

Whitehall and Industry Group– Andrew Haines speaking notes

15/12/21

Introduction

- Hello, everyone. I'm Andrew Haines, the Chief Executive of Network Rail.
 - I'd like to thank the Whitehall and Industry Group for inviting me to be here today.
 - The Group does valuable work in bringing together thinking from across the public and private sectors.
 - And there are few industries where those worlds overlap more than they do on the railway.
 - That, in many ways, has been one of rail's greatest strengths, but over recent decades that overlap had led to increased complexity and fragmentation.
 - We're a public good that the private sector relies on to move products to market, reach new customers and transport their workforce.
 - We're also a publicly run and specified network which relies on a significant supply chain, supporting many firms, jobs and exports.
 - Finding a new and better way for a reformed railway, with a single guiding mind in the public sector, led by industry experts, and making the most of private sector drive and innovation is the task we've been given in the establishment of Great British Railways.
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- Clearly, this is a critical period for our railways.
 - As we now know, Covid-19 is still with us and the bumpy transition towards a new normal continues.
 - We are working tirelessly to attract passengers back to the network and return the industry to a more sustainable financial footing.
 - We are also determined to prove that the Government is right to have so much belief in the power of rail to help realise their levelling-up and build back better agendas.
 - And at the same time, we have taken the first steps to implement the long-awaited industry reform I just mentioned.
 - The creation of Great British Railways really is a once in a generation opportunity for us to establish a more simple, separate, and sustainable operating model that truly delivers for passengers and freight users.
 - So, I think it's fair to say that there is a lot going on.

Impact of Covid

- I mentioned the impact that the pandemic has had on the railway.
 - It's no exaggeration to say that Covid-19 has been the largest peace-time challenge in our industry's history.
 - It has hammered the number of passengers using rail.
 - The Office of Rail and Road's station usage figures show that there was an 80% drop for 2020-2021 compared to the previous year.
 - To put this into perspective, it's the lowest level of passenger journeys since 1872.
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- This unprecedented drop-off in demand has had a massive knock-on impact on revenue.
 - To the extent that, during the darkest days of the pandemic – when passenger numbers were less than 5% of pre-Covid levels – we were entirely dependent on additional Government subsidy to keep the railway operational.
 - In total, since the first national lockdown in March 2020, the railway has received an extra £15bn of taxpayer support. That's on top of around £11bn annual subsidy the railway gets each year to operate, maintain and upgrade the network.
 - Nobody in our industry takes this for granted, and clearly it's a completely unsustainable situation.

Industry response

- First of all we need to understand what's happening in the different rail markets in much greater detail, and brought together industry experts in Rail Revenue Recovery Group to better understand both the detail of the problem, and how we go about solving it as an industry.
- Through the RRRG we launched the 'let's get back on track' campaign – the largest rail marketing campaign in a generation.

