



The future of Network Rail – Working with the Supply Chain

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Rail Live

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Thank you very much. One of my real observations coming back to the industry is, we have too few honest conversations. There's a heck of a lot of dancing round these days, and we don't say what we really think. And I actually think we'd have made a lot more progress if we'd had a few more direct conversations.

And that's certainly what you're going to get from me, because I concluded that, when I took this job, I wasn't going to waste probably the last four, five years of my working career, just going through the motions. You only do this job if you're serious about having some sort of impact.

This is a brilliant event. I've spent my recent summers alternating between the Paris Air Show and the Farnborough Air Show, and as Bernadette said, you really get a powerful sense of the aviation industry at those events. And Maddy, from my office, came along and said, how can show some of what is here, what the industry is doing to passengers?

How do we demonstrate to users of the railway, the level of innovation, the level of commitment, the level of technological opportunity in the rail sector? The level of opportunity that is out there? And I think that was a brilliant point Maddy, and we should think about how we bring some of this to a wider audience.

Anyone who's heard me speak will know that I talk relentlessly about the users of the railway, and today's going to be no different. If we're going to make that step change, we have to be utterly focused on how all our decisions impact the users of the railway. In any other business sector, saying this would be wasting our breath.

But I think, in the rail sector we've become too introspective, and as a consequence, we need to ask the sort of questions that our colleague from Central Japan Railway asked. In most sectors we would know that, straight off the top of our heads. I think it's an interesting reflection that we're not there yet. So, I make no apologies about that, but I do want to talk a little bit about Network Rail and our relationship with the supply chain.

First thing though, I travelled up with Bill Reed. We were talking a little bit about what are the prospects for the rail industry. We have seen unprecedented levels of growth. I've been talking to colleagues internally, explaining that the last 20 years have seen a faster level of growth in Britain's railway usage than at any other time in its history.

I think that's an amazing, unheralded fact. It's a piece of data. Never before have we seen the rate of growth we've seen in the last 20 years. And I'm confident that if we do the right

things, we will see ongoing growth, because a lot of the things which underpin that growth lie in the way our economy has been restructured.

Our economy is increasingly an urban economy. The younger population is increasingly inclined to use rail and not feel car ownership is essential - especially if you live or work in one of those urban centres. I'm not for a moment going to suggest that people who live in remote villages are going to walk five miles to the nearest train, but there's a lot of journeys and commutes that are rail friendly. And if we harness that, I believe our biggest challenge going forward is going to be growth.

And that's why, one of the key things we have to do collectively, as a system, is demonstrate that we are value for money. We have a fantastic regulatory settlement, and we have more money to spend than ever before on the operation, maintenance and renewal of the railway in these five years.

But the majority of that is taxpayer's money, and we have a real duty to spend it responsibly. The reason I get very passionate about efficiency is because that's money that could be spent on schools or hospitals or care for the elderly, or policing or defence.

It's not free money, and whatever the Conservative Party Election result and consequences, we're going to be facing some quite tough fiscal challenges in the 2020s. There are not many economic forecasters saying otherwise. I met yesterday with the Director General of the British Chamber of Commerce, who tells me that their tracking is typically about six months ahead of Treasury forecasts. And he's seen the worst results for ten years.

Now, that might be a blip, it might be that his part in the economy is unique, but there will be challenging fiscal times ahead, and we as a community, have to fundamentally demonstrate that we are value for money. That's a massive opportunity for us, but it's a huge challenge. I don't believe, actually, as a system, we're set up to do that.

But at the heart of my commitment to devolution is that commitment to simplify accountabilities, to give more autonomy to people, to allow better use of the settlement, and indeed to deliver on the £3.5 billion of savings that we have committed to. I regard that as a contract with the regulator. Not something we will do if we find the time, but as a contractual commitment, because unless we demonstrate we can fulfil our side of the settlement bargain, I believe our next settlement will not be as generous as this one.

Now, when I arrived I spent a lot of time talking to people in the sector, including the extended supply chain. And for some people it was quite a cathartic experience. It was as if they enjoyed laying bare to me some of their views on Network Rail.

You told us that you saw us as a large and complex organisation, that is confused, often unclear on our purpose. You said that we were difficult to engage with. You said that all too often we were inconsistent, that individuals determined policy or procurement. You said that if you're an SME, we put barriers that stop you coming to the table, that actually stop the diversity that Bernadette talked about, because of some of the constraints we put in place.

You said we involved you too late, that we imposed our own standards, and that means that innovations that you can deliver elsewhere, we restrict. Those are all things that we

collectively have the power to change. And I'm absolutely clear that that's why the most fundamental thing we have to do at Network Rail is change our mindset. We cannot deliver on our commitments without concentrating on the end users – passengers and freight.

So, we have five routes taking off from next Monday. We have accountability for capital delivery, with clear accountability for sponsorship, and an ability and autonomy to engage collaboratively with both the supply chain and the customer chain in bringing end to end value.

In Scotland we're going further and testing a model where we've got all the tools in place within Network Rail, to go to the funders with serious well-developed propositions, for the what and the how. What we can offer as part of Scotland's economic infrastructure to the users of Scotland. That's a model I think we will increasingly see in the England and Wales, and Scotland is leading the way.

On Monday we have a new group engineering director starting, Martin Frobisher. Martin comes from a background of running one of the groups, so he brings a really strong customer focus to engineering. Martin is passionate about challenging the extent to which our standards, our policies, and our approaches really work in the interest of the people we are here to serve.

Martin's key task, initially, is to simplify and bring together our currently fragmented service engineering capability, and to give it a strong coherent accountable voice. Martin is committed to reducing red tape and to making things more straightforward for our line engineers.

