

**MINUTES OF A MEETING OF THE BOARD OF
NETWORK RAIL LIMITED**

**held at Edinburgh Maintenance Delivery Unit, 12 South Gyle Crescent, Edinburgh EH12 9EB
on Thursday 20 September 2018 from 08:30**

Present:	Sir Peter Hendy (Chair) Rob Brighthouse (by phone) Richard Brown (by phone) Sharon Flood (by phone) Chris Gibb Andrew Haines	Silla Maizey David Noyes Mike Putnam Bridget Rosewell (by phone) Jeremy Westlake
In attendance:	Stuart Kelly – Group General Counsel & Company Secretary (by phone) Helen Martin – Senior Assistant Company Secretary (by phone) Caroline Murdoch – Director, Corporate Communications Jo Kaye (mins 18/146 and 18/147) (by phone) David Waboso (mins 18/148 and 18/150) (by phone) Andrew Jones (mins 18/148) (by phone) Alex Hynes (mins 18/149) Kris Kinnear (mins 18/149) Andy Thomas (mins 18/150 and 18/151) Andy Boyle, MTR Crossrail (mins 18/150) Steve Murphy, MTR Crossrail (mins 18/150) James Dean (mins 18/151) (by phone) Simon Maple (mins 18/154) (by phone) Neil Thompson (mins 18/154) (by phone)	
Apologies:		
MINUTE NO.		ACTION
18/140	<p><u>Safety briefing</u></p> <p>Those attending the meeting in Edinburgh MDU were briefed on the safety and emergency evacuation procedures for that site.</p>	
18/141	<p><u>Chair's remarks</u></p> <p>The Chair warmly welcomed Andrew Haines to the Board as the new Chief Executive.</p> <p>The Chair also acknowledged the efforts people had made to attend the meeting given a number of storms that had battered the UK, affecting public transport.</p> <p>The Board discussed:</p> <ol style="list-style-type: none"> 1. The publication of the first part of the ORR's Independent Inquiry into the timetable disruption in May 2018 setting out the facts. The Inquiry found that Network Rail, Govia Thameslink Railway, Northern, the Department for Transport (DfT) and ORR had all made mistakes. Recommendations would be made in the final report which was due to be published in December 2018. <p>The Board also discussed Network Rail's contribution to the problems which had been encountered with the introduction of the May 2018 timetable, and what needed to change within the business to guard against similar problems arising in the future. The Board recognised the significant disruption that had been caused</p>	

	<p>to passengers and freight users as a result of the troubled introduction of the timetable; it reiterated the public apologies that Network Rail had made.</p> <p>A number of factors had been identified, amongst them that:</p> <ol style="list-style-type: none"> a. the System Operator was, at that relevant time, insufficiently mature in its evolution to assimilate the information it received from Network Rail and industry colleagues to detect impending problems; b. even when fully mature, the System Operator was reliant on industry colleagues being transparent and honest about their readiness for timetable changes so that the industry-wide risk level could be properly assessed; and c. within Network Rail conversations were had in a number of different forums, but the sum of those conversations had not been brought together. This had resulted in the level of risk to the successful introduction of the timetable being under-estimated. <p>One recurring theme was that there was no single guiding mind for the industry, accountable for the end to end provision of railway services, where all the different elements came together, and which might have foreseen the issues that arose.</p> <p>The Chief Executive would consider how Network Rail would move on from this disappointing affair, and report his conclusions to the Board.</p> <ol style="list-style-type: none"> 2. The announcement by the Secretary of State that Keith Williams had been commissioned to undertake a “review to transform Britain’s railways”. The review would consider recommendations for reform of the railway industry to improve services and value for money for passengers. 3. That during discussions with the ORR on the settlement for CP6, it was becoming apparent that the ORR was open to considering an alternative to the ‘public performance measure’ for measuring train performance. Network Rail was supportive of finding an alternative measure and would progress this with the ORR. 4. Michael Holden’s review into South Western Railway’s performance, which was published in September. This report had highlighted similar issues to those brought out in the reviews into Scotrail and Northern. 5. That Declan Collier had been appointed as Chair of the ORR to replace Stephen Glaister (who would continue as a non-executive director of the ORR). It was also discussed that Joanna Whittington, Chief Executive of the ORR, would be leaving that role and that a search was under way for her replacement. 6. The delay to the Elizabeth Line entering into service. 	<p>Andy Thomas</p>
<p>18/142</p>	<p><u>Minutes of the previous meeting</u></p> <p>Subject to some amendments, the minutes of the meeting held on 12 July 2018 were approved.</p>	
<p>18/143</p>	<p><u>Action list</u></p> <p>The Board reviewed the action list. It was AGREED that the Chief Executive would review the outstanding actions to identify those that remained appropriate for consideration at Board level and those which were matters for the executive team to address.</p> <p><u>Action 18/42.2 – SCADA</u></p>	<p>Andrew Haines</p>

