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HS1 uses maintenance saving to cut access fees

Posted 25/04/12

Network Rail has secured a 10 year extension to its deal to maintain High Speed 1 infrastructure.

Following the first five years of operation since the full opening of HS1 and St Pancras International in 2007, HS1 Ltd has agreed to renew its arrangement with Network Rail in return for an immediate reduction in the price it pays Network Rail. An updated contract will also see the businesses work more closely with incentives aligned to deliver quality and efficiencies with any savings to be shared between the two organisations.

Network Rail operates, maintains and renews the High Speed 1 railway through a wholly-owned subsidiary, Network Rail (CTRL), which has a contract with HS1 Ltd, the company which secured a 30-year concession to own and operate HS1 in 2010. Although the maintenance contract runs until 2047, it allowed HS1 Ltd to market test for alternative but similar service providers elsewhere and terminate the contract in 2015 by giving notice by 31 March 2012.

A fresh deal has now been struck with Network Rail, providing HS1 Ltd with a new fixed price featuring a 10% reduction in costs to 31 March 2015 and moving its break-clause rights to 2025. HS1 Ltd will in turn share 60% of its discount and any identified cost savings with its customers - train operators such as Eurostar which use the railway. This is expected to encourage other international train operators to bid for paths on the UK's only high speed railway.

Nicola Shaw, chief executive of HS1 Ltd, said: "We conducted an extensive market review and knew that we had alternatives. However, the quality of delivery from Network Rail (CTRL) has been good over the last few years and this deal offered real benefits to us and to our customers. We've now got a decade of certainty on which to work together to improve the line even further and to welcome more growth."

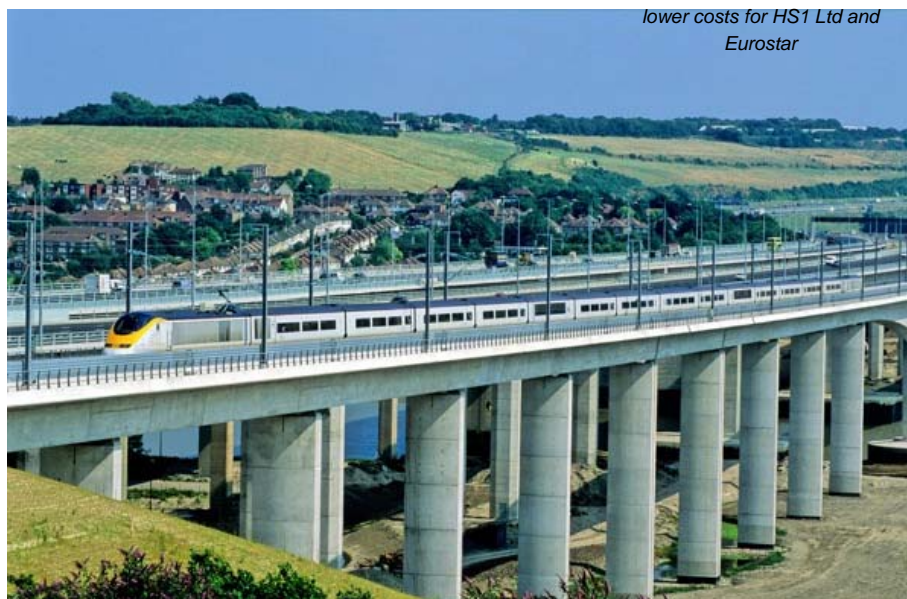
HS1 Ltd's decision delivers a confidence boost for Network Rail as it sets up a standalone projects business which will ultimately see it compete against other companies to deliver infrastructure work on the UK's domestic rail network (TB 8426).

Patrick Butcher, Network Rail group finance director, said: "We have run HS1's infrastructure since the current route opened in 2007 and have delivered a high standard of punctuality and overall performance for our client and the route's users - a standard that we aim to continue for many years to come."

Beyond 2015 a new fixed price will be agreed, determined through the periodic review process with the Office of Rail Regulation for HS1's control period 2 (2015-2020) and control period 3 (2020-2025). Network Rail will now be involved in, and bound by, this review process.

Network Rail (CTRL) also manages three of HS1's stations - St Pancras International, Stratford International and Ebbsfleet International. HS1 Ltd is owned equally by Ontario Teachers' Pension Plan and Borealis Infrastructure Ltd.

High Speed 1: Network Rail maintenance deal extended with lower costs for HS1 Ltd and Eurostar



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