- This campaign has been hugely successful in encouraging people to consider returning to rail travel and has helped drive revenue growth.
 - Similarly, we've introduced the 'book with confidence' initiative to give passengers greater flexibility in their journeys. This allows passengers to request a fee-free exchange for their tickets up to 6pm ahead of the day of travel, recognising that life now comes with a bit more uncertainty.
 - And most importantly, RRRG has helped us to gather better data and build out more accurate forecasts. This has given us a more detailed understanding of how employment habits and passenger demand is changing – enabling us to respond more quickly and stimulate demand with targeted products and marketing.
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- Before the emergence of Omicron, passenger demand was heading in the right direction – reaching 70% of pre-Covid levels.
 - But the new variant, combined with Government advice to work from home, has been a stark reminder that the pandemic is not over.
 - In the last week or so we've seen passenger journeys fall back to around 63% of pre-Covid levels.
 - It's clear that the path to winning back passengers will not be a straightforward one.
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- We've seen markets respond in different ways: pre-Omicron, leisure journeys had returned to 96% of previous levels, though have fallen back to 84% as of last week.
 - Yet even in our best weeks we've only seen commuting just exceed 50% of previous levels. While the kaleidoscope hasn't settled yet, it's clear there are long-term structural changes to employment trends.
 - That's especially true in the salaried, office worker roles, who have found home and hybrid working both possible and – let's face it – more desirable than spending several thousand pounds a year to take crowded journeys into city centres.
 - While the pandemic continues those personal preferences come to the fore. In the longer term, there will be bigger questions about our city centre economies, and for employers about the productivity of hybrid workforces and the cost of unused office space.
 - As an industry, we are committed to doing everything in our power to encourage people to return to the network safely and in line with Government guidance.
 - Drawing on the experience and expertise we've developed through the Rail Revenue Recovery Group, we know some of the change is going to be permanent and we need to look at where other markets - both passenger and freight - can help grow new revenue, while also being frank about areas where our future railway may be smaller than before.
 - That's why the revenue recovery group has now been brought fully into the transition team for Great British Railways – this is not only an immediate challenge, it's one we need to have at the heart of the new structure.
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- We also have to fundamentally change our approach to our customers. Having come to rely in many areas on high value season tickets for commuters – the very model of a stress purchase – we are way behind other retailers and service providers on both price and product.
 - In any other area of life, we've seen a revolution in technology – using your phone to get the best price, to book and change your plans, get service updates and pay.
 - Some of those technologies exist on the railway but in a patchwork of different systems, and the experience of getting a handful of orange cardboard tickets subject to a myriad of conditions is still far too commonplace.
 - As an industry we have put together a new approach to fares and ticketing.
 - Flexible season tickets, supporting hybrid working, have already been introduced and more than 100,000 have been sold.
 - And at the Spending Review, the government confirmed £360m of new investment. That's going to mean contactless entry at more than 900 stations, and digital ticketing available at all 2500 national rail stations.
 - Government and industry never really got these changes moving in the previous system, but in a world where we need consumers to make a positive decision to take the train, we have to make buying a ticket and getting on a train a simple, good-value choice, accessible to anyone who wants to travel.

Efficiency

- A change to commuting does offer opportunities. Providing enough capacity to satisfy a very high morning and evening peak into and out of our major cities, especially London, is a very costly and inefficient way to run the network.
 - Clearly, with our industry under this financial pressure, there is a responsibility for us to look at other ways we can relieve the burden on the taxpayer – which means becoming more efficient in how we operate, maintain and upgrade the railway.
 - We initially set ourselves a target to achieve £3.5bn in efficiencies for operations, maintenance and renewals during our current control period, which runs from 2019-2024.
 - And we took the independent decision to raise this to £4bn, recognising the high level of additional taxpayer support.
 - We're realising these efficiencies through smarter and more innovative working, new contracting strategies and by using new technology.
 - For example, carrying out maintenance on an electrified railway traditionally requires our engineers to follow a long and difficult process to make the site safe – this involves transporting and installing heavy kit on location, which is costly and eats into the work time.
 - However, our frontline teams are currently rolling out the installation of localised lineside control cabinets across the network. These cabinets enable our engineers to isolate the track locally, removing the need for heavy kit to be installed. We estimate that this will save more than £300m up until the end of CP7.
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- We're also looking at how we can become more efficient in delivering new schemes as part of our multi-billion enhancements portfolio.
 - We're working to reduce the cost of all these schemes by 15% which works out as an additional £1.9bn of savings over the course of this control period.
 - We're achieving this by reassessing how we plan and deliver new infrastructure projects from the bottom-up – to be faster, better and cheaper through the Network Rail and DfT Rail SPEED programme.
 - The reopening of the Dartmoor line last month, which saw the reinstatement of passenger services between Okehampton and Exeter for the first time in nearly half a century, is a great example of this.
 - By putting SPEED principles into action, adopting faster processes and mindsets, as well as working closely with Great Western Railway and Devon County Council, we were able to deliver this complex project ahead of schedule and with a £10m saving.
 - That's what SPEED is about, bringing the economic and social benefits of rail connectivity to local communities faster and at better value.
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- I'm proud of the way in which my colleagues at Network Rail have embraced the efficiency challenge.
 - And I'm pleased that our efforts have been recognised by the rail regulator, John Larkinson – who earlier this year told the Public Accounts Committee that he had seen a "transformation" in our approach to efficiency.
 - But as encouraging as John's comments are, we know that there is no room for complacency and are determined to realise further efficiencies and achieve even better value for every pound of taxpayer money we spend.

