

Oral statement to Parliament concerning Network Rail's performance

Rt Hon Patrick McLaughlin MP, Secretary of state for Transport

25 June 2015

Mr Speaker, I wish to make a statement about Network Rail following today's (25 June 2015) publication of their annual report.

In September 2014 Network Rail was reclassified as a public body as result of an accounting decision by the Office of National Statistics. Since then the government has had greater direct oversight of the company. I want to report to the House on Network Rail's performance and the actions that I am taking to hold it to account.

Some things are working well. Our railways are carrying more passengers than ever before. Journeys have more than doubled since privatisation. They went up on average by 4.2% in the last year alone. Safety has improved. The reliability of assets on the railway is up.

Network Rail reopened the line at Dawlish after the horrendous storms in the time expected. It has opened the new station at Reading – ahead of schedule and under budget. A modernised Birmingham New Street complex will be fully open later this year.

But I do not pretend everything is perfect. Because it isn't. Where performance has fallen below the standards expected, I want that sorted out. What we saw at Kings Cross at Christmas and at London Bridge earlier this year was unacceptable. I said so at the time.

Since then, Network Rail has demonstrated that they have learned these lessons. And I pay tribute to the significant programmes of work they delivered over Easter and the May Bank Holidays. But to improve performance we need to invest and we need good management.

The truth is that much of the work should have been done decades ago. Successive governments failed to invest the sums necessary in our rail network. That is why we find ourselves in the situation we are in today. And so when we faced a choice between building the infrastructure our country needs, or our railway becoming a

brake on growth and opportunity, we chose to invest for the future. In things such as Crossrail in London and HS2 for the country.

And that is why in 2012, the government set out the most ambitious programme since the Victorians. A £38 billion programme on enhancing, operating and maintaining the current network.

It means hard work and good design. Thousands of people working night after night, sometimes in very difficult conditions. On the 216 miles Great Western line alone Network Rail needs to alter around 170 bridges. Lower parts of the track bed. And install 14,000 masts of overhead line equipment. Electrifying parts of the railway constructed by Brunel in the 1830s. So that new British-built fast trains can speed up services and provide more seats.

Members and their constituents want these improvements. I am determined that they happen. But in parts of this programme Network Rail's performance has not been good enough.

Already, the Chief Executive and Board are responding. Since joining Network Rail in 2014 the Chief Executive Mark Carne has reviewed the organisation's structure, performance and accountability. He has strengthened his team. He has a structure for improvement. I want to see him drive that forward.

But there are still challenges. Important aspects of Network Rail's investment programme are costing more and taking longer. Electrification is difficult. The UK supply chain for the complex signalling works needs to be stronger. Construction rates have been slow. It has taken longer to obtain planning consents from some local authorities than expected. But that is no excuse.

All of these problems could and should have been foreseen by Network Rail. So I want to inform the House of the action I am taking to reset this programme and get it back on track.

First, none of Network Rail's Executive Directors will receive a bonus for the past year. The current Chairman, Mr Richard Parry-Jones, is stepping down. His replacement will be the current Transport Commissioner in London Sir Peter Hendy. Someone of huge experience. Who helped keep London moving during the

Olympics. I am asking him to develop proposals by the Autumn for how the rail upgrade programme will be carried out.

Second, I am appointing Richard Brown as a Special Director of Network Rail with immediate effect. He will update me directly on progress.

Third, I intend to simplify Network Rail's governance by ending the role of the Public Members. I thank them for their commitment. But the reclassification of Network Rail has changed the organisation's accountability.

Fourth, it is important that we understand what can be done better in future investment programmes. I have therefore asked Dame Colette Bowe, an experienced economist and regulator, to look at lessons learned. And to make recommendations for better investment planning in future. I will publish her report in the Autumn.

I know members on all sides of the House value the improvements that are planned to the railway in their area. Network Rail's spending should stay within its funding allowance.

Electrification of the Great Western Line is a top priority. And I want Network Rail to concentrate its efforts on getting that right.

On the Midland mainline better services can be delivered on that line before electrification. With things such as speed improvement works. So work on electrification will be paused. I want it to be done and done well. It will be part of our future plans for the route.

Meanwhile, the next franchise for the Transpennine route between Leeds and Manchester will bring modern trains and additional capacity. Current work on electrification will be paused. Because we need to be much more ambitious for that route. Building a powerhouse for the north. With a fast high capacity Transpennine electric route. We are working with businesses and cities in the north to make that happen. Just as in the north we have already seen electric trains introduced this year between Liverpool and Manchester; and between Liverpool and Wigan. Soon we will see them spread further. To Bolton. To Blackpool. And that work is underway.

