made public as a result of Freedom of Information Requests, although whether the Freedom of Information Act applies was a point of discussion.

Future Events

Beale and Company will host a second Rail Roundtable in Summer 2015 as a follow-up event.

In the meantime, we are preparing for our first Power Roundtable, and our second Highways Roundtable will be held in Spring 2015.

In order to preserve the discussion led nature of the roundtable format, numbers at both events will be strictly limited. However, if you would like to express your interest in contributing to further discussions, we would be delighted to hear from you. In the first instance, please direct any expressions of interest to Jonathan Roscoe at j.roscoe@beale-law.com, +44 (0) 20 7420 8655 or Danneka Fraser at d.fraser@beale-law.com, +44 (0) 20 7420 8755.

For further information please contact

Will Buckby
Partner
T: +44 (0) 20 7420 8659
E: w.buckby@beale-law.com

John Henderson
Partner
T: +44 (0) 20 7420 8709
E: j.henderson@beale-law.com

Ben Mullard
Associate
T: +44 (0) 20 7420 8703
E: b.mullard@beale-law.com

November 2014