	<p>The Board discussed this project and sought clarity on a couple of points. The Cyber Security team would also be asked to provide an update on the SCADA risk assessment.</p>	
	<p><u>Action 18/128 – NR’s Electrification Strategy</u> Pursuant to Andrew McNaughton’s review into electrification programmes, the Chief Executive would review Network Rail’s position on future electrification projects.</p> <p><u>Action 18/104 – Open for Business</u> The Board noted the response to this action, and discussed how the success of the ‘Open for Business’ campaign would be assessed. It was noted that a range of works were being offered out to third parties by each of the Routes. This was considered to be helpful at this stage to gain broad knowledge and experience of third party funding. The Board noted that there was a large cultural element to this programme, as it required a change to traditional ways of working. An update on how this programme was working would come back to the Board in due course.</p> <p><u>Action 18/85.2 – Capital Delivery model</u> The Board noted that while some elements of this work were on hold pending the Chief Executive’s initial review of the business, work on developing the ‘intelligent client’ function in the routes was essential, and progressing well.</p> <p><u>Action 18/82 – Wales & Borders – CP6 efficiencies</u> The Board commented that the paper had not addressed its questions. A further update would be provided to the Board, particularly addressing the level of certainty within the Route that the proposed level of CP6 efficiencies would be delivered.</p>	<p>Andrew Haines</p> <p>Jeremy Westlake</p> <p>Jeremy Westlake</p>
18/144	<p><u>Directors’ interests</u></p> <p>Chris Gibb confirmed that the timetabling work he had undertaken with GTR at the Secretary of State’s request, had ended on 31 July 2018.</p>	
18/145	<p><u>CEO Board Report</u></p> <p>The Chief Executive started by briefing the Board on a significant safety incident at Calverley, between Chester and Crewe. Three colleagues had been injured, one seriously. An investigation into the circumstances of this incident was under way. The Board would be updated when more information was available.</p> <p>The Chief Executive reported that he had started his “100 Day Review” to look more closely at deeper devolution to the Route businesses, and the implications for the rest of the organisation. A brief update would be provided to the Board in November 2018, followed by a fuller discussion in January 2019.</p> <p>The Board had a wide-ranging discussion covering:</p> <ul style="list-style-type: none"> • Train performance; • Workforce pay negotiations; • Network Rail’s engagement with the trades unions; • That in the context of the 100 Day Review, the Board’s discussion on ‘people strategy’ planned for October would be deferred to a future meeting; • Topics arising from the submissions from the Executive Leadership Team (the Board welcoming the inclusion of those narrative reports); • Intercity Express Trains and the issues with electro-magnetic interference; 	<p>Andrew Haines</p>

	<ul style="list-style-type: none"> • The importance for the rail industry as a whole for: <ul style="list-style-type: none"> ○ Network Rail not only being able to secure the network access it needed to undertake engineering works; and ○ Network Rail making the best possible use of the access it was given. • The need for projects and programmes of work to report delivery against Entry into Service rather than completion of engineering works; it was also important for reports and updates to highlight the benefits to passengers of the work being undertaken; and • The update on the Transformation programme. 	
<p>18/146</p>	<p><u>CFO Finance Report</u></p> <p>The Board discussed the Chief Financial Officer’s report, in particular:</p> <ul style="list-style-type: none"> • That a contract had been exchanged for the sale of the commercial estate to Telereal Trillium and Blackstone Property Partners for £1.46bn. Work was continuing, with the deal expected to complete before the end of 2018. The Board expressed its gratitude to all of those who had been involved in the activity that had led to the sale and the considerable efforts and contributions that each of them had made over a lengthy period of time. • The extent to which the Hendy Plan for enhancements in CP5 would be met. A paper would be brought to the Board in January, setting this out. <p style="text-align: center;"><i>Jo Kaye joined the meeting.</i></p> <ul style="list-style-type: none"> • The current status of the proposed Siemens Alstom merger. • Noting the update from the Property Supervisory Board, the Chair declared that he had a potential conflict of interest. This potential conflict of interests was noted and this position would continue to be monitored. 	<p>Jeremy Westlake</p>
<p>18/147</p>	<p><u>Timetabling Update</u></p> <p>The Board discussed paper 89/18, which provided updates on:</p> <ul style="list-style-type: none"> • the Informed Traveller Recovery Plan, • the December 2018 hybrid timetable de-risking process, • the May 2019 timetable process and • the commercial and revenue impact of Informed Traveller and timetable disruption. <p>The Board noted that:</p> <ol style="list-style-type: none"> a. the December 2018 hybrid timetable had eliminated a number of major risks to delivery and the PMO had put in place assurance mechanisms. With the exception of Scotland, the scale of change compared with May 2018 timetable was regarded as low and this was reflected in the view of risk. b. development work had begun on the May 2019 timetable; bids for train paths had been received from operators and were being assessed; c. the System Operator Advisory Board had discussed a number of issues that were being managed, including the enormous amount of work being done by too few people in the timetabling team, exacerbated by the time taken to move people within the business or recruit from outside; and d. a need had been identified for train planners to develop a wider knowledge of the rail industry and an understanding and appreciation of the extent to which their work directly affected the wider rail industry. This was being addressed. 	

