

Transport Committee

Oral evidence: [Rail strikes](#), HC 581

Wednesday 13 July 2022

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[Watch the meeting](#)

Members present: Huw Merriman (Chair); Mr Ben Bradshaw; Simon Jupp; Chris Loder; Grahame Morris; Gavin Newlands; Christian Wakeford.

Questions 160–255

Witnesses

[II](#): Steve Montgomery, Chair, Rail Delivery Group; and Tim Shoveller, Chief Negotiator, Network Rail.



Examination of witnesses

Witnesses: Steve Montgomery and Tim Shoveller.

Q160 **Chair:** I will ask our second panel of witnesses to introduce themselves and their position for the record.

Steve Montgomery: I am Steve Montgomery. I am here in my position as chair of the Rail Delivery Group. I am also the managing director of First Group's rail division.

Q161 **Chair:** You are the lead negotiators for the train operating groups.

Steve Montgomery: Leading the negotiations for the train operating companies.

Tim Shoveller: Good morning. My name is Tim Shoveller. I am the managing director for Network Rail's north-west and central region. I am also leading, on behalf of Network Rail, the negotiations about modernisation and reform of the industry and trying to prevent industrial action.

Q162 **Chair:** A very good morning to you both. I am sorry that we have started later with you.

You will have heard some of the evidence that was being given. The first question I put to the trade union representatives was why they felt this strike had come about and they had needed to take the action. Do you want perhaps to give your view on why the strikes were not necessary and what you have been doing to bring them to an end?

Tim Shoveller: We have been working with the trade unions now, as you heard, for over 15 months—since, in fact, Easter 2021—because of the fact that the situation that we found ourselves in after the pandemic, or as the pandemic was ongoing, was at an absolutely critical moment for the industry. There was a huge drop-off in passenger numbers. You have heard the evidence about the support that Government provided during that period.

It became very clear through that process that we were not going to re-grow the passenger numbers in the same way they had been pre-pandemic, most particularly the commuting type of traffic, the commuting passengers and business traffic. It was great that routine leisure traffic returned, but it was very obvious that we had a problem and a big gap in the income for the railway.

The Government continued to support that, and still does to this day. Our responsibility was to make sure that we worked with trade unions to identify how we could make the railway more efficient so that we could reduce that extra call on the public purse. That led to the creation of something called the Rail Industry Recovery Group, which Steve, I and other industry colleagues were on through that period. We met very



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frequently with the trade unions over that next 15 months to try and prevent what, sadly, happened a few weeks ago.

It was a really substantial approach. In fact, you have heard so much about the trials and tribulations of industrial relations in the railway industry. It is quite tragic, actually, to be sitting at the back listening to many of the stories that you have heard and many of the things that have been discussed. That is no way for an industry that should be proud of its future and is an absolutely fundamental part of the UK economy to have industrial relations in the way that you have just heard about.

We were trying to approach it in a different way. We wanted to engage with the unions, because that is obviously the way that we must engage with our employees, to try to find different solutions and win-wins. That is a bit of a hackneyed phrase, but that is what we were looking for: ways of reducing cost that still provided the job security that is particularly important to employees and generated efficiencies for the rail industry, as well as ideally providing enough money for pay rises.

The context changed, of course, because there was very low inflation in that first year so there was no pay rise, certainly for Network Rail employees, in 2021. Of course, now we have the inflation that is much more predominant in society. We understand the impact that has on the cost of living. We have modified our approach to try to focus on how we can afford a pay rise while still achieving the efficiencies that are necessary to run the railway better.

Q163 **Chair:** Mr Montgomery, would you give us your perspective?

Steve Montgomery: I will try not to waste time. I think the important thing we have to highlight is that we have been talking constructively to the trade unions for the last 15 months. It is disappointing that we are currently having industrial action. What has been quite clear is that, while we have been speaking to the trade unions and have shared all the figures with them in terms of how revenue dropped off and never returned, we had to try and do something to look at the costs of the industry so that we could build a future for the industry. That is a key thing that we have always spoken to the trade unions about. We might not need to take action at the moment, but we have to protect the industry and grow from this and grow it back in again.

Over the years—and myself and Tim have been here for many years with our trade union colleagues—this industry goes through peaks and troughs but, this time, we have seen a pandemic that none of us has ever experienced. We have to be different. We have to be more agile. That is why we have to try and get into that position with the trade unions. Inflation has not helped the situation, but we have to try and do something. That is what we have been trying to do to redress the cost of the industry.

Q164 **Chair:** Thank you for the opener. Mr Shoveller, we discussed the offer



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that Network Rail has now put to the RMT. It is a 4% uplift for 2022 backdated to the beginning of January, with a further 2% for the following year and an equivalent of 2% based on workplace reform and no compulsory redundancies.

Do you think you should have made that offer earlier in the process, and that if you had the unions would not have gone on strike?

Tim Shoveller: That view is one that we have been trying to make for several weeks.

Q165 **Chair:** We, as Members, only got a copy of this yesterday. Certainly the direction from the RMT was that “we are now looking at that and we will have to decide what to do.”

Tim Shoveller: We made that offer yesterday to the RMT and other trade unions that represent our frontline groups for operations, signallers and maintenance. Yes, we have been building that deal for several weeks now, particularly with the RMT, to try to avoid those strikes taking place.

I was very frustrated that we were not able to conclude that deal prior to the strikes. We were making good progress. In fact, on the Sunday before the strikes I thought that we had a very good chance of having the strikes called off on the Monday.

Q166 **Chair:** To stop there, are you saying that on the Sunday before the strikes what you have now publicly put on the table, perhaps in a more formal manner, was what the RMT had on the table?

Tim Shoveller: As we have explained, I had to be clear that we could afford the offer. The way of raising the funds—the costs of paying the additional salaries, if you like—is through the productivity that is generated.

Q167 **Chair:** Yes, for the 2%.

Tim Shoveller: What had been happening for some time were the discussions with the union reps and the management team to identify the changes that needed to be made and how much money those savings would make.

What we wanted to do was to get to a point where there was an agreement with the trade unions on those changes, and that agreement would allow us to make the offer. Even as of yesterday, we have made the offer very clearly, but it is not agreed by the unions. They have not said they will support those changes.

Q168 **Chair:** I appreciate that. I suppose my question is, would it not have been better to have formally put that offer to them on that Sunday? As you say, they had not agreed it then and they have not agreed it now. That might have meant that they had something publicly that could take strikes off the table.



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Tim Shoveller: If we had felt in all good conscience that we could have made that offer and been able to implement it, then we would have done. It was a real key priority for us.

Q169 **Chair:** What changed between then and now?

