

Network Rail to reduce its third party works fees

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Network Rail, working in collaboration with the Office of Rail and Road (ORR), has announced that the risk fees applied to third party work will be reduced from April 1.

In 2006, to encourage third party investment into the railway, Network Rail and the ORR, in consultation with the wider industry, set up a system to address commercial and industry liabilities taken on by Network Rail when working with third parties – known as risk fees.

Risk fees are applied as percentage uplifts to third party agreements to fund Network Rail to take on certain risks and pay the costs of these if they occur.

After reviews within the industry and working with the ORR, it has been decided that reductions to the percentage fees can be implemented to third party agreements for development services and asset protection agreements.

Helen Andreou, Director Corporate Commercial, Network Rail, said: “We’re always looking for ways to improve value for money and make it easier for the industry to do business with us. With this fee

reduction, we will pass on our risk efficiency savings to our third-party customers, to make it cheaper for them to invest in the railway.

“We have challenged ourselves on costs and we are starting to see a trend of improving control over some of our third-party risks. We believe this is a win-win situation for all parties involved.”

Graham Richards, Director of Planning and Performance at the Office of Rail and Road, said: “We welcome these improvements and we’re pleased Network Rail has taken steps to address the efficiency and effectiveness of the Risk Funds. The changes will help to make third-party investment in the railway cheaper and easier.

“Over the past couple of years, we have worked with Network Rail to adopt recommendations from reviews of industry and the resulting fee reduction, and improved claims process are a key output of our close working. We will continue to work with Network Rail to improve transparency around the funds and encourage and facilitate investment in the network.”

Network Rail has also streamlined the claims process to pay on valid third party claims quickly and efficiently, whilst also making agreements easier to use by explaining the risk allocation and using agreed national frameworks, thereby reducing contract development time and cost.

The reduction of risk fund fees is all part of a wider drive to help achieve Network Rail’s ambition of becoming a more efficient and dependable partner within the rail industry, providing confidence that benefits will be delivered to passengers and freight users more efficiently.

The new fee levels will be effective from 1 April 2021 for third party development services and asset protection template agreements.

Photo credit: Network Rail