HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Rail reform: the rail transformation programme, HC 652

Monday 29 April 2024

Ordered by the House of Commons to be published on 29 April 2024.

Watch the meeting

Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Mark Francois; Ben Lake; Anne Marie Morris; Sarah Olney; Sarah Owen; Matt Warman.

Transport Committee Member present: Iain Stewart (Chair).

Gareth Davies, Comptroller and Auditor General, National Audit Office; David Fairbrother, Treasury Officer of Accounts; and Jonny Mood, Director, National Audit Office, were in attendance.

Questions 1 – 100

Witnesses

I: Dame Bernadette Kelly DCB, Permanent Secretary, Department for Transport; Conrad Bailey, Director General, Rail Strategy and Services Group, Department for Transport; Anit Chandarana, Interim Director General, Rail Infrastructure, Department for Transport; and Andrew Haines, Chief Executive, Network Rail Great British Railways transition team lead.

Report by the Comptroller and Auditor General

Rail reform: the rail transformation programme (HC 579)

Examination of witnesses

Witnesses: Dame Bernadette Kelly, Conrad Bailey, Anit Chandarana and Andrew Haines.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 29 April 2024. Today, we are looking at the rail transformation programme. This is a huge, important programme for the future of the rail network, which has failed over the years, and has been costing the taxpayer and causing misery for passengers for a number of years. Everybody agrees the system is in desperate need of reform and the Department for Transport has set up the rail transformation programme to try to deliver on those complex reforms, but it is a very high-risk timetable. The NAO Report, which we are grateful for, shows that there is not a really clear plan yet and it has not yet delivered.

We are really keen to hear from witnesses today, to get into the detail of where they are at and where they hope to be. We hope for some honest answers about what the possible problems are along the way in achieving the Government’s aims. In this Committee, we have often raised the fact that passengers seem to be at the bottom of the scale, so we want to really hear what is going to be happening for passengers as we discuss this issue with our witnesses.

I would like to welcome our witnesses. We have, of course, Bernadette Kelly, who is the permanent secretary at the Department for Transport. She is joined by Conrad Bailey, who is the director general for the rail strategy and services group at the Department for Transport. They are joined by the interim director general for rail infrastructure, who is Anit Chandarana, and Andrew Haines, who is the chief executive of Network Rail and the Great British Railways transformation team lead, which has the initials GBRTT—working in transport gets exciting.

Perhaps you could just explain first, Mr Haines, how you can manage to do both jobs and what that role as transition team lead involves.

Andrew Haines: When the White Paper was published in 2021, the Government and the Department for Transport identified that they needed a vehicle to start mobilising, so that once legislation had been passed, you would have been through the necessary investigations into what the model would be for operations, actually setting up some of the capability, and setting priorities. We were commissioned basically because Network Rail is the largest beast; it you did not commission something out of Network Rail, then you would face all the transfer costs and delays of moving contracts— 40,000 people and all the assets—into a new entity. We are the logical home to create it out of. We have been doing that.

Anit wears two hats here. Anit is here because he was the lead director on my behalf, so working full-time on that, right up until last August when he went to work at the Department for Transport. That is how I was able to do it, because Anit was full-time on that, and we have had a team working on the detailed plan, working alongside the Department on legislation, delivering some early benefits around fares and ticket retailing, and bringing together industry experts to mobilise rail revenue recovery so that we were attracting more people to rail. There is a whole host of things in that area, which we are happy to talk about.

Chair: We are going to get into the governance issues around it, because that was pretty key to some of the challenges that it has had so far. Thank you for that.

Before we go to into the main session, we just have a couple of issues to raise with you. I will ask Anne Marie Morris MP to kick off.

Q2 **Anne Marie Morris:** Dame Bernadette, you will be aware that our one railway line that takes us down to the south-west was severely disrupted following the storms in Dawlish, which are now almost 10 years ago, or just beyond. When the wall came down, the Government committed that they would do everything that it took to put it back together again and make that south-west peninsula rail line bulletproof and future-proofed.