Tim Shoveller: What happened was that in the week following the strikes there was a very positive week of discussions with the trade union where, actually, some of the key areas in the maintenance debate, particularly around rostering, achieved some quite significant movement. That gave us more confidence that we would be able to implement the deal—frankly, with or without trade union support. Our aim, though, of course, is to do it with trade union support. We could not achieve that level of confidence prior to the strike, but we can now.

It is my sincere hope that the trade union will continue to work with us and will look at the very serious offer we have made, including, I would point out, reduced rate staff travel. That is something that the trade unions have been asking of Network Rail pretty much since privatisation and certainly for the last 10 years. Every year in the pay round they have asked for free staff travel, and we have been able to make that offer yesterday.

I hope that that offer is something which they will now consider, and agree to work with us to implement the changes that we have scoped.

Q170 **Chair:** Thank you. I will very briefly ask about compulsory redundancies versus voluntary. It appears that Network Rail had a very oversubscribed voluntary redundancy scheme. Do you think it would have been better to have taken compulsory off the table, which the unions have been concerned about? In terms of the workforce, you must have been confident that enough natural losses would have occurred from the voluntary scheme.

Tim Shoveller: It is a little bit chicken and egg. To be clear, we ran a voluntary severance scheme for managers only previously. That was the scheme.

Q171 **Chair:** It was in two bands. I think some of the slightly lower bands were RMT members.

Tim Shoveller: Relatively, a very small number, and none of them was maintenance operations. Of course, this is the maintenance operations area that we are talking about. There had not been any voluntary severance scheme offered to those people previously because, in order to make that, we need to have the other side of the deal. To say to our employees, "Would you like to leave?" without us being clear on the organisation that we want to implement, with agreement, with the RMT afterwards would leave a significant challenge. The wrong people might leave in the wrong places with the wrong skills. We have seen that happen in the industry in the past. It is really important in a voluntary severance scheme that we ask for volunteers at the right time when we



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can be clear on the model that we are moving to. We are now clear on the model that we are moving to.

We have been saying to RMT in all the discussions that have taken place with maintenance colleagues prior to the strike that no compulsory redundancy deal was available. The offer had not been formally made until yesterday, but we certainly said it was available and that we were ready to do that if we could agree on restructure with the RMT.

Q172 Chair: Thank you. Mr Montgomery, Mr Shoveller has talked about how progress has been made during that week of industrial action that allowed him to make an offer on behalf of Network Rail. Where are the train operators in terms of progress, and do you have an offer that is out there or could be out there?

Steve Montgomery: We have been discussing with the General Secretary of the RMT and one of his assistant general secretaries for at least six weeks now. Those discussions have been carried out in a constructive manner, I have to say, and we have been through the details of areas of reform and modernisation that we think we need to do as part of the industry.

Q173 Chair: What is that with regard to the RMT members? Obviously, we know about the train drivers and Sunday being a voluntary day. What are you specifically looking for, workplace reform-wise, from the RMT and TSSA members?

Steve Montgomery: For the RMT it is station rationalisation and booking offices. We have seen a significant drop in the number of sales via booking offices. That decline has been going on for a long time, but particularly after the pandemic. We are now only selling approximately 13% of tickets through stations. We are speaking to the RMT about how we can rationalise booking offices better and the multiskilling of staff. How can we make people more flexible?

I can give you an example. We could have a member of platform staff carrying out customer assistance. If a gate-line member of staff has to go to the toilet, the gate-lines are left open at that point in time. A member of platform staff could not go and cover the gate-line. Multiskilling is about how we use the team in a better way and are able then to get greater utilisation from staff.

The seven-day railway is also applicable to RMT members. Again, it is much more about how we ensure that the voluntary element of Sunday working is taken off the table. The wider issue of pensions is another area where we are talking to the RMT.

We have also raised the new entrants. You heard my trade union colleagues talking earlier about new entrants. We have tried to look at modernising terms and conditions when people come into the industry. Some of the historical terms and conditions that the trade unions have



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had over the years are no longer fit for purpose. It is how we change that and have a more modern railway.

Q174 **Chair:** You mentioned 13% of transactions being conducted at a ticket office because people are now booking online. I believe ticket office numbers are about the same as they were 30 years ago. Does that mean that there are so many staff that you are not able to give assurances that there will be no compulsory redundancy, or do you feel confident that you can actually bring in efficiencies that guarantee everyone a job if they want one?

Steve Montgomery: It is a wee bit like Tim went into. Until we conclude negotiations, we do not really know what type or level of reform that we have. What we have said to the trade unions at this present time is that we are holding back vacancy gaps. We have offered to retrain staff to make sure they are flexible, so that if they do not want to work in a booking office job that is no longer available, we can retrain them on platform duties or other duties. We have also said that we will have voluntary severance schemes. We believe that the last position we want to get to is making people take compulsory redundancy. We actually believe that we can persuade the trade unions to get to a position where people might not need to take compulsory redundancy. At this moment in time, until we conclude negotiations, it is difficult to put that firm offer in place.

Q175 **Chair:** A last question from me. Are you concerned that if Network Rail manage to come to an agreement with their offer, with the addition of ASLEF now looking for strike action, it will be harder for your side of the sector to be able to deliver agreement because you have become rather isolated—it is almost like a double-up position?

Steve Montgomery: The situation for us is that we need to reform. The modernisation is: how do we get a pay offer for our staff who are RMT and ASLEF members? We need to do reform. We need to be able to ensure that we have a cost-effective industry.

People talk about decline, but it is not about decline. It is about stabilisation, making the industry fit for purpose and moving forward again. That is where we are trying to take the trade unions, to say, "Look, if we work together just now, we can secure and grow back the industry to its pre-pandemic levels."

It is a big challenge for us at the moment. We have approximately 75% of the revenue. Yes, customer numbers at the weekend are great. Sometimes we have exceeded previous numbers, but you have to remember that weekend fares versus commuter fares are two different things. You have to look at the fare base or the revenue base that we are bringing in at this moment in time. We can have lots of journeys, but we are not earning the same revenues. We need to rebalance that.

Chair: I will open up to the other Members. Chris is the most time



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limited, and then I am going to come to Christian, who is the second most time limited.

Q176 **Chris Loder:** Thank you. Good morning, Steve and Tim. It is good to see you both. Steve, in my questions earlier I focused on the TOCs. Most of my questions are going to be to you.

Could you tell us about your specific role in all of this? Are you leading the negotiations on behalf of all the train operators, or are you doing another sort of role?

Steve Montgomery: I am leading the negotiations on behalf of the train operators. Again, just to be 100% clear, I am looking to try to build a framework that then has to be consulted on with each train operating company and the local trade union representatives at those businesses.

We are working on with RMT and, hopefully, with ASLEF, is how we build a framework that is acceptable to the RMT senior people and to us as the RDG, the train operating representatives, which we can then hand down to the train operating board.

