

## Preparing for CP6: embracing change to deliver the modern railway Britain needs

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Railways are never out of the news are they? They are always in the news in one shape or form. Sadly not in the most positive way, one journalist said no one wants to read a story about trains that run on time. So inevitably a lot of the media coverage is not favourable to the industry.

That's why I'm going to start, unashamedly, with a celebration of some of the extraordinary achievements we have been delivering together as an industry. Hopefully you have all had a chance to see the utter transformation of London Bridge Station. It is not just a station, it is going to transform a whole part of London and become one of the iconic stations and meeting places in our great city. Birmingham New Street was delivered a few years ago, there was also Reading, Manchester Victoria, and Kings Cross some years ago. Life changing improvements to stations.

In the next year or so we will see a huge transformation of the railway system as a whole, as new trains start to run on the new infrastructure. The Great Western Electrification Programme with the new Intercity Express trains, twice the number of journeys to Bristol every hour, trains every 15 minutes and 15 minutes faster journey times. People are just

going to turn up, why bother to look at a timetable when the average waiting time is seven minutes.

There is the Ordsall Chord in Manchester, which was delivered by a fantastic alliance. It doesn't look hugely spectacular but it transforms the connectivity across the North and really makes a difference. In Scotland there is Edinburgh-Glasgow electrification programme. Faster journey times, significant increase in capacity that will really transform journeys across Scotland.

These are just a few examples of the amazing achievements this industry is delivering now. In the next 18 months passengers will really start to see the benefits.

### Transformation



Customer focused



Competitive



Commercial

Transforming for our customers



We have been delivering these projects with our partners across the industry at the same time as transforming ourselves as an organisation. There is no doubt re-classification had a profound effect on Network Rail, but we also had to become a much more customer focused organisation. We have to become more competitive, not just within our route businesses but within the industry as a whole. Striving every day to do our job better.

That's the way in which normal companies work. Even though we are a regulated monopoly we need to learn to behave in this kind of way. We have to also be smarter, seeking to find new third party ways of raising money.

That investment has been paying off, not just in terms of amazing stations, but in some of the other key factors that drive Network Rail. The train accident risk is 38% lower today than it was at the start of CP5. Incredible improvements in inspection and technology, perhaps also some favourable weather conditions, but nevertheless a significant improvement.

The last four years have seen a significant improvement in safety on the railways, with workforce injuries down by 40%. In addition to this, rail infrastructure is 16% more reliable than it was just four years ago. I'm aware that this doesn't always translate into improved passenger experience, but I'll address that point in a moment.

Let us be clear, the infrastructure is by far and away the most reliable that it has ever been and we are making it more reliable every day. This is in spite of the fact that the cost of Network Rail's contribution to the average passenger ticket is lower today than it was at the start of CP6. We've done all of this while increasing capacity into our major urban centres like London and Manchester by 30%. I talked about the challenges of performance and it is key that we address the performance challenge as an industry because it isn't good enough today and we all acknowledge that.



Now when my team and I look at this photograph we say "that's a beautiful viaduct" but when Tim (Shoveller – MD, UK Rail, Stagecoach) looks at it he's working out what sort of train it is and which operator it is. But if you're a passenger what you see is a railway.

You don't see the component parts of the railway, you just see a railway. And we need to learn as an organisation, and I mean all parts of our organisation, to behave in a more joined up way, focusing on what passengers need. And that is at the heart of what devolution has been about. It is devolving power to local businesses within Network Rail that can work much more closely with train operating companies, focusing on what passengers want.

There is no longer a central, Kremlin-like, control over Network Rail, but devolved businesses accountable for delivering outstanding performance for their customers and ultimately for passengers. Track and train are working closely together and we're innovating in new ways to try to think about how we help oil the wheels of this way of working. The industry supervisory boards that have been created in a number of routes over the last couple of years are an example of that.

