

Network Rail and NEC3 the story so far....

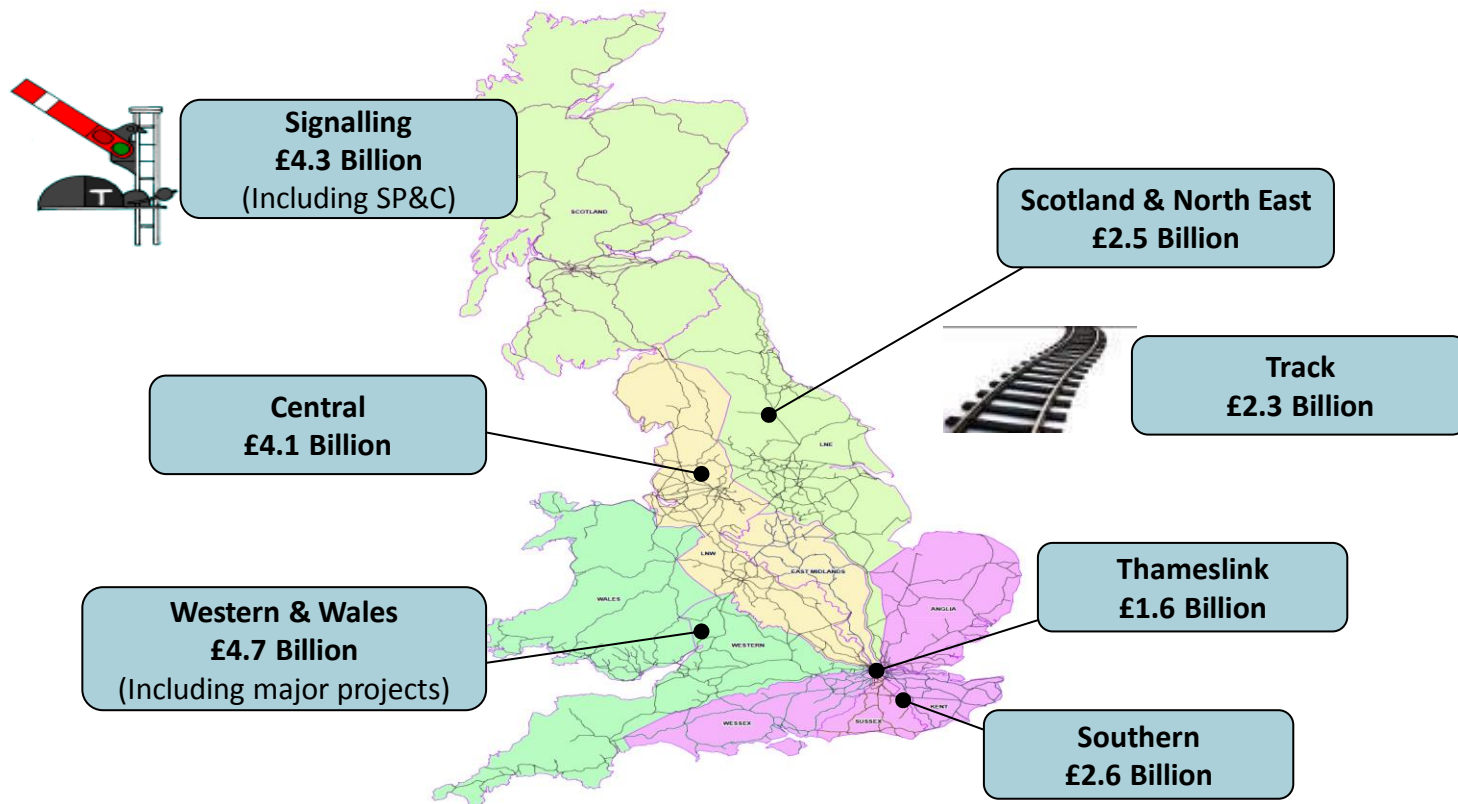
Phil Bennett, Finance and Commercial Director