Q177 **Chris Loder:** Is that feasible? I think we have 15 operators, 16 if you count the Island line. Is it feasible that you can agree a framework and then go to each TOC and have a detailed negotiation?

Steve Montgomery: Yes, we do believe that is feasible. We have spoken to the RMT about this, to make sure that we work together. If we do not think it is feasible, we just have to hand it back to the train operating companies.

Q178 **Chris Loder:** The RMT has declared a dispute based on your discussions at RDG level and not at TOC level. Is that correct?

Steve Montgomery: No; it is TOC level because they have to ballot the individual TOCs.

Q179 **Chris Loder:** Thank you. The Rail Industry Recovery Group work has been going on for 18 months-plus. I understand that is a collective and joint workstream. Why has that taken so long to get to this point?

Steve Montgomery: I think it has taken so long because we have had an industry that has been changing around about us through this last 18 months or two years, as we have seen. We have had a lot of intense discussions with the general secretaries, trying to approach with them areas where we believe modernisation to the industry could help. It is back to my comments earlier to the Chair. It is about how we make sure we carry out modernisation now that protects the industry for the future.

The general secretaries have engaged with us. We created the enabling framework agreement that was sent out to the industry. That laid out a number of areas we are now discussing in more detail. We have seen a slowing down of engagement at certain levels. We are now—

Q180 **Chris Loder:** Was that on the part of the union people, the Government



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or the TOCs?

Steve Montgomery: It has been a mix of people getting distracted by the Omicron variant. That arrived in the middle of all this as well.

We have been trying to get a benchmark to give the trade unions an understanding of how much the industry's revenue is no longer resourcing the cost base; those numbers have moved about quite considerably. We then got to an agreement of the £2 billion figure that we worked with Treasury, to try and get an understanding of those figures. Between Network Rail and the train operating companies, we each have a specific task and we have shared that task with the trade unions.

Q181 **Chris Loder:** Some critics would say that the fact that this has been drawn out for so long has contributed to this flare-up in industrial relations difficulty. Would you accept that? If not, why not?

Steve Montgomery: I think the flare-up has happened because of the economic crisis. None of us has seen inflation move to the position that it has moved to. The discussions were ongoing. We were getting closer to where we now currently are. The inflation pressures that were put on our staff, RMT's members, have escalated the RMT and ASLEF's response, moving towards industrial action and greater demands from what we can fund.

Q182 **Chris Loder:** Do you have an original timeline that you are working to on the recovery group?

Steve Montgomery: Yes.

Q183 **Chris Loder:** What is that timeline?

Steve Montgomery: We would have hoped to conclude things before the April pay discussions. That was the area—

Q184 **Chris Loder:** You basically had a 15-month timeline that you wanted to conclude.

Steve Montgomery: Yes.

Q185 **Chris Loder:** In effect, we see this has been drawn out, but now it has concluded into a dispute at the moment. Thank you.

We have had lots of different versions of events about passenger journeys, revenue and so on. Could you put the record straight in your role? What exactly has happened to passenger journeys and, separately, to revenue for the passenger industry now, broadly speaking, compared to before the pandemic?

Steve Montgomery: If you take the pandemic—these figures will not be 100%—it is approximately £10 billion of revenue. Revenue dropped down to 5% at certain times.

Q186 **Chris Loder:** But right now, what is needed?



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Steve Montgomery: To bring it back to now, we are approximately 75% of revenue. That varies in different businesses. Obviously, if you are a heavy commuter TOC—

Q187 **Chris Loder:** But overall, it is 75%.

Steve Montgomery: Approximately 75%.

Q188 **Chris Loder:** The commuter TOCs have been hurt much more by this. Roughly, in an average commuter TOC, what would you say?

Steve Montgomery: Probably, in commuter TOCs, we are seeing some operators recovering to 67% or 70%.

Q189 **Chris Loder:** Long distance?

Steve Montgomery: Long distance, again about 80%.

Q190 **Chris Loder:** Are we seeing a bounce-back in particular on Sundays and weekends more than other days in the week?

Steve Montgomery: Very much so, yes.

Q191 **Chris Loder:** With Sundays particularly?

Steve Montgomery: Saturdays and Sundays. Fridays, Saturdays and Sundays have been very high leisure journeys.

Q192 **Chris Loder:** For those train operators where Sundays are not within the working week, would you agree that there is a clear disparity between passenger demands and the terms and conditions and what the employment conditions are to allow that to grow and continue?

Steve Montgomery: That is correct. Where we have the voluntary element, as customer numbers have come back, we are far more exposed to being able to offer a consistent timetable. We have seen it in a number of train operating businesses, where cancellations on a Sunday are far greater than they are on any other day of the week. This is through the voluntary element of where people just do not make themselves available, whatever the reason may be. What we have been talking to the trade union about is how we get this voluntary element removed and put it in as a consolidated part of the working week for people who they have to pick up the Sunday turn.

Q193 **Chris Loder:** I have two final fairly short questions. You will have heard both of the earlier panel members use the word "scab". I have never heard anyone in the train operating management world use that term. Do you believe that, when that term is used, employees who are involved with this are subject in some way to intimidation, or can be, as a result of that behaviour?

Steve Montgomery: They can be, and it is unacceptable. Both as train operating companies and Network Rail, we have quite clear policies in place where we find any form of intimidation. We have seen it through



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other disputes. We will take action against individuals should there be any behaviour like that.

Q194 **Chris Loder:** I will ask Tim this question in a minute as well, but could you just tell us the extent to which you may see intimidation during strike action as a result of a dispute?

Steve Montgomery: In some cases there is verbal, face to face. There is a lot of social media intimidation put out. If you will pardon this pun, there is writing on the bathroom wall-type behaviour as well. In the mess rooms, people write discriminatory things against individuals.

Q195 **Chris Loder:** Do we still see physical assaults?

Steve Montgomery: Less so now. Certainly not in the train operating companies that I am aware of have we seen any physical assaults or anything like that at this moment in time. Verbal, yes, but not physical that I am aware of.

Q196 **Chris Loder:** Thank you. Tim, could I ask you that question as well?

Tim Shoveller: Yes. I think this is a really unacceptable thing. You have heard from all the trade unions, and from Steve, that the negotiations have been carried out in a dignified way. I think it is essential that we carry ourselves like that.

We have made that point really clear ahead of the strikes. While there might be difference of opinions, we have to respect one another for individual views. Sadly, yes, there were examples on picket lines with individuals getting carried away, too excited and too rowdy with people that were coming into work. On one occasion, I am particularly aware of one of my senior managers being abused by strikers. Bizarrely, and a week later, they apologised.

Q197 **Chair:** Was that verbal abuse?

Tim Shoveller: Yes, and very powerful verbal abuse. That same striker, a few days later, then apologised to that individual, which does not make it okay but does illustrate some of the challenges that people have been faced with.