Meanwhile, in the south east, Crossrail and Thameslink are well under way. In Anglia we will bring about modern, faster trains to Ipswich and Norwich in the next franchise. For passengers in the south west the new contract with First Great Western will provide significant extra capacity. I hope to be able to announce news on further new trains for the region soon.

We will also keep commuter rail fares capped in real terms for the whole of this Parliament. People's earnings will rise more quickly than rail fares. The first time that has happened since 2002.

Mr Speaker, passengers want a railway that is better, faster and more reliable than today. Powered by a huge increase in investment and ambition right across the country. That is what they will get. And I commend this statement to the House.

Network Rail confirms review of five-year CP5 plan

Thursday 25 Jun 2015

More train passengers arrived at their destination on time last year than ever before, Network Rail's Annual Report has revealed today. Following decades of underinvestment, Britain is now investing record amounts in our railway to ensure it remains fit for purpose as well as able to accommodate the record number of trains. Britain now has the safest passenger network in Europe and the railway asset reliability is the best it has ever been, even whilst passenger numbers have doubled in the last 20 years.

However, Network Rail faces some stretching targets in Control Period 5 (CP5, 2014-19) and the pace of improvement is behind expectations. Several regulatory targets were missed and following slippages in the major projects portfolio, chief executive Mark Carne has given a frank assessment to the Department of Transport of what will be achievable in the remaining four years.

Mark Carne said: "During my first year in the job I have looked closely at every aspect of our business and it has become clear that Network Rail signed up to highly ambitious five-year targets set by the regulator. Based on historic improvements from a low base, we were overly optimistic about the capacity of our company and our supplier base to step up several gears in order to achieve the plan, especially given the complexities of a network that is at full capacity much of the time."

On the big items like electrification and capital projects, it was always part of the regulatory process that the costs and programme would be revisited as projects became properly defined. Unfortunately when these reviews have occurred, the more detailed project costs have been higher than assumed at the earliest stages of definition. As a result, the total enhancement programme cost now exceeds the available five-year budget. Some projects are also delayed beyond the original dates.

Mark Carne added "I recognise that these delays will cause disappointment for some passengers for which I can only apologise. I welcome the fact that the Transport Secretary has asked Sir Peter Hendy to work with me and my team to develop proposals for re-planning the programme over the next few months."

Since joining last year, Mark Carne has brought in a largely new leadership team to drive the pace of change needed to build a better, more modern railway. The team

has focussed particularly on devolving the company into eight regional businesses. This structure empowers route managing directors to quickly respond to the needs of their local passengers and train companies whilst enabling the company to benchmark performance and drive innovation and best practice much more transparently. It also deploys national services and systems to drive economies of scale and common standards, thus delivering better value for taxpayers.

Given the change in outlook compared to the regulatory settlement, Network Rail's remuneration committee has decided that no bonuses should be paid to its executive directors for 2014/15. Their bonus entitlement had already been reduced from a maximum of 160% of salary to 20% shortly after Mark Carne joined as chief executive last year. Mr Carne has previously announced that he would forego this year's bonus.

ENDS

Notes to editors:

Network Rail achievements in 2014/15:

- Replaced over 600km of track and almost 300 junctions
- Finished the transformation of Reading station and its approaches a year early and under budget, eliminating the biggest bottleneck on the main line to London Paddington
- Completed 27 miles of electrification in the north west of England
- All but completed the building of Britain's first new domestic railway for over 100 years with 30 miles of new railway, including seven new stations, built in the Scottish Borders
- Transformed stations across the country such as Edinburgh Haymarket and Nottingham, with the redeveloped Birmingham New Street close to opening
- Secured the future of the Chiltern main line between Marylebone and Birmingham following the 350,000 tonne landslip at Harbury, near Leamington Spa
- Invested over £6bn in projects that sustained over 90,000 full time jobs
- Seen 99% of our expenditure made through UK-based companies, with almost 40% in small and medium sized businesses
- Completed over 90,000 small, medium and large schemes, with over 98% completed early or on-time

About Network Rail

Network Rail owns, manages and develops Britain's railway – the 20,000 miles of track, 40,000 bridges and viaducts, and the thousands of signals, level crossings and stations (the largest of which we also run). In partnership with train operators we help people take more than 1.6bn journeys by rail every year - double the number of 1996 - and move hundreds of millions of tonnes of freight, saving almost 8m lorry journeys. We're investing £38bn in the railway by 2019 to deliver more frequent, more reliable, safer services and brighter and better stations.

@networkrailPR #BetterRailway