Of the five phases, four have largely been completed. On the fifth one, which is the most difficult one, by the Teignmouth cliffs, the Government have committed to it. The challenge, however, is the funding that needs to be forthcoming. Where we have got to, as you will know, is the design phase. That has to be put in place by June at the very latest, because that design phase requires drainage trials. Those have to be installed before we get to the winter months, when you get the maximum rainfall, otherwise the trial is ineffective. The decision to commit that money, which I believe is part of the Network North money, has now been delayed two months in a row.

Can you give me some comfort that at the next meeting, which is expected in May, the green light will be given for that money because, if it does not happen then, frankly, we cannot then ensure that in June we can then start rolling out that plan and putting in place the necessary drainage mechanism for the study?

Dame Bernadette Kelly: I am well aware of the scheme, which has come up a number of times at these hearings in the past. As you say, four phases of the work are complete and, as you also say, the commitments are included in Network North. I cannot give you comfort at this point, because decisions on funding are ultimately for Ministers. Until those decisions are taken, I cannot say anything further about them at this Committee, but obviously the business case is with the Ministers and they are well aware of the importance of the scheme.

Q3 **Anne Marie Morris:** For your benefit, can I just make it clear that, if we do not do this now, the whole programme is delayed by a year? Any railway line is only as resilient as its weakest link, and the longer we leave this, the more vulnerable that railway line is, which would mean a bit of a waste of all the money and effort that has gone in so far. Could I just ask you to press the case with Ministers and also with your colleagues in Treasury? I would be most grateful.

Dame Bernadette Kelly: That is noted. The seasonality issues are ones that I am sure will be well understood by colleagues and Ministers, so I take the point.

Anne Marie Morris: I appreciate it.

Q4 **Chair:** I sense Ms Morris is going to be beating a path to the Minister in the Lobby tonight, to lobby there as well. Thank you very much for that.

I just wanted to pick up on your Treasury minute response to our PAC report on HS2 and Euston. At the point when the Prime Minister announced that Euston was going to finish at phase 1, he talked about a redirected £36 billion to Network North; that is in 2023 prices, of course. We asked if you would commit to updating Parliament, and indeed the public, with a list of projects by region that we funded through the money redirected to Network North. You came back with a response, which is, I have to say, a masterful response, in that it told us, yes, you agreed with us but not exactly how. I just wanted to press you on how often you will be reporting and updating the list of projects that will be funded through Network North.

Dame Bernadette Kelly: I thought the question was about a slightly different issue, so apologies; I have not looked into detail on this point. We set out a fairly detailed list of Network North commitments in the initial announcement. We do not have a formal plan to do an annual report or similar on that, but I would expect Ministers to want to give full information to Parliament on the progress that we are making. I am sure we will find a mechanism to do that, but there is not a formally agreed way of doing that at the moment.

Q5 **Chair:** It would it be helpful, because one of the things here is about finding it in one place and following the money through. Our colleagues at the National Audit Office can do that, but that is a resource that, while available to the public in a sense, is not easy to access.

Dame Bernadette Kelly: Yes, of course. I can talk the Committee through the things that have already been announced, which are the £2 bus fare extension, the further £1 billion for BSIPs, the additional funding for city regional transport settlements, highways maintenance and the local transport fund. Those have all been announcements. We should give some thought to how we bring that together and provide, as it were, a clear account for Parliament.

Q6 **Chair:** If I can gently say, it will also help the correspondence team or the team who draft parliamentary answers. They might be helped enormously if the information is provided up front to a chunk of the 650 people in this place who would want to be following very closely where that money is spent.

You have talked in response to us about the business cases that will have to be made. There will be some time lag on some of these pledges, which we understand, but it would be helpful if that timeframe could be set out.

Also, could you tell us now how you are aiming to demonstrate value for money? That is a chunk of money that is going to transport projects, some of which are yet to be defined. We need to know that that money is not just being spent for headline reasons but is actually going to deliver results for passengers.