Infrastructure Projects, Southern

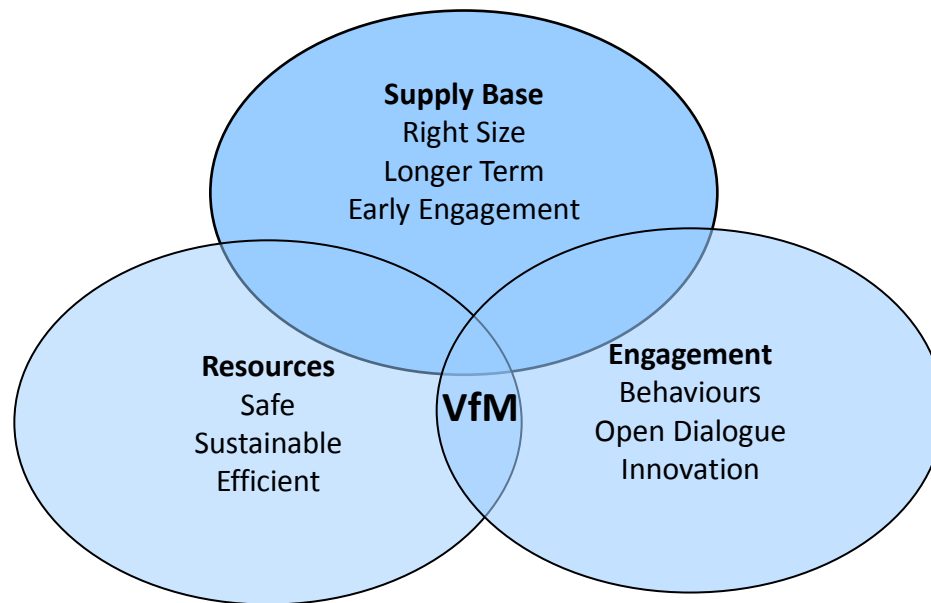
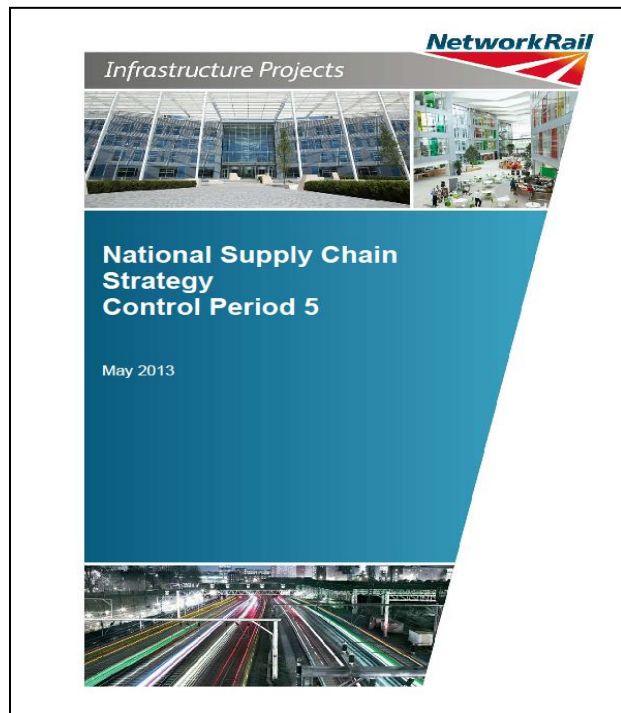
20th April 2015