	<p>The Board thanked Jo Kaye for her briefing, and looked forward to receiving a further update in October.</p> <p style="text-align: center;"><i>Jo Kaye left the meeting.</i></p>	
<p>18/148</p>	<p><u>Progress with Traffic Management</u></p> <p style="text-align: center;"><i>Andrew Jones and David Waboso joined the meeting.</i></p> <p>Paper 90/18 updated the Board on the programme to deploy Traffic Management systems across the Routes.</p> <p>The key points that the Board noted were that:</p> <ul style="list-style-type: none"> • Train Fitment <ul style="list-style-type: none"> ○ it was important that orders for new trains required them to be fitted so that they were ready to adopt digital signalling; ○ this would be cheaper and more efficient than taking trains out of service later on to retro-fit computers; ○ it also emphasised the commitment to digital signalling such that the installation of conventional signalling could, over time, be phased out; and ○ it was also believed that buying trains fitted with ETCS would extend their working life. • Drivers & Crew <ul style="list-style-type: none"> ○ plans for running digital signalling needed to build in sufficient time to release drivers for training and the impact that would have on crew availability/resourcing. <p style="text-align: center;"><i>Andrew Jones and David Waboso left the meeting.</i></p>	
<p>18/149</p>	<p><u>Route presentation - Scotland</u></p> <p style="text-align: center;"><i>Alex Hynes and Kris Kinnear joined the meeting.</i></p> <p>The Board was briefed on recent developments in the Scotland Route.</p> <p>Following the tragic death of the contractor worker at Bearsden Station in June 2018, more than 90% of staff across the Scotland Route had now attended the safety stand down. The Route was also in the process of designing out the use of stepladders from its processes.</p> <p>A week long blockade had been secured on the Stirling, Dunblane, Alloa electrification programme. Completion of those enhancements works was critical to the successful implementation of the December 2018 timetable in Scotland.</p> <p>In discussing the Highland Enhancement Programme, the Board questioned the journey improvement times expected from this programme, particularly in light of the improvements made to the A9 road. It was acknowledged that journey times continued to be a major issue, and that it would be a key focus in CP6.</p> <p>The Board discussed station improvement works at Glasgow Queen Street and Edinburgh Waverley.</p>	

	<p>During CP5 a Route Asset Management team had been created to manage Geotech, drainage and all off-track issues. In terms of vegetation the team had immediately cleared the highest risk areas and had developed a strategy and 20-year plan to manage vegetation.</p> <p>The Board discussed the potential for tensions faced by the Scotland Route with the national train operators. These tensions emanated from the move towards deeper devolution, with the national operators fearing that their services would somehow be degraded. While the national operators' concern was understandable, it was certainly not intended that deeper devolution would in any way harm the services run by national operators.</p> <p style="text-align: center;"><i>Alex Hynes and Kris Kinnear left the meeting.</i></p>	
<p>18/150</p>	<p><u>MTR – train performance improvement</u></p> <p style="text-align: center;"><i>Andy Boyle, Steve Murphy, Andy Thomas and David Waboso joined the meeting.</i></p> <p>The Board discussed paper 92/18 which updated the Board on the improvements that had been made with the change of franchisee/concession for TfL Rail, operated by MTR Crossrail. The Board had been keen to understand how the improvements had been achieved and what Network Rail, and the industry more broadly, could learn.</p> <p>The main points of the discussion were that:</p> <ul style="list-style-type: none"> • Performance had improved due to closer attention to detail. Actions that caused problems were stopped, while the things that helped deliver performance were focussed on and increased where appropriate; • As performance improved on the MTR Crossrail operated services, the performance of other train operating companies also improved; • The current operating model of Britain's rail network was inefficient, with multiple 'controlling minds'. Instead, MTR Crossrail was moving to an international, best practice model of having one 'controlling mind' leading a co-ordinated industry response; • However, whatever the operating model a key component of good performance was dynamic risk assessment by talented people; • Taking a more operational approach to train performance had also reaped benefits, with Mobile Operations Managers based at key stations along the Route to speed up response and therefore recovery times; • Having more people on the platforms managing train dispatch and assisting passengers, rather than in other locations such as ticket offices, had also helped to improve train performance. <p>The Board supported the work done by MTR Crossrail to improve performance and felt sure that there were opportunities for the lessons learned to be shared more widely.</p> <p>The Board appreciated the opportunity to discuss this topic and thanked Steve Murphy and Andy Boyle for sharing their experiences.</p> <p style="text-align: center;"><i>Andy Boyle, Steve Murphy, Andy Thomas and David Waboso left the meeting.</i></p>	
<p>18/151</p>	<p><u>Provision of routes to Scotland from London during disruptive access</u></p> <p style="text-align: center;"><i>James Dean and Andy Thomas joined the meeting.</i></p>	