We have the passenger's voice on these boards represented by Transport Focus, and the board is looking at the railway as a whole and saying "are you, Network Rail and training operating companies, working together in the right kind of way to deliver the outcomes that passengers want?" This is an important stepping stone on the reforms that will be needed to continue if we're going to make the railway perform in the way that it needs to work in the future.

But there are some real challenges and we need to acknowledge these whilst trying to address them. We must create a system where we have alignment of targets and alignment of objectives between track and train. When I started in this job there was not a single franchise anywhere in the country that had the same performance targets for the railway as Network Rail. If you start off aiming in different places it's not surprising that you don't necessarily work together in the most collaborative way. We have to find a way of attacking that issue.



The regulatory structure in the industry tries to oil the wheels between the train operating companies and Network Rail. While it is far from a crude system, it can't possibly address every single event in the optimum way. So there is definitely friction in the gearbox which we need to continue to address; how can we ensure that everyone is pulling in the right direction in the interests of passengers?

And if we're going to attract different kinds of investment, or create different kinds of franchises, we're going to have to think about how we allocate risk and reward in the right way. There are loads of people who come to me and say I've got pots of money I want to invest in the railway. There are pension funds and hundreds of people out there who've got billions of pounds they'd love to invest in the railway.

But they want six/seven per cent rate of return for no risk, so that doesn't work. This means we have to find the right way of balancing risk and reward so that we can achieve the best outcomes for the industry as a whole.

## Strategic Business Plan

Safe	Reliable	Efficient	Growing
Safest major railway in Europe	Sharp focus on delay per incident	Better value for fare and tax payers	The ushering in digital railway
50% improvement in workforce safety	15% reduction in the number of train delays	10% improvement in real terms efficiency	7,000 new carriages introduced 2021



Our business plan has been submitted to the ORR and then they're now considering it. It is, and I unashamedly say this, the best plan that the railway has ever had. It's not a top down plan, it wasn't written by me or my team. It was built by the routes, from the ground up. Every set of points, every track renewal, and every signal is in that plan. And we know what we've got to do to maintain and renew it over the five year

period. The ownership of my devolved teams in this plan is really palpable and that's exciting; that is transformational change.

We're going to make the railway safer again. We're going to make it safer not just for the benefit of passengers and for the people who use our level crossings but also for the workforce, and we've still got a long way to go in this industry to achieve the levels of safety that are achievable in other industries. And those of you who know me know that my number one business mantra is that safety and performance go hand-in-hand. If we can improve safety significantly we can continue to improve performance. Targeting a 15% reduction in the number of train delays represents our commitment in this area.

We want to be more efficient in the way we carry out our activities and we want to continue to grow the railway. The investment framework for the railway is different today than it was in CP5 and we will now have to go to Treasury each time we want to invest in a new major project. But that's right; that's the appropriate way to do it. Treat each project as a separate investment opportunity, properly developed, properly justified - and only go to Treasury and ask for the money when you know you can deliver it.

The organisation is also changing significantly internally. We are a much more diverse company today than we were. Of course, there's a long way still to go. The number of women in Network Rail today it's 16.8%, it's not good enough, it's simply not good enough. But if you say, "well we've increased the number of women in our company by 32% in the last four years", you start to see the momentum changing. There is really clear evidence that diverse teams perform better than homogenous teams. This is key to improving the performance of the business.

This is an exciting time for our industry. There are huge issues at play. Perhaps the most important though, in the long-term future of our railway, is how quickly you can embrace technological change. The digital railway is that technological change. And as an industry we have got to get behind this as the thing that is going to transform our industry in the next 20 years or so. In the next 15 years Network Rail has to renew 63% of the signalling system of this country. We have a simple choice: do we want a load more traffic lights on the tracks, or do we want to use that opportunity to move to a digital railway? I think the choice is absolutely clear. We can get more capacity, more reliability, safer and lower cost trains, and a modern train service if we grasp the opportunity that lies ahead.

Thank you very much.

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