There have been examples of practices of people doing things that are completely unacceptable. We have to make sure, where Mick Whelan was coming from in terms of scabs and what have you, that that is not at all helpful in terms of how we are going to take this industry forward.

Q198 **Chris Loder:** Do you accept "scab" as a term that is acceptable to be used in your organisation?

Tim Shoveller: No, I do not. It has no place in respectful dialogue.

Q199 **Chris Loder:** Would someone likely be subject to disciplinary measures if they intimidated someone using that term?



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Tim Shoveller: If we have evidence that someone has been intimidated, then, yes.

Q200 **Chris Loder:** Steve, I will just ask you that.

Steve Montgomery: In our eyes it is unacceptable terminology to be used against another individual. We would take disciplinary action.

Q201 **Chris Loder:** The last point, before I hand back, is on ticket offices. You heard me ask the RMT about what they had to say about ticket offices a little while ago. After a little bit of scouting around, they said that the list came from Transport Focus.

Is it accurate that 1,000 ticket offices are set for closure? They circulated a list. I am not sure whether you have seen that, but I assume you will have done. Is that accurate?

Steve Montgomery: It is not accurate. We have not agreed to close any ticket office at this moment in time. We have said that we want to look at how we can redeploy people on stations. A lot of people that we have in ticket offices are very much trapped behind plate glass. What we have said is, how do we bring people out from behind the glass and be of better assistance to customers? We can show them how to use ticket vending machines. I think there are only 27 of the current manned locations, booking offices, that do not have ticket vending machines.

Q202 **Chris Loder:** Do you concur with the RMT that that list originated from Transport Focus, or do you know from where it actually originated?

Steve Montgomery: I am unsure where it originated from. I am not sure.

Chris Loder: Thank you, both.

Chair: Thank you, Chris. Grahame, did you want to come in off the back of that? I know that you will have time, and Christian is time limited. Did you want to wait?

Grahame Morris: As long as we do not run out of time.

Chair: No; you will not run out of time.

Q203 **Grahame Morris:** I want to move on to another section. Good morning, gentlemen. I know that you heard the previous panel. I just want to clarify something.

Mr Shoveller, you have been asked by Government to make cost savings under your plans. I am sure you heard the responses from the RMT in particular about the impact that would have on planned maintenance and the number of jobs that would go—we are not on about capital on new railways but maintaining the existing railway. I well remember that I lost a dear friend, and some others were hospitalised, in the Southall rail disaster, the Watford disaster, Ladbroke Grove, Hatfield and Potters Bar. It was shocking and often down to broken rails and signalling failures due to poor planned maintenance.



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Can you confirm what the RMT was saying about the numbers that you are looking to make redundant? What impact will that have on Network Rail's ability adequately to maintain the network?

Tim Shoveller: Absolutely; I would be delighted to. I am afraid that I do not recognise some of the things that Eddie was saying whatsoever. We have an objective of saving £100 million a year in our maintenance organisation.

Q204 **Grahame Morris:** Set by Government?

Tim Shoveller: That is our target that we have agreed as part of meeting the post-Covid reductions in cost. It is not set by Government. We volunteered that. That is part of a £400 million reduction in total that we are going to achieve through reducing our costs in the way we employ people. It is £170 million from management. We are well on track to deliver that—we have about 2,500 managers leaving the organisation already—and £100 million is from maintenance. There is another £130 million which is being saved through other measures.

So, £100 million is a lot of money, but it is a small amount of the total amount we spend every year on maintenance.

Q205 **Chair:** What is that bigger figure?

Tim Shoveller: I will write to you with the specific number. There are 9,365 frontline maintenance employees.

Q206 **Grahame Morris:** Are they contractors?

Tim Shoveller: This is just employees. It is 9,365. We think the proposals we are developing mean that we can reduce that number by 1,850. I cannot see where a third comes from that was being talked about. It is 9,365 to 1,850. It is a sizeable reduction.

Q207 **Grahame Morris:** It is near enough 20%.

Tim Shoveller: It is not a third. It is a sizeable reduction, but let me explain how that is achieved. I have also been in the railway through the time of the terrible accidents, and there is no way that I or any of my colleagues would ever go back to that approach. The way that Railtrack contracted out is well documented. That is absolutely not what we are doing. There is no suggestion whatsoever that we want to increase the amount of work that we contract out.

Q208 **Chair:** Can you give some examples of how there will not be a reduction in standards but, notwithstanding that, there will be a reduction in labour? What will you be doing that does not require that labour?

Tim Shoveller: For example, at the moment our maintenance organisation operates in fixed teams. A team might consist of three or four people. If we look at many of the tasks that those teams do, they do not need three or four people to do the task. The task can very often be done with perhaps two people, but we send four. Indeed, because of the



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fact that our teams are still specific to a particular trade, if there is a problem that requires an electrician, someone to do some civil engineering work and someone to do some protection work, we have to send three teams.

Q209 Chair: What are the names of the teams—just for us to understand?

Tim Shoveller: You would have what you call signalling teams, to do signals and systems; track systems; overhead line systems; lineside management; and teams that do the protection, to make sure that the people that are working are doing it safely.

At the moment those teams go out independently in individual vans and as individual teams. They are rostered by their own discipline. That is grossly inefficient because many of the things that we send people to do—say we send a team of four—can be done by a team of two. If there is an incident that we are responding to, where we might be sending a team to look at the track, the overhead line and a signalling issue, we will send three teams. We could have three lots of vans there. We actually need four people, but they have 10 or 11.

That is one of the fundamental reasons why this change can be implemented. What we want to do is create an instant response team that has people from all the different disciplines, that travel in the same van and can get there faster, do the work more safely and get trains moving quicker again for passengers. That is a substantial reduction in the number of people that we would have to send today. That is one of the reasons why that 1,850 number can be accommodated.

For the avoidance of doubt, this conversation has been under way with the RMT since January of this year in a huge amount of detail to explain how that will work.

Q210 Grahame Morris: Sorry, but we are going to run out of time. I want to ask you about another point that was raised in the earlier panel. It is about how Network Rail runs its operation and its reliance on contractors, with the substantial additional costs involved in subcontracting in order to meet the timetable requirements of particular jobs.

If you are looking to save £100 million, how are you going to address that? Surely, it would make more sense to an impartial observer—which I hope I am—for you to do that yourself instead of relying so heavily on external contractors and making 2,000 men redundant.

Tim Shoveller: First, I do not recognise the narrative. We do not rely heavily on external contractors. We use external contractors to support our own internal teams.

Q211 Grahame Morris: What about the comment that the industry is run on overtime? Is that not correct?

Tim Shoveller: It is not correct, but the point that was being made was about existing employees working overtime rather than the use of



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contractors. We do ask employees to work overtime. A good example, going back to the instant response teams that we want to introduce, is that very often, in an afternoon, we will not have people sitting around to respond to a fault. If a track defect is reported in the afternoon, we have to call people in on overtime to attend to that fault. Under the proposals that we have brought forward, we would create instant response teams available 24/7. That also reduces the amount of overtime that people have to work.