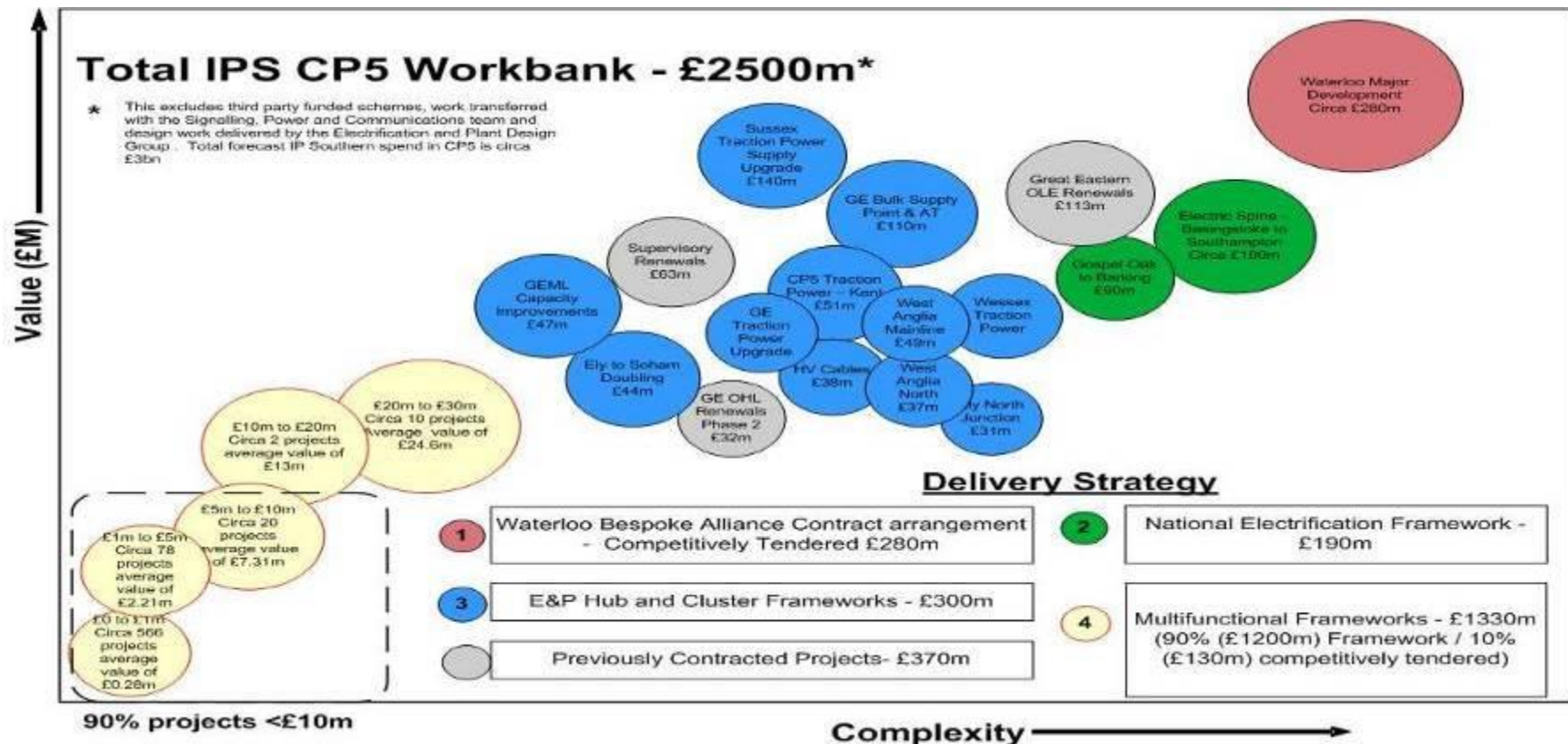
CP5 Spend



CP5 Supply Chain Strategy



IP Southern CP5 Project make up



Why NEC3 ?



The *Employer*,
the *Contractor*,
the *Project Manager* and
the *Supervisor* shall act as stated
in this contract and
in *a spirit of mutual trust and co-
operation*

DELIVERING A STEP CHANGE TO WORKING COLLABORATIVELY



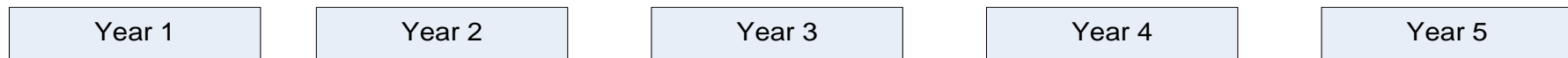
BS11000 and Infrastructure Projects - Southern