Reform

- Of course, the challenge that our railway faces is not just a financial one.
- I'm sure many of you will remember or may even have been caught up in the widespread disruption brought about by the catastrophic May 2018 timetable change.
- It prompted then Transport Secretary, Chris Grayling, to commission Keith Williams to carry out an all-encompassing review of our railways.
- And this was undoubtedly the right thing to do – the system was fragmented, with misaligned incentives, a lack of accountability and no real strategic oversight.

- And it was passengers and freight users who were paying the price, as we consistently fell short of delivering the level of service that they deserve.
- Yet the timetable fiasco was just the last nail in the coffin for a system that had been failing for much longer.
- I worked on rail reform in the 1990s. Rail franchises were going to bring the best commercial and customer service instincts to a railway that had become a byword for decline and low expectations.
- The network would be run separately from train services, and competition for franchises would drive investment, performance and productivity.
- The story the industry told itself for a long time was that the extraordinary growth in passenger numbers that ensued, doubling in the first two decades after privatisation, was proof positive that the system worked.
- In reality, the vast majority of that growth was driven by underlying economic changes, the continuing shift to a services-based economy, located in city centres. Trains simply became a more practical option than the car for many.
- That's not to say great achievements weren't made by train operators in improving customer service, and stations and rolling stock were transformed, but the fact is much of that was taxpayer-funded, particularly as time went on. As was the cost of franchise failure.
- What was supposed to drive competition and innovation instead creating a complex, fragmented system where the first priority was not the customer, but the contract.
- Add to that increasingly detailed specification by government, a competition culture that rewarded undeliverable bids which regularly led to failed contracts, Network Rail too often not delivering the upgrades and performance promised, and a confrontational, transactional relationship between multiple organisations with different priorities.
- In truth, for the last few years, we were keeping a broken system on life support.
- Keith went to great lengths to truly understand the issues that the railway was facing.
- His work culminated with the publication of the 'Williams-Shapps Plan for Rail' in May this year.
- And the key recommendation of this white paper, is for the creation of a new organisation – Great British Railways.
- The creation of GBR is a once in a generation opportunity for us to put in place a simpler, separate, and sustainable operating model.
- There will be one single body to maintain and improve the infrastructure, set fares, sell the tickets and receive the money, plan timetables and run the network – fully accountable and distinct from government.
- That single body will act as the guiding mind for the railway as a whole system. And one point of accountability.
- Devolved regional organisations will plan, manage and deliver train services and infrastructure together, with private operators delivering services on new, simpler contracts focused on the best customer service, performance and safety.
- All parts of the railway will be focused on those core priorities, not pulling and pushing in different directions. By planning and delivering improvements to services, infrastructure and retail together we can transform the nation's railways.
- We need a safe, efficient, high performing railway with passengers and freight users at its heart, which supports a growing economy, helps tackle regional disparities in productivity, meets our net-zero ambitions and delivers a better deal for the taxpayer.
- We're determined that the culture will be one of collaboration and customer service – the best of public and private sectors working together to deliver a punctual, reliable, affordable, greener railway for every single person that uses it, and with clear, direct accountability if things do go wrong.
- This is the largest reform of the railway in more than 30 years – doing away with a structure that was no longer be fit for purpose.
- Clearly, change on this scale cannot take place overnight.
- Which is why the Government asked me to set up and lead the Great British Railways Transition Team.

- GBRTT is a distinct and small organisation, governed separately to Network Rail and accountable to ministers.
- We're deliberately staffed by people from a range of backgrounds: operators and secondees from Network Rail but also the Rail Delivery Group, Department for Transport and the Office of Rail and Road; this isn't Network Rail 2.0.
- And we're grateful that Keith Williams has agreed to join in an official role, holding us to account for maintaining and delivering the vision set out in his review.
- Getting GBR fully up and running will require legislation that is not expected to be enacted before 2024.
- But the transition team is already getting on with those changes that don't require legislation, with industry functions already in the process of moving over .
- All of us are crystal clear on the objective of GBR – creating a simpler, better railway for everyone in Britain.