I commissioned a study from Andrew McNaughton on engineering capability, and he included this lovely line. He says 'engineering feels like a boat with coxes, senior coxes and directors. We're just short of a few rowers. We have to change that balance, to actually get some of the front-line delivery going again, and doing things that we train competent people to deliver on.

I've inherited a program called, Open for Business, which I'm really, really supportive of. It comes, again, from a response to the challenge of making ourselves easy to do business with. So, the third parties are more likely to invest in building and growing our railway, and removing some of the barriers to innovation.

We've had the standards challenge process covered. So far 52 detailed suggestions on improving innovation, safety and efficiency have been received - and a good number of standards have already changed as a result. A good example is British Steel, which as we know has gone through tough times at the moment, but they've identified a simple design for overhead line bars that have resulted in significant cost savings.

We want more of these ideas, and I really do encourage all of you to challenge us where you think you can, and shout, if we can be better. And I want you to understand that if you choose not to do that, and to moan, then you are part of the problem. We can't afford, as an industry, to carry people who think their job is to moan but not actually come forward with ways of bringing solutions.

You need to make my life hell if we're not responding to those challenges. You'll know yourself, it's sometimes hardest to look at your own weaknesses. You need other people to point them out to us. To do that with us, I promise that you will get a good hearing from myself and my colleagues, providing it's in the interest of the end users of growing our railway and improving our efficiency.

I know that we made introducing innovation difficult in the past, so we are committed to making that more straightforward as well. We've provided, already, more clarity on what's considered best practice, to help the introduction of new technology.

We've sped up product acceptance radically. If you've engaged in that process, in recent months, I hope you'll be able to confirm it's a much more streamlined process. We've provided more support at industry events, issuing guidance on the path of acceptance, and we're actually opening up the possibility of a lot of our product acceptance, being outside of Network Rail.

We're committed to a new approach for procurement for technology, with pilots of collaborative research and development competitions. Just last week you might have seen, on the very front page of The Times, the winners of a research and development competition, run by DFT and Innovate UK. Artificial intelligence assisting lineside inspections, to help us do a better and quicker job, reducing delays.

Now, I know what a torture that's been for that company. I've personally had about ten interventions with them, just to get it through our system, because they don't fit the obvious mould, but we are absolutely determined to find pathways to bring those things to the marketplace.

Bernadette made a big, big point about collaboration in the industry, and as part of our context in the supply chain as well. We recognise we have to involve you earlier, and a good example of that is our approach to the digital upgrade program on the East Coast mainline, which has taken a fundamentally different approach to major cross industry investment.

It is an industry investment, first and foremost. It will not be delivered unless we have a whole industry solution, unless we have a value for money system, and a train deployment program, and an ability then to utilise the benefits which it promises.

All three of those capabilities have to be integrated for us to harness this opportunity but harness it we must. So, it's right that we take this opportunity to establish whether or not we can bring solutions to market at a price that we can genuinely afford and deliver the benefits.

How many of you in the audience are SMEs? A good number. So, I'll just take a few minutes before I finish then, on SMEs, because this is an area where I think we've not realised the gap between our rhetoric and our reality. We've signed up to lots of government programs on this, but for my engagement with SMEs, I know we've put too many impediments in the way.

We are committed to the government target of 33% of supplier SMEs by 2022. Devolution will mean much greater responsibility for delivery at local levels, with more flexibility for SMEs. We will be announcing in the next few weeks, a massive simplification of the

prequalification questionnaire process, the halving of the number of questions. We will be removing the financial strength thresholds. We'll be removing the need for parent company guarantees, for low risk, low value projects.

My favourite example of this is when I was recently procuring some executive coaching for my team from a husband and wife partnership organisation. They have to fill in a modern slavery policy to comply with our process. So, they couldn't work out who was more likely to be the slave to the other. But just to get through our threshold, this two-person organisation needed to fill in that. I'll say no more.

But we are really committed on that front. We recognise that if we're going to get the speed of change speeded up, if we're going to get value for money, if we're going to harness new technology, our supply chain needs to look differently at one end of that marketplace.

Before I finish, I just want to reflect a moment on some of the things that Bernadette said about the Williams Review, because I absolutely agree with her criteria. I quickly wrote down what she was saying. The fact that there will be an ongoing role for government, because of the amount of money that goes into the railway, and also because if we believe we really are the economic backbone of the country, when is a government not going to be interested in supporting and developing that economic backbone?

Secondly, I completely get this issue of industry capability, and one of the things that Peter [Hendy] and I are talking about is upskilling. This means developing the skills of people in the supply chain, in train operators, in Network Rail, in Government bodies, to fill the gaps which have emerged in recent generations, of people who don't have a full understanding of the system.

I think that's something we can get going before the end of this calendar year, and I'm happy to commit to that as part of Bernadette's challenge of an industry that's competent to take some of this stuff from government.

Thirdly she talked about incentives, and I absolutely recognise that a misalignment of incentives can drive very perverse behaviours. We do need to take our people with us, and there's an elephant in the room on that at present. And absolutely, we cannot wait for other people to solve this problem for us.

The one thing of all I would have perhaps added, is we need simplification. We are too complex, and that impedes our ability to respond to the market. It impedes our ability to respond to shocks, and it impedes our ability to be creative in thinking. But I would absolutely endorse Bernadette's challenge really, her understanding of the task facing Williams. I would just add that issue of simplicity.

Can I just commend Nigel and the team for a fantastic event. I'm going to be around for the rest of the day, so if any of you want to collar me, then I'd much rather do it walking around than stuck here. Thank you.

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