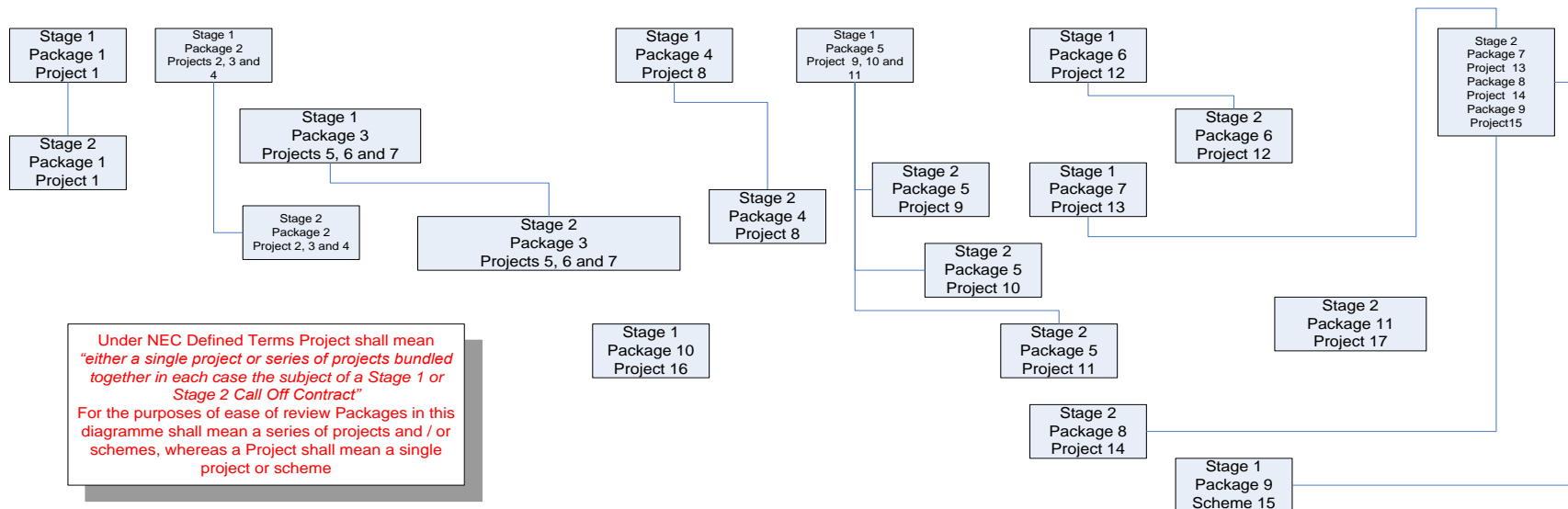
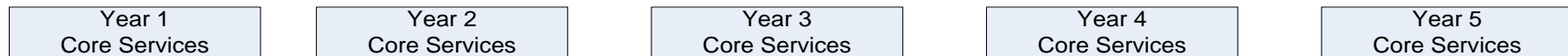
MFF Overview



Framework & Contract Structure



1 # Framework Agreement per Route



Under NEC Defined Terms Project shall mean "either a single project or series of projects bundled together in each case the subject of a Stage 1 or Stage 2 Call Off Contract"

For the purposes of ease of review Packages in this diagramme shall mean a series of projects and / or schemes, whereas a Project shall mean a single project or scheme