	<p>The Board noted paper 93/18 which responded to a question about the provision of routes to Scotland from London during disruptive access.</p> <p>It was reiterated that Network Rail's policy was that there should not be planned closures of both East Coast and West Coast mainline routes to Scotland at the same time.</p> <p>The Board endorsed the proposal to prepare detailed multi-transport passenger handling and action plans to manage the impact of disruption due to the closures associated with the HS2 work (in particular at Euston).</p> <p style="text-align: center;"><i>James Dean and Andy Thomas left the meeting.</i></p>	
18/152	<p><u>Network Rail – debt restructuring</u></p> <p>Paper 94/18 updated the Board on the proposed NR debt restructure, ahead of a paper being submitted to BICC.</p> <p>The Board NOTED the contents of the paper.</p>	
18/153	<p><u>CP6 Business Plan & Draft Determination Update</u></p> <p>The Board reviewed paper 88/18 which provided an update on NR's response to the ORR's Draft Determination and on the progress made towards integrating that response into Network Rail's financial targets and plans for CP6.</p> <p>The Board discussed the train performance trajectory towards CP6.</p> <p>The Chief Executive would consider what still needed to be done to get the business ready for CP6.</p>	
18/154	<p><u>Great Western Electrification</u></p> <p style="text-align: center;"><i>Simon Maple and Neil Thompson joined the meeting.</i></p> <p>The Board discussed paper 95/18 which sought further funding for this programme.</p> <p>The Board APPROVED the additional funding as set out in paper 95/18.</p> <p style="text-align: center;"><i>Simon Maple and Neil Thompson left the meeting.</i></p>	
18/155	<p><u>Solum and Innova joint ventures</u></p> <p>The Board discussed paper 96/18 regarding the Solum and Innova joint ventures.</p> <p>During the discussion, the Board requested further information on the proposals. SUBJECT TO the additional information satisfying the Board's request, the proposal set out in the paper was APPROVED.</p>	
18/156	<p><u>Committee Updates</u></p> <p>Sharon Flood updated the Board on the Audit & Risk Committee meeting held on 12 September.</p> <p>Similarly, Chris Gibb updated the Board on the Safety, Health & Environment Committee meeting also held on 12 September.</p>	
18/157	<p><u>Prosecution Report</u></p> <p>The Board discussed paper 97/18.</p>	

	The Board asked for some background information to the incident at Tyne Yard on 14 June 2014. The Board confirmed that this would be reported to the SHE Committee for discussion and the paper shared with the rest of the Board members.	
18/158	<p><u>Executive Committee and Panel Approvals</u></p> <p>The Board discussed paper 98/18. Consideration would be given to how best to accommodate the Board's requirements for future papers.</p>	Jeremy Westlake
18/159	<p><u>Company Secretary's Report</u></p> <p>Following discussion of paper 99/18, the Board:</p> <ul style="list-style-type: none"> a. RATIFIED the use of the Company seal, as set out in the paper; b. RATIFIED the changes to the Boards of subsidiary companies within the group as set out in the paper; c. AGREED that the review of the Framework Agreement with the DfT should be deferred until 2019. Iterations of any new Agreement would be discussed by the Nomination & Remuneration Committee in the first instance; and d. NOTED the changes included in the 2018 UK Corporate Governance Code and the new narrative reporting requirements that applied to Network Rail. 	
18/160	<p><u>Board forward agenda</u></p> <p>The Board discussed the draft agenda for the October Board meeting.</p>	
18/161	<p><u>Brexit Update</u></p> <p>Paper 100/18 updated the Board on the Company's continued activity in preparation for Brexit. The Board would receive a further update when there was more certainty about the terms of Brexit.</p>	Jeremy Westlake
18/162	<p><u>Transformation in action</u></p> <p>The Board noted paper 101/18 which provided examples of transformation across the business.</p> <p>The Board discussed the content of this paper, and noted that it would most likely be refined for future reports.</p>	
18/163	<p><u>Any other business</u></p> <p>None.</p>	
<p>There being no further business the Chair closed the meeting at 15:35.</p> <p>..... Chair</p>		