



The Quadrant
Elder Gate
Milton Keynes,
Buckinghamshire
MK9 1EN

30 April 2020

Dear Sir/Madam

Ref: COVID-19 additional costs – an ethical approach to profit

We are in extraordinary times and continue to work closely with the Cabinet Office and DfT to mitigate the impact of COVID-19 on our supply chain.

Our activities include supporting the health and wellbeing of operatives through several activities. These include the issue of standards for safe working practices and the implementation of immediate payment terms across our goods, services and works contracts. In addition, we have other support available to help those suppliers identified as being 'at risk'. Central to all these activities is our commitment to pursue value for money for our tax-paying passengers.

After some deliberation and targeted consultation, Network Rail feels it is appropriate to ask for your support in an ethical approach to profit. The stance we believe is appropriate is that for certain COVID-19-related costs, no profit should be sought or paid.

Accordingly, where changes to standards and contract instructions to existing works result in additional demonstrable COVID-19 costs, these would not attract the contractual percentage uplift for profit. Where a single percentage fee is in use, an accommodation must be reached locally to deduct the profit deemed to be within that fee.

I have no doubt that initially the application of this principle will present some complexities. It will require a committed and consistent approach to ensure it doesn't become divisive or create unintended commercial risks. I will look to you and your teams as well as key stakeholders from across our business to ensure that this doesn't happen and that a progressive approach is taken by the local commercial teams.

The rail industry has already been acknowledged as a leading light in its response to COVID-19. I see this as an opportunity not only to illustrate the solidarity that exists with our supply chain, but to demonstrate how an ethical approach will bring added value to the taxpayer and Treasury.

I look forward to your continued support as we navigate through the months ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Clive Berrington". The signature is fluid and cursive, with a prominent initial "C".

Clive Berrington
Commercial & Procurement Director