Selecting the right partner

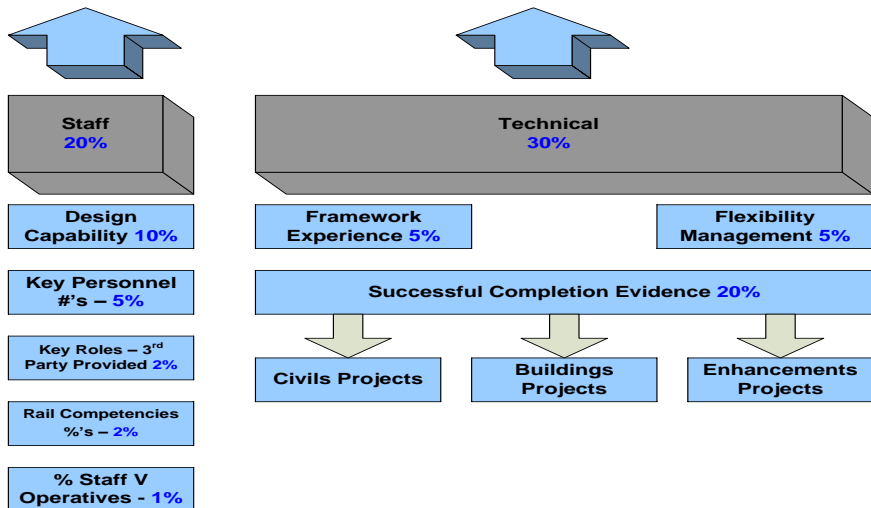


Multifunctional Framework PQQ Evaluation Criteria

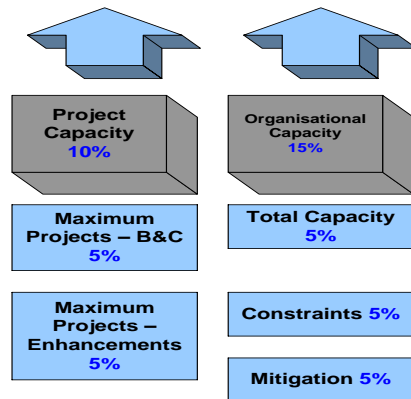


Financial Capability (GATED)

