



## Collaborating for a Better Railway

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I start from the premise that after nearly four years of running Network Rail, I feel I'm a proud railwayman. I'm proud of the fact that this is Europe's fastest growing railway, that it's the safest railway in Europe, that we're investing more in Britain's railway than any other country in Europe.

Britain's railway is an extraordinary success story and we should make sure that collectively as a group of people who share that industry, we talk up our industry and that we don't talk down our industry. When we talk ill of each other collectively in this industry, all we do is undermine the public trust in what it is we're trying to do. And if we undermine the public's trust that doesn't help any one of us.

I really think we're on the verge now of the biggest improvement in passenger service in this country in 150 years. What is just about to happen is quite breathtaking. I'm going to spend a few minutes talking about what is just about to happen and then I'm going to talk to you

about Network Rail – how we’re changing, how we’re changing the industry and how we’re going to tackle some of the challenges that Andy McDonald, Labour’s Shadow Secretary of State for Transport, has set out.



I just got a free ice cream from @networkrail and it made my day 🍦

Transforming for our customers

Let’s talk about what is going to happen in the very near future.

We invested £700 million in increasing the capacity of Waterloo Station – it was an unbelievably difficult job and I’m immensely proud of what we did there. Why have I shown this picture? Because we put an absolutely relentless

focus on the passenger through that very, very difficult period. I can tell you I think it was one of the biggest successes in recent railway projects for the way in which passengers reacted to the disruption – the inevitable disruption of shutting almost half of Britain’s busiest station – 100 million passengers a year, that’s much busier than Heathrow – for three weeks. It was an amazingly successful job. The trains are now arriving and we’re going to see the international terminal reopened at the end of next year, with 30% more capacity.

That’s taking 45,000 people off the road if they choose to travel by train. Those 45,000 people, if they travel by car instead, is the equivalent of a three lane bumper to bumper traffic jam from Waterloo all the way to Winchester – that’s the difference this sort of project makes.

Great Western Electrification – it’s a fantastic story. It’s an unbelievably challenging project. Don’t let anybody kid you that this was simple to do. When it was dreamed up on the back of an envelope in 2009, it was probably thought to be simple. It isn’t, it’s an incredibly difficult project to deliver and I’m immensely proud of the fact that we are now on track to deliver this, and we will be electrified capital to capital in December 2018 – exactly as I had promised two years ago, after we had to re-plan this project – and it will come in at the cost that I said it would two years ago.

It had a very, very, very difficult start, didn’t it? It was unbelievably painful and we’ve learned a lot of lessons from that. But now passengers are going to start to see the benefits of these new trains as they arrive and what a difference it’s going to make to people. 15 minutes faster to Cardiff, 15 minutes quicker to Bristol, twice as many services to Bristol, 40% more seats into Paddington – what a transformation.

The Ordsall Chord in Manchester, it’s not just a beautiful bridge, it connects the north in a completely new way – families from as far as Newcastle now get direct links to Manchester Airport for the first time. It’s going to be opening in just less than a month’s time, on November 9<sup>th</sup>. It’s an incredible engineering achievement delivered on time and on budget.

We’re in the middle, today, right now, of doing rebuilding of works at Liverpool Lime Street which is also going fantastically well and is going to increase the capacity of that station by having longer platforms and creating opportunities for more trains.



Edinburgh to Glasgow. This is all happening now – we ran the first A385 train just yesterday on parts of the Edinburgh/Glasgow line. It's electrified the whole route, the trains are on their way; it's going to reduce the journey time between Edinburgh and Glasgow by ten minutes. We're going to give back to customers 20 minutes every single day for them to use in

whatever way they like, and there are thousands of these people that will use this railway system every day.



And look at this – I maybe slightly biased but I think this is going to be one of the most recognisable and beautiful stations in the world – London Bridge. What an unbelievable engineering achievement by you, your colleagues and many of the people who work in your companies. To rebuild London Bridge Station in the middle of London and to create a station,

while it continues to carry 55 million people a year, Britain's fourth busiest station, is an extraordinary achievement. It's going to open just after Christmas the whole of London Bridge concourse will be open. And by the spring of next year 80 retail outlets will be open. It will completely reconnect that part of London. It's going to be a triumph and make a huge difference to the travelling public when Thameslink progressively opens next year.

These things are all coming in the next 18 months. It's going to make a massive difference to the travelling public in this country after years and years of hard work on these projects and putting up with a lot of disruption. We as an industry need to celebrate every one of these milestones as another thing we're now delivering for passengers and changing their lives.

70,000 extra seats into the major cities by 2019, 6,400 new services, 5,500 new carriages by 2019 – that's a transformation of Britain's railway and it's happening now.