Depending on whether you like working overtime and whether you rely on the income from it, that may or may not be a good thing, but absolutely core to our approach is to reduce the risk through fatigue. All of our approaches are based on improving safety. We know that we do work that we do not need to do. That has come out through some of our accident investigation branch's reports. We too often send more people than we need to the site of an incident.

Grahame Morris: I will put a question to Mr Montgomery, if there is time for me to come back.

Chair: I will definitely bring you back in, Grahame. I am conscious that we have only five minutes for Christian.

Q212 **Christian Wakeford:** Thank you, Chair. A lot of the questions have already been touched on. Steve, you mentioned going into negotiations with the unions. We heard from the previous panel about a lot of the different operators having offers. How does your mandate work? Is it a universal approach, or will one operator say, "We are willing to offer this," and another operator says, "We want to offer this"? How does it actually function?

Steve Montgomery: What we are trying to do is create the framework, and then each operator will apply that. There will always be unique things within each operator that I cannot deal with, for obvious reasons. I would give multiskilling as an example of where we can get started on doing variable duties. We could apply that to every organisation. We could apply the protocol for covering Sunday working to every organisation.

There are various areas that we will be able to apply without a lot of change in each train operating company, but there will be unique elements of coverage that we will have to deal with at a local level. We believe the framework can cover the vast majority of the modernisation.

Q213 **Christian Wakeford:** With regard to the varied approach from operators, are there some who are much more pragmatic and ready to come to the table and others who try to play hardball? Is there a general approach from them, or is it very much, "We can all agree to Sunday working and multiskilling"? Are there any fundamental stumbling blocks with one operator against another?

Steve Montgomery: No, there is nothing there. I think most operators in the areas that we are covering here, and the modernisation, are



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impacted across the whole industry. We have picked out areas that we believe will affect all the train operating companies and will allow them to modernise and get greater flexibility.

Q214 Christian Wakeford: We have heard a lot about modernisation and the reduction of ticket offices, as Chris was saying previously. A lot of that does sound like an increase in productivity but a decrease in workforce. How does that square with the proposal by Network Rail of no compulsory redundancies? How is that production equation coming up against job losses? That is a very difficult one to square off.

Steve Montgomery: At the present time, as I say, we are still in negotiations with the trade unions on what the final shape of the framework will look like and what modernisation will look like. As I alluded to earlier, we have held quite a large redundancy gap at this moment in time. We have proposed that we will retrain people and will offer voluntary severance. Like Network Rail, when the train operating companies offered voluntary severance previously it was vastly oversubscribed. We believe that even at that point people were not quite sure if their job was affected or not affected.

We believe that, when we move towards introducing the modernisation, we will get more volunteers. Only as a last resort, and hopefully it is something that we can avoid, would we have compulsory redundancies. We believe that if we can work with the trade unions we can try to avoid it.

Q215 Christian Wakeford: In regard to that perspective, the unions want compulsory redundancies completely off the table before negotiations recommence. Are you able to commit to that, or is it part of a wider conversation in the background before an offer is made?

Steve Montgomery: It is part of the conversation we are currently having with particularly the RMT. It has less impact on ASLEF. It will not impact ASLEF in the same way. We are talking to the RMT about how we can try to avoid compulsory redundancies. I cannot give them that guarantee at this moment in time because I do not have an agreement from them on what modernisation will look like.

It is not quite chicken and egg. Let us agree the modernisation, and then we will have a better understanding of the potential impact. We can then work together to try to make sure that, if anybody wants to stay in the industry, hopefully we can keep them in the industry.

Q216 Christian Wakeford: Finally, we have heard from the unions that the Government's rhetoric has not been helpful. It is very much a wedge, a divisive issue, of "us versus them". In their view, the Government should get out of the way and "let us have conversations". What is the view from both of you as to Government intervention, or lack of it, so far in regard to the negotiation?



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Steve Montgomery: In terms of our position, it is better for us as the employers to be negotiating with the trade unions. We have worked in the industry for a long period of time. We understand it. It is not for politicians to be in a negotiating room. That is not what it is there for.

Do I have to work within a framework of funding? Of course, I do. The public sector pay increase is approximately 3% at this moment in time. If I am looking to go outside of that, I need to seek authority.

It will be something that we will create. It will be what I, and the negotiating team on my side, believe that the value of the modernisation is worth. We will then present that and say, "Can we be funded to this level?" Again, we have to make sure it is funded, obviously.

As I say, the biggest change we have had from the outset, when we started this, was that this was very much about how we reduce the cost of the industry while we have these challenges. Clearly, pay negotiations have become far more to the fore. That is making it harder to get a deal at this moment in time, but we continue to work with the trade unions to try to resolve that situation.

Q217 **Christian Wakeford:** To what extent do you think the current political narrative over the last couple of months has actually hindered rather than helped in terms of the negotiation position for both sides of the argument?

Steve Montgomery: I think it depends which side of the fence you are on. For myself, it makes no difference to me. I have to go out and do a job and try and negotiate with the trade unions. As I say, we have carried that out in a very constructive manner. The political rhetoric between the trade unions and politicians is something that is not for me to deal with at this moment in time.

Tim Shoveller: I completely support that. Going back to your previous question, as you can see we have made a pay offer that is outside the public sector guidelines. We have done that and it has proved effective. Indeed, we have had support from the Department for Transport to offer the travel offer, for example. That is not something that Network Rail can do on its own. We have had support from Government to enable us to do that. I think that does demonstrate in evidence the fact that there is a process that has been effective.

Q218 **Mr Bradshaw:** Notwithstanding what you have both just said, we heard compelling evidence from the trade union leaders about successful settlements having been made across the United Kingdom in companies not owned by the Department for Transport—in Scotland, Eurostar, Merseyside and so forth.

Is it not reasonable for the public to conclude that the problem is the Government, the Department for Transport and Ministers?

Tim Shoveller: I do not recognise that.



Q219 Mr Bradshaw: It is true, is it not? They said that settlements have been reached in those areas.

Tim Shoveller: All I can talk about is from my perspective. Let me be clear. The offer that we put on the table yesterday is what we can afford. Irrespective of any permission that anyone might give us, I cannot offer anything more than I can afford. We are not going to go back and ask passengers to pay more by putting fares up. We cannot ask for the Department and taxpayers to pay more into the industry than they are already doing. So, rightly, we are challenged to make this efficiency ourselves.

In the offer that we made yesterday, we said that the 4% offer was the maximum that we could afford. If there is more productivity forthcoming and more ways we can work together to save money, that creates opportunity to pay more. I do not think that their external factors are relevant.