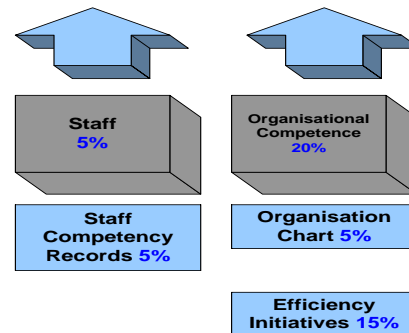
Capability 50%



Capacity 25%



Competency 25%



Generic - Non Scoring

Company Ownership

Key Contacts

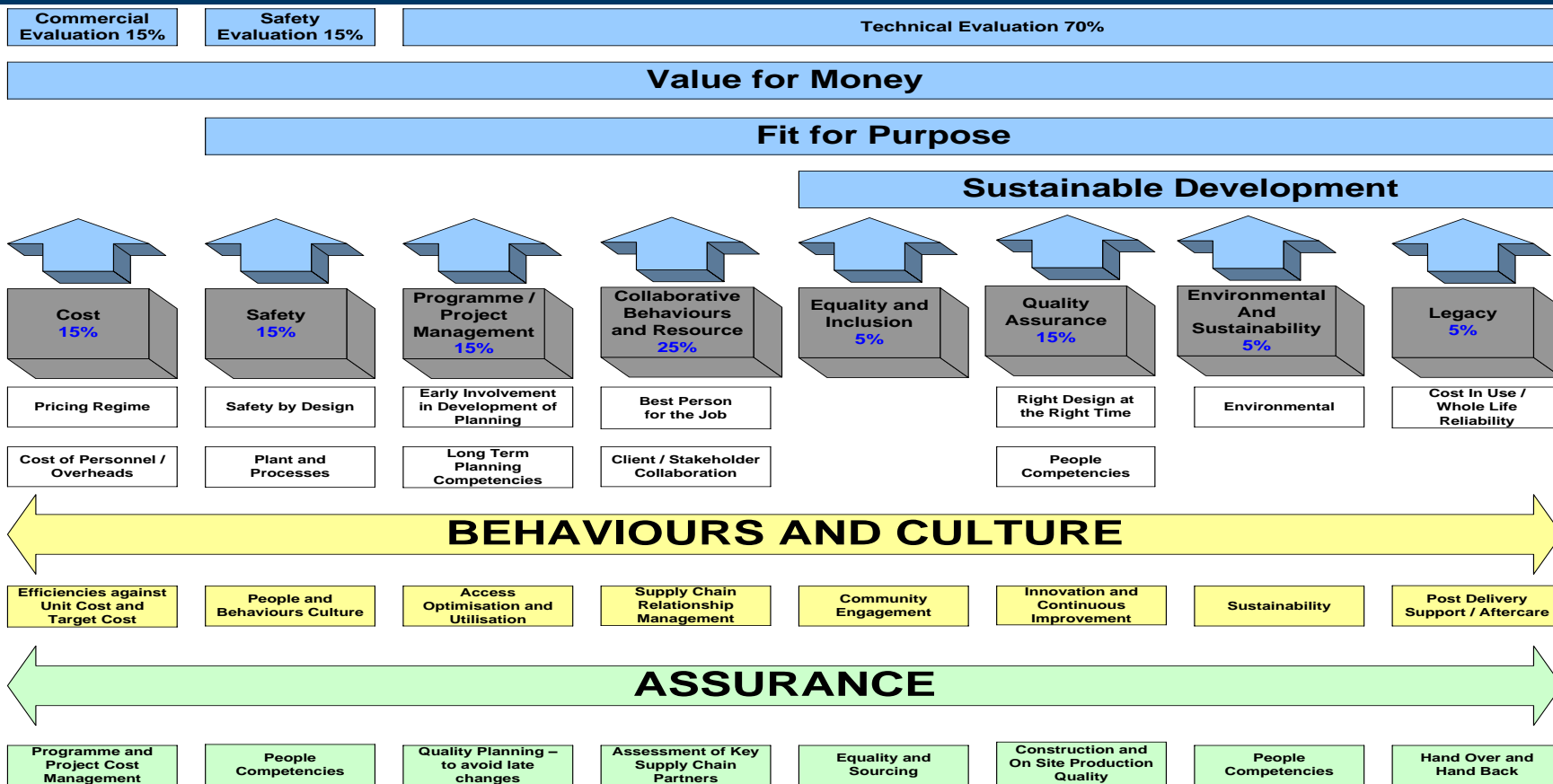
Core Business

Company Org Chart

Membership of Prof
Bodies / Trade 11

Multifunctional Framework

ITT Evaluation Criteria



Multifunctional Framework Behavioural Team Assessment



Driving the right behaviours



Driving the right behaviours



Infrastructure Projects
Southern

OSBORNE **bam** **CSM** **VolkerFitzpatrick**

Network Rail

OUR CHARTER

Our Vision

To successfully deliver the CPS programme for Southern IP in accordance with the Network Rail Strategic Business Plan, to everyone's satisfaction in the spirit of mutual trust and co-operation, through the following values and mutual operating values

Values

- **Listen, Discuss and Trust each other**
To achieve mutual trust and avoid disruption by working as one IP team in a spirit of understanding, mutual trust and openness
- **Sharing Best Practice**
 - **Safety & Environment** - to deliver zero accidents and incidents across IP
 - **Quality** - to deliver the projects right first time, every time
 - **Methodology** - to find the best resource across IP
 - **Design** - to explore and share innovative design
 - **Value Drivers** - to seek improvements and continuous improvement to deliver greater value to NRIP
- **Collaborative Working**
To ensure delivery of schemes, resolving problems promptly and at the appropriate level

Mutual Operating

- **Staff**
 - We agree not to poach staff from other MTF Contractors or Network Rail IP Southern
 - We will allow the transfer of staff from one organisation to another with the MTF so long as there is a mutual agreement between the Programme Managers and the framework
 - We will seek to share training and development to up skill our workforce whilst reducing the costs incurred for each training
- **Supply Chain**
 - We will work together to ensure we share the best resource within our supply chain across IP
 - We will engage with our supply chain to ensure we are not overloading certain contractors at certain periods, increasing delivery across IP Southern
 - Through collaborative working with the supply chain, we will seek greater procurement and fabrication efficiencies
- **Design**
 - We will share standard common designs and innovative solutions across the framework
- **Minimise disruption across the route network**
 - We will plan our works to ensure we minimise the interventions on the network. Particular focus will be made around the boundaries between areas

Outcomes

To enhance the reputation of all parties involved and for the MTF contracts to become a benchmark for future framework contracts and relationships.