And in terms of our delivery of projects – I talk about learning lessons. I can give you chapter and verse on CP5 if you want me to. You don't, but we had a very challenging start to CP5 – reclassification was not what was planned, if I can put it that way. It had a huge impact on Network Rail but now we're delivering 92% of our in service dates. On projects that are properly approved through the proper process introduced post-Bowe review, we deliver within 3% of budget. We have a tremendous track record now of delivering projects.

But there's a legacy; it's like the toothpaste in the tube, it takes time to squeeze out and I'm afraid that some of those challenges are still with us.

One of the ways we're delivering some of these great projects is by working differently with people in the industry – working now in alliances much more. The industry coming together to work together, to really be more creative, more innovative to tackle problems. I want us as a client to spend more time sharing our challenges with you to encourage your innovation, rather than telling you what it is we want as an output. And I would like politicians collectively to also do the same.



You see, Network Rail is really on a transformation journey and I describe it as five Cs. It's a very simple way of trying to represent a change of an organisation from something that behaved and felt like a state regulated monopoly to something that may be a public sector body, but has many of the attributes of a private sector business. This is not a political statement; this is

about attributes of successful businesses and as business leaders you know that successful businesses live and breathe customers.

Customers are what it is all about and the regulator is not a customer. Customers are people who pay for my services, they're ultimately the passengers. In between it's the train operating companies and the freight operating companies who buy the services that I provide. So how do we become more customer focused? How do we become more cost competitive? How do we raise new sources of funding to help pay for the projects that we want to build in the future? How do we change some of the culture in our organisation so that we relentlessly pursue better solutions every single day?

And we need to make this transformation in Network Rail because we desperately need more capacity in our railway system. It's a very simple way of talking about it.

Now let me talk about the different ingredients – devolution is all about customers. It's about Network Rail operating nine different route businesses that will be separately regulated from 2019 in CP6: separately regulated businesses that focus on the needs of customers.

We talked about supervisory boards in a slightly different context but we're creating supervisory boards in the routes now. We have Route Supervisory Boards independently chaired, with Transport Focus sitting on those boards, holding the train operating company and Network Rail jointly to account, to say, how well are you doing for passengers?

Transport Focus says: this is what passengers want. We create a shared common scorecard between train operator and Network Rail – that's our promise to the passengers and to the communities that we serve. And the independently chaired Route Supervisory Board is there to hold us to account. We have three of these boards in place today – for East Midlands, Wales and Great Western – and by the spring of next year all of the routes across the country will have these boards in place - a really important change in the way the industry comes together to focus on passengers, which is what it's all about.

I believe in the power of competition, I really do. I think it's good. It cannot be right that Network Rail is the only body that can build on the railway. Yes, I personally am ultimately accountable for the safety of the railway, so yes I will have certain standards that must be met on the railway. But I want to encourage other people to build on the railway, that's why I asked Professor Hansford to pull together a report to say, how could we encourage that level of competition?

And I don't just want it because I want new forms of innovation and creativity in the way projects are delivered, but I want third party funders to feel that they have the right to choose who is going to build the projects for them. The more choice I give them, the more likely they are to want to fund projects; the more likely we are to get more investment in the railway.

### Open for Business

- Single NR point of contact for third parties
- Developing a Service Level Agreement for third parties
- Standardised approach to ASPRO
- Adequately resourced ASPRO teams, able to respond quickly
- Reviewing all our standards and policies, and encouraging industry challenge of them
- Developing the capacity
  - Route business development directors and heads of asset protection
  - National director of asset protection
  - Dedicated team for third party financing
- Making the CFO responsible for governance and reporting of third party involvement



Transforming for our customers

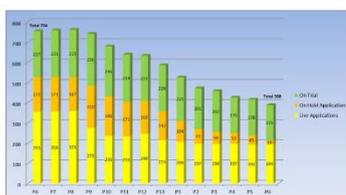
So there were a whole series of recommendations from Hansford – I accepted them all, and we are making a whole series of significant changes to the way in which we work which I hope will make life a lot simpler for your members and other people in the industry to work on Network Rail infrastructure, to build new projects in more creative and innovative ways.

And I want us to be much more open about our standards – you know, it's not going to be the case anymore that people can say it's Network Rail standards that drive up costs.

We're going to have a kind of open season on Network Rail Standards. If you think there's a higher performing solution than is contained on the standard, come and tell us. If it's true then you'll get a financial reward based on the savings that we will achieve by deploying your idea.