Q220 Mr Bradshaw: What is your explanation for the fact that all those other organisations in the rail sector have managed to reach a settlement and you have not?

Tim Shoveller: I do not know the economics of how Eurostar or some of those other companies work. What I am aware of from a rail perspective is that we have worked really hard to generate the cash to make the offer that we have made. The ability to go beyond that is entirely conditional upon the ability to generate more funds and more savings.

You have heard that, even with the 4% that we have offered against the productivity that has not yet been agreed with the union, they are still fighting some aspects of it. In that environment, that is the constraint and not any other influence.

Q221 Mr Bradshaw: Mr Montgomery, how come other rail companies have managed to settle and you have not?

Steve Montgomery: Those other rail companies have different contracts from the contracts that are currently in place between the DFT franchises. I am not aware of what type of settlement, in terms of productivity, is included within those settlements. I do not have the detail of it.

Q222 Mr Bradshaw: Is it not your job to find out, so that you can get some baseline of where a settlement might be reached?

Steve Montgomery: If we can get the details of it, yes. Merseyrail is an example of where they have introduced a different form of working. It is a revenue-risk contract. There are different variants across the businesses. Again, those are funded by either devolved authorities or private-sector businesses. It is different variants and different contacts.

Q223 Mr Bradshaw: I will pick you both up on something you said earlier about intimidation. You both accept, I assume, the right to strike and the right to try to persuade people not to cross a picket line. I assume you



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both also accept that the strikes that we saw were overwhelmingly peaceful and, indeed, seemed to attract quite a lot of public support. All the opinion polls showed that the public have enormous sympathy for the strikers.

Why did you raise concerns about intimidation?

Steve Montgomery: We did not raise concerns.

Q224 **Mr Bradshaw:** You talked about intimidation, I think.

Steve Montgomery: We were asked a question about intimidation.

Q225 **Chair:** You gave examples of it. Do you recognise Ben's point about the public support? What is your view on that? Again, I would agree with Ben that we seem to be hearing that.

Steve Montgomery: I think it has been mixed across—

Q226 **Mr Bradshaw:** The polling suggests that 70% of the public support the strike and feel that the strikers have a case because everyone is suffering under a cost-of-living crisis.

Tim Shoveller: I think there is another group here as well, which is the passengers and the people's lives who are affected by it. I have seen different polls with different numbers.

Q227 **Chair:** That is a fair point, because obviously people who are not passengers are not as impacted. Have you polled passengers?

Tim Shoveller: Network Rail has not polled passengers, but I have seen the feedback from passengers, and we have seen the impact that that has had on people's lives. That was very well reported during the strikes. There is no doubt in my mind that the strikes were unnecessary. There was no need for the strikes to take place when they did. As I said, we have been working hard and we were near to making an offer to the RMT. What that strike did was to generate huge amounts of publicity, a huge loss to the industry's reputation and income and made it harder to make the pay deal that we are trying to do.

I recognise the right to strike, but I do think it was inappropriate to strike when that strike was called. The only way we are going to solve this is by talking. The strike does not make that talking any easier. In fact, it made it harder to have those conversations.

Steve Montgomery: What we have to bear in mind is that, when we talk, no one wins out of strikes, particularly when the RMT members, who probably have lower-paid members than ASLEF, potentially lost 10% of their monthly salary when they were on strike for three days. That is not fair on those individuals.

Q228 **Mr Bradshaw:** It shows how strongly they feel that the strike was so solidly supported, does it not?



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Steve Montgomery: It does not make it any better because the company picks some of that up later on. It is very much, how do we try and avoid the strikes and resolve this in a peaceful and sensible way? That is how we move forward. That is the key area that we keep trying to bring the trade unions back to.

Q229 **Mr Bradshaw:** I have to move on because we are running out of time. What is your view on the Government's response to these strikes by proposing to change the law on agency working?

Tim Shoveller: We have been clear that that will have no effect in the short term, and it is likely to have limited effect in the long term because many of the most safety critical roles—signallers and what have you—have no agency market to be able to fill in for that sort of role.

Q230 **Mr Bradshaw:** Do you have the same view, Mr Montgomery?

Steve Montgomery: Yes, very similar, but we will use agency staff where it is sensible. We will not compromise on safety.

Q231 **Mr Bradshaw:** It is a pointless political gesture by the Government, basically, is it not?

Tim Shoveller: I would not say it is pointless. For example, if you have a number of different rail companies, at the moment one company would not lend its managers to another company to allow them to operate a strike service. That would be possible under this legislation. I do not think it is pointless. I think there is benefit to it, but the key point is that we have to avoid getting into this position in the first place.

It is a very sad thing, from the evidence that we have been hearing this morning, that strikes feature so strongly in the railway narrative. That really does not feel like a very helpful place to be. I would much rather put all our efforts into making sure that we create an industrial relations environment where a strike becomes irrelevant.

Q232 **Mr Bradshaw:** I take it you are aware that the national organisation that represents agency companies is strongly opposed to the change in the law?

Tim Shoveller: Yes.

Steve Montgomery: Yes.

Q233 **Mr Bradshaw:** Finally, do you understand, Mr Montgomery, the strength of feeling that was expressed earlier by the unions—and it is felt by a considerable proportion of the public—that on the continent, where the terms and conditions tend to be better, money is flowing back into rail companies, often state owned, from the profits made by rail companies here? They just do not see the justice in that.

Steve Montgomery: The private sector has been involved in the rail industry, without giving you a history lesson because I am quite sure you are aware of it, since the private sector came in in 1997. It has doubled



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patronage of the rail industry. It has been a great success. Over the last number of years, we accepted that the franchising system was not working as effectively as it could. During the pandemic the Government put us on to what are called emergency measures agreements and now will transition through to national rail concessions. Private operators who will take the risk in terms of operating these businesses are only paid at a very small margin. It is under 0.5%. They will have some performance payments as well.

That is probably not in line with most Government contracts. It is probably a lot less than most Government contracts, but the private sector stood behind the industry and continues to stand behind the industry, bringing the expertise that it does have, and will continue to try to use that expertise to recover the industry.

When the trade unions talk about taking vast sums of money out of the industry, I do not really see that. I do not see the numbers, particularly on the train operating companies' side. I do not see where they get their numbers from.

Q234 Chair: To finish off Ben's theme of international comparisons, I believe Mr Whelan gave me the answer that basic contractual hours and pay for a train driver is 35 hours and £60,000. How does that compare to some of the European countries that Ben mentioned? Is it on the lower side, or is that regarded as quite generous?

Steve Montgomery: I do not have it in front of me, but I think our drivers are probably on par or slightly ahead of some European countries. Again, a lot of it is really dependent on what their duties are in various companies. Some train drivers carry out far more than train driving. They do shunting, and almost maintain the trains as well at certain times. It is different comparators, and it is not an easy comparator to get—

Chair: I understand. If your organisation has any more detailed analysis on that, it would be very helpful if you sent it.