Commercial Incentive Mechanism Pain / Gain Share



Project	Target	Actual Cost	Pain/gain NR	Payable to contractor (interim certs)	Value into Incentivisation pot	KPI performance (for financial year)	Incentivisation Element Payable	Total Payment to Supplier	Total NR "saving"
1	£ 1,000,000	£ 900,000	£ 50,000	£ 900,000	£ 50,000	N/A	£ 25,781	£ 925,781	£ 74,219
2	£ 3,000,000	£ 2,500,000	£ 250,000	£ 2,500,000	£ 250,000	N/A	£ 128,906	£ 2,628,906	£371,094
3	£ 5,000,000	£ 5,500,000	-£ 250,000	£ 5,250,000	-£ 250,000	N/A	£ -	£ 5,250,000	- £250,000
4	£ 5,000,000	£ 4,000,000	£ 500,000	£ 4,000,000	£ 500,000	N/A	£ 257,813	£ 4,257,813	£742,188
5	£ 2,000,000	£ 2,000,000	£ -	£ 2,000,000	£ -	N/A	£ -	£ 2,000,000	£ -
Total	£16,000,000	£14,900,000	£ 550,000	£ 14,650,000	£ 550,000	75%	£ 412,500	£ 15,062,500	£937,500

Note

Assumes uncapped pain and gain with a 50% split between NR and supplier as proposed

Assumes all packages end in same financial year

Assumes a KPI achievement rate of 75%

Excludes OH&P for clarity

Key Performance Indicators

Subject Matter Headings

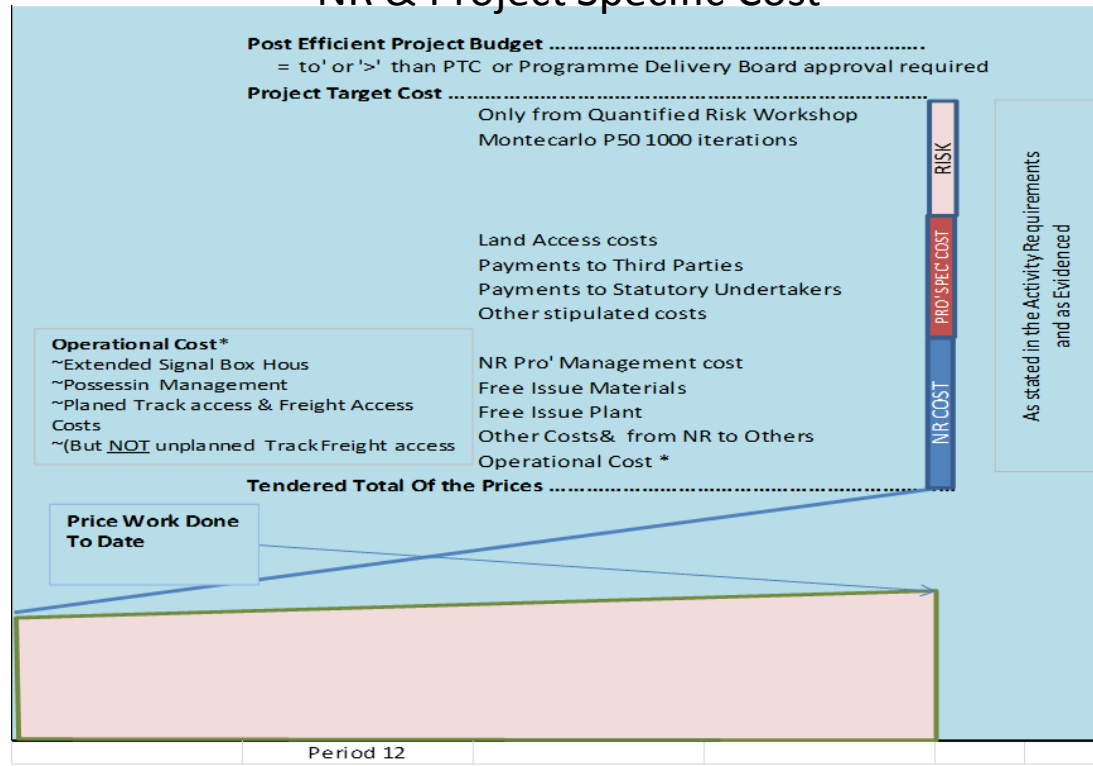


Safety	Achievement of Key Milestones in a timely manner
Quality	Alignment to the SBP objectives
Environment	Delay Minutes
Good Neighbour	Stakeholder Feedback
Timely provision of Target Costs	Timely completion of Projects (as defined by Engineering Compliance Certification)