IRP and WISP

- And on the subject of creating a better railway, the publication of the Integrated Rail Plan last month was a real vote of confidence in our industry.
- Inevitably, because infrastructure is heavily politicised, large plans like this are often presented in the context of winners and losers.
- And I know that many were disappointed to see the eastern leg of HS2 being cut, and there were other elements regions had hoped for which weren't in the plan.
- But we shouldn't lose sight of the fact that the IRP represents an enormous investment– more than £96bn – which will go a long way to boosting connectivity in the Midlands and the North by transforming East-West and North-South links.
- The plan is intended to bring benefits more quickly to more places.
- For instance the TransPennine Route Upgrade is moving from a £3.6bn project to a £10bn project – incorporating full electrification, digital signalling as well as sections of triple and quad tracking.
- This will help to deliver a journey time of just over 30 minutes between Leeds and Manchester – there really is some transformational stuff in the IRP.
- Of course, it's crucial that these schemes all complement one another.
- Whether it's HS2 from Crewe to Manchester, from the West Midlands to East Midlands Parkway, or Northern Powerhouse Rail between Warrington, Manchester and Yorkshire, they must operate as one network.
- Which is why it was important that they've been confirmed under one coherent plan.
- And this joined up way of thinking is what we're taking into the development of the Whole Industry Strategic Plan – or WISP.
- This will be a 30-year strategy taking government's priorities for the railway, consulting widely, and then determining how best the railway can strategically respond over a long-term planning horizon.
- I'm already holding a series of roundtables with regional transport, business and political leaders, including Andy Street, Tracy Brabin and Andy Burnham, to hear their thoughts on how rail can best serve their areas.
- This plan will need to evolve, but will do so transparently, giving confidence to the supply chain and on trade-offs to the industry.
- Our official call for evidence on the plan was launched last week. And this will be more than just a plan, it is a new way of working with industry, regional and devolved leaders, passenger groups and business – everyone with a stake in getting this right – to build an ambitious, deliverable strategy for the next thirty years.

Sustainability

- Understandably, when I talk to stakeholders, their key priorities increasingly include sustainability.
- And there is widespread recognition that the railway is a fundamentally green form of travel.

- But we know that we can't afford to rest on our laurels, which is why we've worked with industry colleagues to develop the Traction Decarbonisation Network Strategy.
- The TDNS sets out how we can decarbonise traction, primarily through electrification.
- And I was pleased to see the electrification of the Midlands Main Line included alongside the TRU in the Integrated Rail Plan.
- But it's important to note that the TDNS recognises that there is also an important role for hydrogen and battery technology in helping to decarbonise traction.
- At COP26 in Glasgow just last month we were able to show the Prime Minister and the Prince of Wales examples of how these technologies are maturing.
- The TDNS makes a compelling case for rail decarbonisation which the government has adopted in its own future ambitions for net-zero.
- But if we are going to turn that ambition into a funded pipeline of projects, and meet the target to end the use of diesel by 2040 and meet net-zero targets by 2050, we need to do more as an industry to demonstrate we can deliver to time and budget.
- In a world of competing calls on funding, from electric cars to grants for more efficient boilers and insulation, we need to show that a more sustainable railway is worth the investment.

Conclusion

- Now, I'm wary that I want to leave plenty of time for questions.
- But I hope I've given you an understanding of the key areas of priority for our railway over the coming years.
- We can't shy away from the fact that we're facing some big challenges, both operational and financial.
- But this is also a time of opportunity - I'm keen to hear your thoughts on how we can better align public and private to get the best outcome for passengers and freight users.
- The Government has shown belief in the railway – through its additional support over the last couple of years as well as its investment plans.
- As an industry, we have a responsibility to repay this faith – through delivering efficiently on this investment, boosting connectivity, driving economic growth and helping the country build back better from the pandemic.
- And our transition towards a new operating model will empower us to achieve this, by creating a more simple, separate and sustainable railway, that provides the best possible service for passengers and freight.
- Thank you for taking the time to listen to me and I'd be happy to answer any questions you may have.