Now John Shaw, my Chief Engineer, is working out the exact mechanism for how it's going to work because it has to be fair and transparent. But my point is I want this to be industry standards. I want them to reflect the full level of innovation and creativity that you have in the industry – not just a few Network Rail boffins.

### Improving Product Acceptance



Transforming for our customers

Now last time I was at an RIA Conference, I was given a very hard time over how long it takes to achieve product acceptances, and I know many of you will still be concerned about it. But I am pleased to say that we are making progress. You cannot possibly read the scale of this but what you can see is that it's going down – the time taken to achieve product acceptances is

dramatically falling. We now publish this data on our website, you can see how long it takes to get product acceptances. We're still working to improve this but I know this is a critically important point for many suppliers of ideas and technology.

The third of my Cs was about Commercial – about how do you get more funding for the railway? I want more funding. Ultimately I also want financing possibilities where the risk can be adequately allocated to the financing party.

I don't just want to borrow money from you at higher rates than I can get it from the government because why would I do that? There has to be a risk sharing as well, and that's quite difficult to achieve, especially to get it off balance sheet, but I also want funding and there's lots of people who want to fund improvements in railways, who derive the benefits not through a return from the railway itself but through other means – housing developers: houses are worth more money if they are close to great railways; ports who need better freight links. They're prepared to help pay for these freight links if we are open for business.

Earlier this week I had my leadership conference with the top 300 people in Network Rail and I invited about 30 local authorities, LEPs, ports, power station owners to come and talk to us about what it would take for them to want to fund the railway and you know what? There is so much opportunity there.

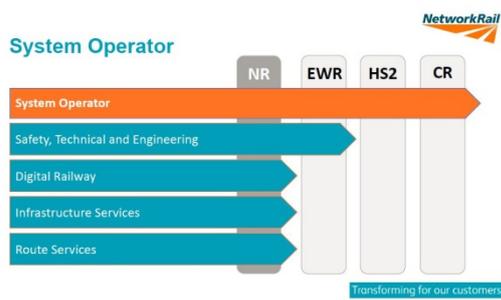
When Network Rail opens the doors and says, come on you're our customer, what can we do for you, there's going to be a tremendous amount of investment. It's really exciting how we're going to unlock that kind of opportunity, and devolution is key to this because devolution now has senior leaders out in the routes having these conversations with the local authorities and the councils, and driving towards solutions.

What we're going to see in York, what we're going to see in Bristol Temple Meads, what we're going to see here in Leeds over the next few years is going to be absolutely breathtaking, because these station regenerations are the catalyst for urban regeneration in these cities.

Now I want to talk about the guiding mind – because there's a very important point that I firmly agree with Andy [McDonald] on and that is the need for proper long term strategic planning and thinking about how the railways should be improved in the future.

However what I believe is that thinking is best done by the people who know how to run the railway.

I think it's best done by the train operating companies, the freight operating companies, the rolling stock suppliers and Network Rail – the people who run the railway every day, know what passengers want, know what the communities need, and they should be responsible for putting together if you like the best long term industry plan.



That's one of the reasons why Network Rail, although I have a number of different national frameworks, businesses to support Network Rail, I have one that extends beyond Network Rail to the whole railways in the country – and that's the System Operator. So it sits in Network Rail but it has responsibilities for East/West Rail, the new Oxford to Cambridge link, for High Speed 2 and

for Crossrail, and any other infrastructure providers that might come along.

And the System Operator has capacity as its core product. So firstly it has to say: how do I allocate the capacity of the railway in a fair and equitable way to those people who want to use it? That's timetables. It's a really important job and that's what the System Operator has to do but this is the new bit, the really important bit that RDG, the train operating companies, freight operating companies are now fully supportive of. It will also coordinate industry-led studies to look at how best to enhance the performance of the railway in the future so that we provide a better service for customers and for passengers.

It will then carry out transparent, independent economic analysis of those options. Ultimately what I want is to present to politicians the ranked list of all of the best ways to improve the performance in the railway, based on the economic growth potential that they can have. Then I think politicians or funders can decide which ones of those projects do they want to buy but they need to do it in the clear light that it's the industry that has advised them that's what the best options are, and this is what the economic consequences are.

I don't think it's right to have politicians decide which railway projects should go ahead without the first idea sometimes of what the economic impact is.

That's not too controversial I hope, because it's just good business. It's how every business works. You have a certain amount of capital, you have to decide where to put it, you look at all your options and you put it in the places which are going to give you the best return. That's how business works.

That's how we should work and the guiding mind of the railway is the industry coordinated by the System Operator. It may sit in Network Rail but it will have independent governance – we are going to appoint an independent chair of the board that oversees the performance of the System Operator.