Money, Money Money

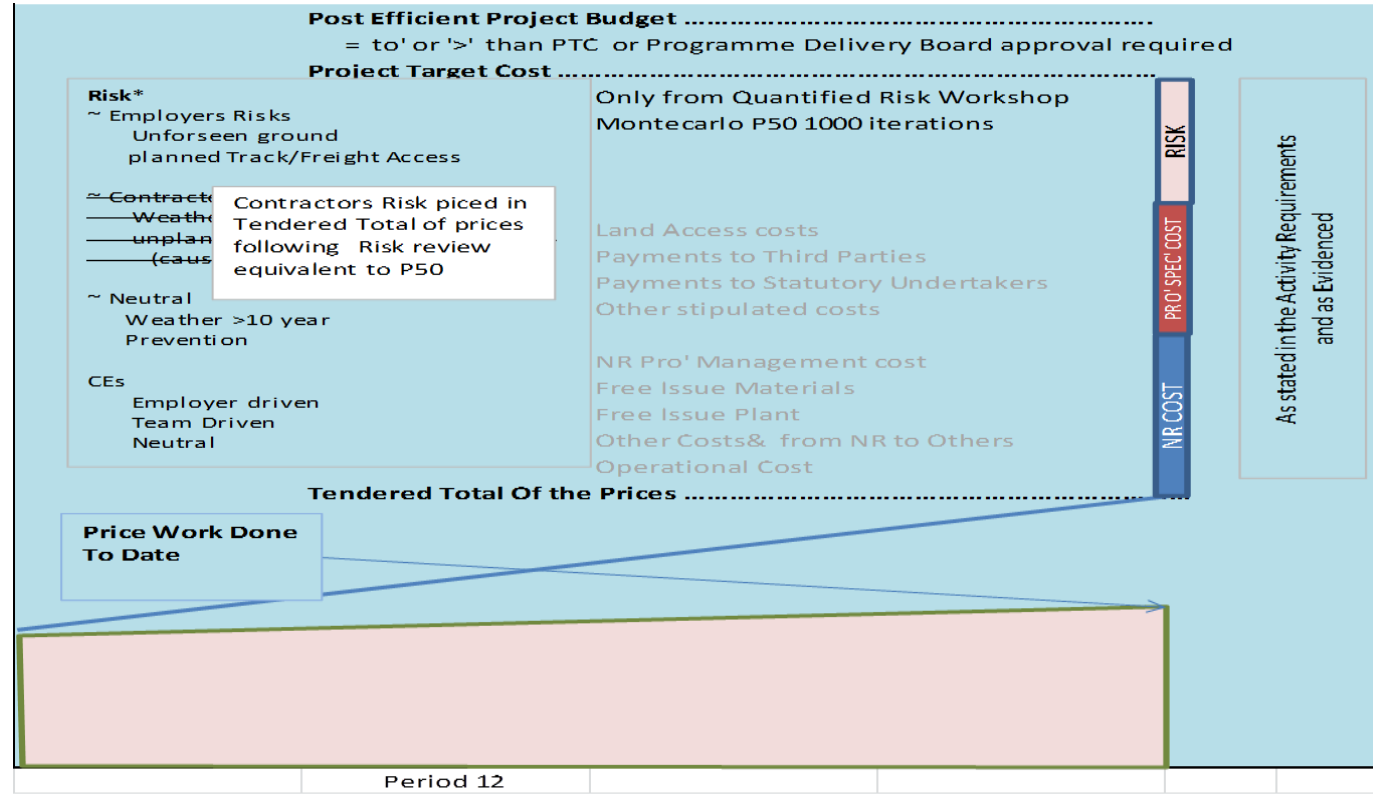


Target Cost / Incentive Mechanism NR & Project Specific Cost



Risk...an innovative approach

Target Cost / Incentive Mechanism - Risk



Benefits



- Safety improvement
- Quality improvement
- Efficient work planning
- Better access use
- Better resource utilisation
- Innovation
- Reduced management costs
- Reduced transaction costs
- Joint risk management
- Better supply chain purchasing

Innovation & Efficiency at Hungerford Bridge



Questions....