Dame Bernadette Kelly: Yes, of course. On the timeframe, the £36 billion released from HS2 was due to be spent over a significant period of time, not in the short term. The spending will broadly need to follow the same profile. We are having detailed discussions with the Treasury about the exact sum in any given year, but we expect broadly to spend the money in the timeframe we would have spent it on HS2. That is quite significant. If you take the highways maintenance allocations, they are over 11 years, reflecting that timeframe.

On value for money, we will be looking at each of the specific business cases for the programmes and projects as they go through decision making, in just the same way as we would for any other transport investment. I expect them to be subject to exactly the same process of business case appraisal and value for money appraisal. That will simply apply, as I say, as decisions come live on all the projects and programmes set out in Network North, which, as you say, run from quite detailed, developed schemes to very much more long-term and less developed ones.

Q7 **Chair:** Could we, perhaps offline, have a conversation about how it is reported to Parliament? There is a lot of interest. People want to follow their own transport projects. We as a Committee want to look at the overall money and how that is spent. It will be our successor Committee, or Committees, indeed, because of the length of time, that will follow this through.

Dame Bernadette Kelly: I would be very happy to take that back to the Department and then to come back to the Committee.

Chair: Thank you. I have to give credit to the DfT: we have many complaints about you, but one thing is that you are very willing to report to Parliament in a way that we find useful. Thank you for that commitment.

Q8 **Ben Lake:** Very briefly, will any of the money that will no longer be spent on HS2 be spent on projects in Wales?

Dame Bernadette Kelly: There is a significant commitment around north Wales electrification set out in Network North. That was the most material of the Welsh investments set out in Network North. The answer is yes.

Chair: We now move into our main session to look at the rail transformation programme and dig into how that is going and what pitfalls it is coming across.

Q9 **Mr Francois:** If I can refer you to page 10 of the Report, which is the summary element of the Report, and then the conclusions—what you might call the bottom line of it—I am just going to read you the final two sentences of paragraph 16: "With key parts of reform now paused until the next Parliament, longstanding issues on the railway remain, such as its financial stability and affordability, culture, and the service provided for passengers. DfT is not yet set up to secure value for money from its work to reform rail."

You have had several years to have a run at this. That is a fairly damning indictment, is it not? After all this effort, the Department is not yet set up to secure value for money from its work to reform the rail industry.

Dame Bernadette Kelly: We would acknowledge that we have not been able to progress the full scope of rail reform as originally intended and as set out in the White Paper published in 2021. The Report is obviously a detailed assessment of that, and we accept its findings. There are quite a number of factors that have caused rail reform to take longer than we intended. This goes back to May 2018, when the timetable challenges that we experienced were the event that started all of this work on rail reform.

Quite a lot has happened in the interim period, which has caused some challenges for this programme. The pandemic both interrupted work and fundamentally changed some of the challenges we face, especially around sustainable funding for the railway. Inflation has made many things more challenging, including workforce reform. We have seen ministerial changes. We have not been able to secure the legislative slot that is needed in order to fully progress reform.

I acknowledge the challenges, the time that it has taken and that we are not as far ahead as we would like to be on rail reform. Of course, as a consequence of that, not all of the benefits and therefore value for money have been secured.

However, I would also want to emphasise, first, that the fundamental analysis underpinning rail reform remains sound, correct and broadly accepted. We have made good progress in a number of areas. Establishing the Great British Railways transition team in shadow form was important. We have published a Bill now for legislative scrutiny. We have delivered benefits around flexible season tickets and simplification. There is work ongoing now to deliver other benefits that can be delivered without legislation. I would accept that we have not been able to establish GBR in its full form and therefore drive all of the reform that was intended.

Mr Francois: Again, this is the NAO's Report, not ours, but we are here to ask questions on it.

Chair: It is agreed by the Department.