It will be independently regulated from 2019, not just regulated on cost but regulated on the far more difficult subject of economic value. Did it come up with the best schemes to create the most economic value for the country as a whole? Difficult to regulate but that's what we're going to try and achieve.

We all know, we're living in somewhat uncertain times. I would say that the political spectrum is more uncertain than at any time in my lifetime and that's why I think I am particularly encouraged by the £48 billion that we achieved in the SOFA negotiations over the last few months.

It is a 25% increase in funding in operations, maintenance and renewals. It's a really significant increase in funding in operations, maintenance and particularly renewals.

It's not a cheque – it's a funding envelope and we now have to present a plan to the regulator. The regulator has to agree with that plan and then we'll get the final determination next year, and this is where I need your help.

Because this plan has to be the best plan that the railway has ever had, because last time it wasn't. This stuff about rolling control periods and feast and famine, yes it's true – but actually it's our fault not the fault of the funding mechanism. It's because we're not managing work properly. I'm going to say that in control period five there were a load of extraneous factors that led to this, like reclassification and unrealistic efficiency assumptions, and actually poor performance by Network Rail. But we need as an industry to manage this funding in a lot better and smarter way.

Let me just give you an example of what I mean. Take funding on renewals. You don't need to be a genius to know that the step up between 18/19 and 19/20 is too steep, that the industry almost certainly can't manage that. I don't think that I can actually generate enough work realistically to actually make that step up, so we need some smoothing. That's why we're working very hard at the moment with government to say can we bring forward some of this money and fill it in the gap here? Can we smooth this out so that we have a slightly more steady and manageable spend programme through the next control period. Then we can get into long term framework agreements with you, long term supply agreements that can give you the assurance that you need.

But let me tell you this: We need to build into our plan efficiencies, we really do. You need to help us think through how can we be more efficient? They have to be in the plan and then the plan needs to be supported by government and the regulator.

SOFA did not include money for all of the enhancement ambitions that we all have for the railway – I'm really pleased about that.

Why am I pleased about it? Because I do not want a repeat of CP5; a big pot of money and a long wish list of projects which when we then discover we can't do for that amount of money.

No, this time I'm only going to go and ask for money when I know how much it's going to cost and how long it's going to take. That's why with TransPennine when it was paused in 2015 I said, "I'm not going to tell you how much it's going to cost to decrease journey times between Leeds and Manchester, and I'm not going to tell you how long it would take to do, because I don't know."

I'm not going to do what was done on Great Western. I said I'm going to take two years to study it and in December 2017 I'll come back and tell you what the options are to achieve the outcomes you'd like.

Now what is the outcome that people want? What they want are faster journey times and more capacity. That's the outcome people want – electrification is an input; it's just one of the ways that that might be achieved. Is it the right way? Who knows until you've done the work? Let me go away with my team and do the work and I'll tell you what is the best way to achieve the journey times you want, and the capacity you want.

And if we can find a smarter, cheaper way of doing it than electrification, isn't that good news rather than bad news? Isn't that smarter use of taxpayer's money that we should be celebrating as an industry? This is at the heart of what I think we need to do as an industry.

We need to be coming up with the solutions to the challenges that customers are setting for us – it's vitally important that we have faster journey times between these two great cities in the north. It's vitally important that we create more capacity. Let the industry work out how best to do it and then give the choices to options, to funders.

We have two technology strategies only, just to keep things simple. Intelligent infrastructure is the first. I never want the infrastructure to fail and cause a passenger disruption, it's as simple as that. I want to know before it fails so that I can fix it and passengers are never disrupted. That is the mindset of intelligent infrastructure.

We're world leaders in this with our ORBIS technology and a lot of the technology that your companies provide, but we still have too many incidents of the trains failing.

And of course the second strategy is digital railway. I'm really excited about where we are with digital railway today – we are now building it as the red thread in our control period six and CP7 planning – we are going to move towards digital train control, we are moving towards traffic management and we're doing it with the innovation and creativity of people like yourselves.

Instead of us thinking that we know all the answers, what we're now doing with David Waboso [Group Digital Railway Managing Director] leading it is saying to industry: "This is the problem we've got. Have you got a good idea to help us solve it?" And if you've got a great idea to help us solve it, then actually there's some quite big rewards here for you potentially to harness.

That's what we've done with Resonate on Great Western – where they're going to make a return – they're investing in the technology and they're going to make a return based on how much more reliable the trains are in Great Western because of the traffic management system they're employing. That's the kind of innovation in the way that we want to work with you in the supply chain on digital railway.

I'm close to running over time and want to make sure I answer all your questions, so I want to thank you and over to you.

*\*Note: this a transcript, so language reflects the speech as delivered.*