Q235 Gavin Newlands: I have a question on Government intervention. Mr Shoveller, you said, almost understandably, that you can only pay what you can afford, when you were defending whether the Government should be getting involved or not. I assume you will be aware that the deal, which was just agreed this week, between ScotRail and ASLEF is 5% plus, and I will come on to the "plus" shortly. ScotRail are paying 2.8% of that because that is what they can afford, and Transport Scotland are paying 2.2% of that. Transport Scotland is obviously a Scottish Government agency. If it can be done in Scotland, why can it not be done down here?

Tim Shoveller: I would not profess to understand how the funding mechanism works for the Scottish Government to enable them to do that. What I know is that as a result of the comprehensive spending review in this financial year, because of the fact that inflation was so low at the time, there was no provision made for inflationary pay awards. That is



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why we are in the position of funding this pay award ourselves through the productivity that is possible. It is horses for courses within different public administrations, I imagine. We are very clear that it is possible to fund a pay rise, and indeed that was the offer we made yesterday. It was 4% plus the travel.

Q236 Gavin Newlands: The comprehensive spending review obviously affects Scottish budgets through Barnett, yet they have still found this money to pay the drivers. Have you made any representations to Government to subsidise any pay offers at all? I will come to you in a second, Mr Montgomery.

Tim Shoveller: No. We have not gone back to Government to ask them to help us fund the pay this year.

Q237 Gavin Newlands: Why not?

Tim Shoveller: Because we believe we can fund the pay rise that we want to make this year, if we get agreement with the trade unions.

Q238 Gavin Newlands: You can fund the pay rise that the staff want, or indeed deserve.

Tim Shoveller: As I said, the offer we made yesterday is 4%, and based on the productivity that we have identified so far that is as much as we can afford. I think if we had a really collaborative relationship and we were able to work together effectively as employers and management, we could find much more savings than that and offer a bigger pay rise.

Q239 Gavin Newlands: I will come back to that offer in a second. Mr Montgomery, do you have anything to add to the point I was making?

Steve Montgomery: Not really. The train operating companies have an annual business plan that they agree with the Department for Transport. That gives them a percentage of pay increase. If they go outside that, it becomes what is deemed as disallowable. We have to go back to the Government and say, "We need further funding," where it is outside the budgeted figures that we have.

Q240 Gavin Newlands: Part of the updated offer that has been made is a 2% unconsolidated cash lump sum that may well be consolidated into base pay on the delivery of specific working practice changes and productivity savings. Can you list what they are, please?

Tim Shoveller: I will not list them. I will have to write to you because there is a number of them. I am happy to share that. They are fundamentally in the maintenance area, changing the way that people are rostered. Some of our staff are rostered. I have talked about them being currently rostered in groups. We want some of those staff to be rostered individually, which is common across the rest of the industry. Drivers are all rostered individually, so we want to do the same with some of our maintenance teams. That generates a significant amount of productivity.



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There are other key things that enable that reduction for employers that I mentioned earlier. That is a significant saving, and that is one of the key things that helps to fund the pay rise.

There are a number of elements to it. I am happy to go into detail, but really this is about changes that allow us to operate rail more efficiently and safer. It also saves money, and that feels to me like a win-win.

Q241 Gavin Newlands: Mr Montgomery, can you list what modernisation or efficiencies you are looking for from the workforce? We hear from the Secretary of State that he wants to modernise the rail industry. That is a very vague description. Could you list everything you are looking for in terms of modernisation?

Steve Montgomery: They are probably the things I listed earlier. It is the multiskilling and the rationalisation of booking offices and making sure that we repurpose people in stations so that they can do greater things. It is how we make sure we can operate a Sunday service on the seven-day railway more consistently and guarantee it.

There are pension reforms. We are talking to the trade union regarding that. There are new entrants' terms and conditions. That is an area that we want to look at.

We have very historical terms and conditions that go back, as the trade unions will tell you, to 1928. They are some of the dates that they quote to us. It is those types of areas that we are trying to modernise.

Q242 Gavin Newlands: I am very conscious of the time, but I will come back to Mr Shoveller. You mentioned the updated offer to general grades. I think there is an updated offer to management grades being sent out today. Can you tell us if that offer, or the previous offer, was higher than the offer made to general grades?

Tim Shoveller: Yesterday afternoon we also made an offer to our management teams. That offer is 3%. That is obviously lower than the general grades' offer. There are other things which are relevant for managers. Obviously, the travel is also included. Indeed, we will make a payment from our normal performance-related pay arrangements. It is lower at 3% rather than 4%.

Q243 Gavin Newlands: On the base pay. What is it worth overall in comparison to the general grades?

Tim Shoveller: The percentage rise is 3% rather than the 4%. That is the simplest answer. It is worth a percentage point less. The reason for that is fundamentally affordability. For the general grades we have been able to identify the productivity that I talked about earlier. That is obviously much harder to do for management, but we believe it is still a good offer for management, albeit it is a little different.

Q244 Gavin Newlands: I mentioned the deal with ASLEF. Whether it is in



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Scotland, England or anywhere in the UK, we all want to see an efficient train service that gets folks to their jobs around the country on time. It allows us to decarbonise transport as part of modal shift, etc.

I noticed that the Scottish deal is 5% plus. Obviously, there is a lot to it, and I mentioned some of the things earlier. Part of that is revenue sharing once various targets are reached on revenue and other things. Is it not a better way forward to look at some of these agreements and to try to work hand in glove between management and staff, giving staff a buy-in for the future of the railways? I have the details in front of me for the deal. It is not structured in the same way. Would that be something you could look at?

Tim Shoveller: Ironically, of course, travel was the thing that our people had asked for most, and that is very fundamentally about getting employee engagement and buy-in, so that our employees can use the service that they provide. That has been asked for over a very long time, so I think that is a really important first step. It is the thing that they have asked for the most.

Q245 **Gavin Newlands:** Perhaps it is a fair question to put, Mr Montgomery, in terms of revenue sharing. Obviously, you do not drive revenue yourself. What do you say to the points I was making on that?

Steve Montgomery: Again, we have not discussed it in the current discussions with the trade unions. It is not something that we would definitely take off the table in any way, but again it has to be sensible measures that you can put in place, and how do people impact on growing revenue. That is back to your point about how we get people to work together. There are areas that we can look at. It is almost a performance-related pay increase that you are looking at here and key measures.

Again, the way that you can influence revenue is by the wider workforce reforms that we carry out. It may be something that we can bring into play, but at this moment in time we have not discussed it with the trade unions.

Q246 **Gavin Newlands:** I have one very brief last question to you, Mr Montgomery. I think you mentioned ScotRail previously; is that correct?