Q10 **Mr Francois:** The opening sentence of that same paragraph 16 says, "The rail sector's performance for passengers and the taxpayer is not good enough and has not been for some time. DfT has identified key problems that need to be addressed but has not been able to translate this into a programme it could implement". The overall theme that runs through this Report is that everything seems to be, in effect, on hold.

Dame Bernadette Kelly: I do not agree that everything is on hold. We have made progress and are continuing to make progress. Where I acknowledge we have not been able to make the progress intended is in the establishment of Great British Railways, which requires legislation. Ultimately, whether legislation is secured is a matter of collective Government decision making. We have made progress but, as I say, we acknowledge that there is still more to do. Certainly, Ministers would agree that there is still a really pressing imperative to drive improvements in how the railway performs, both for passengers and for taxpayers.

Q11 **Mr Francois:** Let me just give you one specific example. I am an eastern region MP, so Greater Anglia is the main railway company through my constituency. I have had run-ins with them down the years, but I have always given them credit for the fact they kept the trains running very well through covid—I am the first to give them praise for that. The Prime Minister, at the party conference last October, announced a whole bunch of transport projects that could follow on from the money that was saved by the cancellation of the northern leg of HS2. We are not here to debate the merits of that decision today, but the knock-on was that there was going to be money to fund a whole range of other projects, but very few of them have started. We are nearly in May; this is back in October.

Just as one example from my own region, the proposed junctions at Ely and Haughley would be a massive asset to the east of England. They would enable more freight to go cross-country, not up the main line to London, where it can cause congestion for passenger trains, including ones from Southend. I can vouch for that. There have been number of times we have been sat at Shenfield and heard, "I am sorry. We have to let a freight train go through". Here is just one example of two very important junctions, and apparently Network Rail has not, for six months, been allowed to take any action on this, to spend any money or make any progress. There are dozens of these. Why is that?

Dame Bernadette Kelly: I may ask Andrew or Anit to say more about Ely junction, because I am not familiar with the close details of that project and I am sure they will be more so.

I would just say—this goes slightly to the question that the Chair asked at the beginning of this hearing as well—that the money released from HS2 is intended to be spent on a very wide range of programmes and projects, and some of those we have announced funding for. In other cases, it is a combination of, first, needing to profile spend so it broadly matches the pace at which savings are released from HS2, and, secondly, the readiness of schemes and projects for delivery as well. We have to take those into account. It was never the Prime Minister's intention to say that we were going to do all of the things in Network North immediately. It was always going to have to be a rolling programme of delivery of all of those commitments and schemes.

I do not know whether either Andrew or Anit wishes to say more. Can I just explain something, by the way? There are some slight differences in Anit's role relative to how you described it at the beginning, Chair. Just for the record, Anit was, until last week, leading our work on rail infrastructure in DfT on secondment from Network Rail, where prior to that he had been leading the work on the Great British Railways transition team. He is particularly well placed to answer questions on that. He has now returned to Network Rail, and we have a new director general, Alex Hynes, leading on those services. I just wanted to clarify that for the record.

Chair: Forgive me. I did not realise that we were using a title that was old.

Dame Bernadette Kelly: I do not know who is best to talk about Ely specifically.

Andrew Haines: Ely is a great scheme. It has a very strong business case because of the decarbonisation benefits of freight. Every freight train takes about 80 lorries off the road, which is why it has such a strong case but, as the permanent secretary said, we are awaiting the profiling of the release of funding. My understanding is that the parts of the HS2 programme that were cancelled were not actually of a high spending profile for a number of years, and so the amount of money that is available in the immediate term—

Q12 **Mr Francois:** You said the analysis is compelling. The benefit-cost ratio is almost five to one. On paper, it looks as if this is, to use a colloquialism, a bit of a slam dunk, but it all seems to be taking an inordinate amount of time to work its way through the system. In my experience, Huw Merriman is a very diligent, very proactive Rail Minister. He is not a man who is frightened to take decisions, so why is this taking so long?

Andrew Haines: It is to do with the release of funding and the profile, which has yet to be agreed.

Q13 **Mr Francois:** Can we explain a bit more to the Committee about why it is taking so long to release the money?

Dame Bernadette Kelly: What we are needing to do for all of the Network North commitments is agree with Treasury an appropriate profile. As I say, not all of that £36 billion is available to spend now. It is available to spend over a significant period of time. We are in active discussions with the Treasury about how much is available and released to be spent now, and then Ministers will have to take a view on the prioritisation of those schemes and programmes that are ready—

Q14 **Mr Francois:** In layman's English, we are arguing about which years we are going to spend the money in. I have got that, but a lot of that is going to be subject to a post-election public expenditure review, whoever wins. Does that not really mean that, even if you can take decisions about these major junctions now, there is a risk that some of that will then be interrupted by a public expenditure review nine months later?

Dame Bernadette Kelly: Future spending reviews are for future Governments and I cannot really comment on what might or might not happen in those. I can only explain to the Committee, as I am seeking to do, why we are having to implement the commitments to Network North in a phased way.

Q15 **Chair:** You are sticking to the spending profile of HS2.

Dame Bernadette Kelly: We are broadly sticking to that and then, as I say—

Q16 **Mr Francois:** Sorry to cut across you, but we are always tight for time. In fairness, you have recently released £5 million to rebuild Wickford station, which I have been arguing for for two years. Huw Merriman took a decision, so you can take some decisions, but it is these longer-term, big junctions that seem to be the problem.

Mr Haines, after three years of debate, you have recently reopened Blounts Wood pedestrian level crossing in my patch, so thank you for that, on the record, but, again, that was not a major junction. I do find sometimes, if I am honest, that Network Rail is a bit of a giant bureaucracy. Why does it take Network Rail so long to take these decisions?

Andrew Haines: We can be big and clunky, and that is why we have created a regional structure, to be much more accountable. That is why I fundamentally believe we need rail reform, because Network Rail is segregated and separated from passenger and freight revenues, and that creates the wrong incentives currently, but it is important to recognise that, when it comes to enhancements, all enhancements are funded directly by the Department and are ministerial decisions.

Our regulatory settlement is for the maintenance and renewal of the railway and, if it is an enhancement, I have no financial delegation at all. That does mean we have to compete with other public spending commitments and other decisions, even within transport.

Q17 **Mr Francois:** Another of the themes in the Report is that, because our current structure is so complicated, you end up with a bit of paralysis by analysis, as the Army calls it. Whenever you want to get something done, everyone points at someone else and says, "We are waiting for them to decide."

Andrew Haines: That is a very fair observation, absolutely, but often the pointing is true. The point is very few people have their hands on all the levers and it can be immensely frustrating for stakeholders.

Mr Francois: That brings me back to where I came in. That is all the more reason to rationalise it and causes all the more frustration at the fact that, three years on, we have not really done that.

Q18 **Anne Marie Morris:** The Department for Transport set up the rail transformation board. That then created the Great British Railways transition team, to work with the two Government Departments—Treasury and Transport—and the Infrastructure and Projects Authority. Those are quite a few very challenging stakeholders with many different interests. Why were the governance arrangements—I am looking at you, Mr Bailey—so ineffective at getting those stakeholders to agree scope and delivery plans?

Conrad Bailey: Maybe I will start by just summarising the governance arrangements. Following the launch of the White Paper in summer 2021, we established and used the rail transformation board. That was something that brought together colleagues from the Great British Railways transition team, as well as, critically, the Treasury and the Infrastructure and Projects Authority. As we moved forward—and we were looking at that point to introduce legislation in the third Session—it was very clear that we wanted to establish a shadow body, a shadow Great British Railways. That was the Great British Railways transition team. We wanted to set that up on a legal basis, and so that body needed its own governance in accordance with normal governance practice. It was an independent legal entity. It had an independent chair within the Network Rail structure.