Steve Montgomery: That is correct, yes.

Q247 **Gavin Newlands:** Do you notice any difference in the way that pay negotiations or issues between the unions and the operators are handled in Scotland, or anyone else, versus in England with the DfT responsible.

Steve Montgomery: I think what you have to remember is that, when I was in charge of ScotRail and other train operators, until the pandemic each train operator was a private entity in its own right and had the revenue risk. Since the loss of the contracts under the old traditional train operating companies—the franchise model—it is a different set-up now. Their ability to be able to negotiate in previous ways and make those



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decisions is no longer available because you are now virtually a concession, on a management contract. You do not have those same control measures that you previously had.

Gavin Newlands: I could go on and on with that, but I will pass back to the Chair.

Q248 **Chair:** Before I hand over to Grahame for the last questions, let me ask this. It is very difficult sometimes to distinguish between what is a working practice, which sounds quite bizarre, and what is not. Can we pick up on one that was referenced by one of the trade union reps? It is this concept of someone on a break and their manager interrupts them to say hello; then the break has to start all over again.

I have heard that said. In fact, someone wrote to me and said it is the case, and why not, because they are taking a break and should not be interrupted. It was also said by the union representatives that that was not the case. It seems a bizarre one to use, but it seems a bizarre rule. Is that the case? If anyone is interrupted during their break, does it start again, even with a greeting?

Steve Montgomery: I am not aware of it. I have not heard it said, certainly by any of the train operating companies that I work with. I have not heard of it in any of my businesses.

Q249 **Chair:** It might be a Network Rail thing.

Tim Shoveller: Many years ago I recall a similar incident where a manager tried to have a conversation about an incident that occurred when someone was on a break, but not in terms of saying hello. I do not recognise that whatsoever.

We have given an example about how some of our teams will not travel in the same van as a team with a different skills discipline. I think those are things that do not do the industry any credit, frankly. If they were ever right, it was in a different era. They are certainly not relevant to the way we need to work together now.

Q250 **Chair:** I agree, but I have a feeling that it was actually someone from Government who first mentioned that if a break is interrupted it starts all over again. I think I have used it on that basis as well. Grahame, I am looking at you. You have not.

My point comes back to some of the earlier questions. A lot of the rhetoric cannot have helped. One hopes that there is a political ding-dong going on, but then actually you are completely insulated, in a room making sensible decisions and having good, positive discussions. Surely, it cannot help your good, positive discussions if there is so much political noise and pie chucking.

Tim Shoveller: My concern is actually for our employees. As I said, the negotiations have been frank, difficult and challenging at times, but professional. My concern is for our employees because most of our people



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are proud to work for the railway. They come to work and very often work on their own, unsupervised, day in and day out, all hours of the day and night. They do that job well if they are proud of what they are part of.

When they hear some of those examples being used readily around the industry in that way to discredit the job they do, of course that is an issue for them. I know that will genuinely upset people. It also generally upsets me because I know there is truth to some of these things. That upsets me because I think, "Crikey, is that the modern, efficient industry that we need to be?" Some of these practices go back 100 years or more and are still constraining how we run the railway today. That cannot be right. There is frustration, but the only way of resolving it is through dialogue.

Chair: It would appear to undermine their role and what they do, but it also undermines your ability to say, "This is a workplace practice which could be made more efficient." Again, it is difficult to get the facts out there. Grahame will have the final word.

Q251 **Grahame Morris:** Thanks, Chair. I want to pick up on something that Mr Shoveller said and put a similar point to Mr Montgomery. I want to be positive because we believe that the dispute, with good will on all sides, can be resolved amicably in the interests of the whole of the industry, the travelling public and the workforce too.

It is a really important point about the operating contracts. In fact, Steve, you said that the railways were privatised in 1997. It was in 1993 that John Major did the franchises.

Steve Montgomery: Yes; correct.

Q252 **Chair:** In the previous panel the trade union representatives—the general secretaries—were talking about some of the costs in the industry. I particularly take your point about multidisciplinary teams, the people who maintain the track, the overhead cable and signalling. That is an obvious idea that could produce savings if it is done safely and you have the necessary skills.

Do you take their point about the additional costs that fall on the structure of our industry from the train operating companies, from the ROSCOs—the train leasing companies—which are needless costs in running an efficient industry? Perhaps similar industries in Germany and France would not face those. Maybe that is why Eurostar does not have these costs.

I do not know if that is better directed at Steve.

Steve Montgomery: In terms of privatisation, the industry has probably had above-inflation pay increases right through the whole of privatisation for the majority of people.

Q253 **Grahame Morris:** The trade unions argued that that was paid for



through increases in productivity, halving the workforce and working weekends and so on.

Steve Montgomery: They may argue that that was the case. We could also say that the model and the structure that was created made it challenging for having industrial action during those times, so the trade unions, as is their place, extracted more from the private operators and tried to increase their overall conditions, not that anybody is against improved conditions.

The key thing is that we are now in a different operating model. The available money was there, going back to Gavin's point, whereby you could reward people by higher pay increases where you were able to increase revenue. Now, we do not have that ability within the current contracts.

Q254 **Grahame Morris:** I was just looking at the press release from First Group. The TOCs paid a dividend of £51.5 million for the financial year 2021. The press release is really optimistic. It says, "As the UK passenger rail industry continues its evolution to a more successful and sustainable railway system that works better for all parties, we"—that is First Group—"are both well placed to drive increased patronage and to generate resilience and consistent return for shareholders." So, your company thinks the future is rosy.

Steve Montgomery: But that is more for my open-access operation because it is a fixed fee under the NRC-type contracts. I have open-access operations as well and other parts of First Rail that make it grow. It is how we can grow within the rail industry, but that is predominantly about our being open-access businesses, where I take revenue risk.

Q255 **Grahame Morris:** Tim?

Tim Shoveller: I wanted to add that we have seen from the Williams-Shapps review, and indeed previous reviews such as McNulty, that there is opportunity to run the railway more efficiently. The biggest thing we can do to do that is to create the guiding mind that Great British Railways offers. That is the best way that we can make sure we maintain increased service levels while also reducing costs. It is about the benefit of having an organisation—a guiding mind, if you will—to lead the thinking and planning for the industry. There is no doubt in my mind that that is the thing which is going to do it. We have a very positive future and one, hopefully, where we can build much better industrial relations with our employees.

Grahame Morris: On that positive note, Chair, I will hand back to you.

Chair: Thank you, Grahame. I was also going to add a positive note. We are very grateful for the time that you have given us, and indeed we are grateful for the time given to us by the trade union representatives. We hope it has not taken you away from the negotiations. We wish both sides the very best in coming to an agreement that will be of benefit to



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our constituents, who are of course passengers as well as workers in the great rail industry. We wish you well, and we thank you for your time.