We used the transition board very much to try to bring together Treasury officials, draw on the expertise of the Infrastructure and Projects Authority, and those of us who were working to take forward the reforms. It is a fair challenge that that board was not able, in and of itself, to bring together and get complete alignment between ourselves and the Treasury in particular. It did help us establish that overall programme and drive the programme forward but, in terms of actually bringing the Treasury on board, that was not sufficient in and of itself.

Q19 **Anne Marie Morris:** The Chair is going to ask questions about the Treasury in due course so, if we can just focus on the general concept of good governance, what is it that you are now proposing to do to make it work more effectively? You effectively admitted it does not work, your challenge being you have almost competing governance structures, if you like, for the different parties involved. What are you going to do to make the governance overall—integrating the independent governance arrangements of the key stakeholders—work? Otherwise, without key roles and responsibilities, we are not going to get anywhere.

Conrad Bailey: I do not recognise that we have had challenges in the relationship between the Great British Railways transition team governance and the rail transformation board arrangements, as were. My sense is actually that that relationship has been a very collaborative one and one that has worked well. I attend, as an observer, the Great British Railways transition board. Members of that team also attend the rail transformation board.

The challenge, as I say, in terms of the governance and bringing stakeholders together has been specifically in relation to the relationship with the Treasury. In terms of going forward, we have changed the way we are looking at the programme. We are trying to run it now as very much a portfolio of different projects, so that nothing gets held back. We can move forward on those things that we can without having legislation.

We have created a rail reform board, which, again, has the right people around the table, but with very clear accountabilities, both for the individual projects, but also within our wider departmental governance. It is very much plugged into that and that then flows up to the Treasury, where Treasury approvals are needed.

Q20 **Anne Marie Morris:** Will you have oversight of what you just described, to make sure it works in practice?

Conrad Bailey: Yes. My sense is we have a much clearer oversight but, as I say, the particular challenges we struggled to deal with through the rail transformation board were ensuring cross-Government alignment.

Q21 **Anne Marie Morris:** To achieve this, given that we are not in a position right now to have legislation, you have chosen to focus on a number of different aspects. The employment piece is one, which I am not going to touch on, but culture was another.

Culture is one of the most difficult things to change and, given that you could not legislate, and given, effectively, that you had a cake and you could only deal with the currants and the nuts, and not deal with the flour, how on earth did you think, and how do you think, you are going to effect that culture change, and how are you going to describe the culture change that you are looking for?

Conrad Bailey: In terms of culture change, we have done a number of things. We have worked with leaders across the sector to identify a cultural framework for the sector—things we can agree on. The importance of the customer would be a really obvious and straightforward example. We have done a lot to encourage interchange between organisations. Anit will say more in a moment, but a lot of the people from the Great British Railways transition team have come from many different organisations.

Anit's secondment into DfT and, indeed, Alex Hynes's secondment more recently are all about getting that cultural interchange, and we have been doing that at every level, taking that down into our leadership, to bring people together to work on joint projects, to begin to get that culture of collaboration, which is really essential. We have also set up collaborative leadership programmes across the sector.

Q22 **Anne Marie Morris:** When you talk about culture change, you are not talking about changing the culture. You are talking about delivering collaboration. Have I got that wrong?

Conrad Bailey: One of the elements of the culture we need to change is collaboration. Another is absolutely this focus on the passenger and the freight user of the railway. Value for money would be another area.

Q23 **Anne Marie Morris:** Has anybody articulated what the culture you are trying to achieve looks like? If you do not know what you are shooting for, it is going to be very hard to deliver.

Conrad Bailey: Absolutely. As I say, we have set out a cultural framework, which is best summarised in the strapline of the Great British Railways transition team, which is, "A simpler, better railway".

Andrew Haines: "A simpler, better railway for everyone in Britain". Anit may want to pick up on—

Anne Marie Morris: I am not sure that is a culture.

Anit Chandarana: I can describe what we have been doing in the GBR transition team as a way of trying to explain that. One of the reasons for setting up that group of people was to start bringing about that culture change. It is worth taking a step back and saying that the culture we have in this industry is a function of how it is set up. It is not just because there are bad people working in this industry. It is one of the big findings that Keith brought about.

If you take, for example, Network Rail, which has been set up for 30 years to think about assets, or train operators who are very simply asked to look at revenue and not the cost base, that is what drives culture and the incentives. When we set up the GBR transition team, one of the things we have striven to do is to look at how we bring people from the industry together who have not worked across the piece.

We have attracted people from across 17 different railway organisations, from every owning group, and when we start putting people together and they start seeing the full picture of the P&L, from revenue to cost to outcomes, they start taking decisions that are best for the whole system, rather than their individual parts of the system. That begins to drive a different culture.

As well as that, what we have been able to do in the transition team is create a much more diverse group of people. If you look at the make-up of the transition team, we have 52% women, 26% ethnic minorities and 5% people with stated disabilities. That creates a culture where the decisions taken are much more representative of the customer base that uses the railways. We have used that experience to create the cultural framework, which has been shared with all parts of the industry, and all parts of the industry are signing up to that culture.

What you are absolutely right in recognising is that culture change is not going to happen overnight. It is going to take time to get to that right culture change, but we have shown through the work in the GBR transition team that, when you start looking at the railway as a whole and you start creating a desire for the people in the railway to make decisions across that whole railway, thinking about customers, passengers, freight and the taxpayer, it begins to change the culture.

There is also no doubt that, ultimately, to get to that cultural change, we will need the creation of Great British Railways, to drive that agenda. These are beginning steps that we are taking to try to create change.

Q24 **Anne Marie Morris:** You are prioritising culture change, while recognising that you cannot actually deliver culture change until you get legislation through. It sounds to me like you have aspiration. You have a plan, but there is a key plank missing. How, realistically, are you going to drive forwards, without this piece of legislation to change the culture, and how will you measure whether or not you have achieved what you set out to achieve?

Anit Chandarana: We can make inroads into it. I agree that we cannot do the complete job without the legislation and creating GBR, but we can make inroads. We are concentrating on a number of things now. For example, we are starting a pilot with the train operating company Anglia and Network Rail about how they can create better collaboration and better decision making across their space, to deliver passenger outcomes.

The ultimate test of whether we are achieving those better passenger outcomes will be passenger satisfaction and passenger advocacy. That is how we will measure whether we have achieved those outcomes. Ultimately, passengers and freight companies will vote with their pound notes, because they will bring the revenue into the organisation. That is the ultimate measure for us.

Chair: I am delighted to welcome Iain Stewart MP, who is the Chair of the Transport Select Committee; he is guesting with us today.

Q25 **Iain Stewart:** As you will know, my Committee is doing the pre-legislative scrutiny of the draft Rail Reform Bill. Several of you will be appearing before us in the fullness of time, but I just wanted to pick up one theme that is already emerging from the evidence we have received. That is that, while most stakeholders in the industry are comfortable with Network Rail becoming the legal entity, as the base for GBR, there is a deep concern that the culture of Network Rail will just move over. There will be a new building, with a new nameplate on the door, but not much else will change. How can you make sure that GBR is not Network Rail

2.0?

Andrew Haines: I would share that concern. It would be a massive missed opportunity if GBR was some reinvention of Network Rail, but it is really important to emphasise what Anit has just said: cultures are not created by accident. The Network Rail culture is one that is pretty predictable. If you say, "Here is a regulated entity. You please the regulator. You get more money if you are in negotiations with the Government. If passenger numbers go through the floor with covid, you get better performance payments. If freight goes up and down, you are largely held harmless," it creates an entity that is fundamentally interested in assets and in engineering, and not in the outcomes of the railway.

In terms of the work that we have done as part of GBRTT to create a single P&L, we are already starting in Network Rail to change the culture, to get people to realise that, if they choose to spend money on x instead of y and that harms passenger outcomes, ultimately that is harming the viability of the system, as well as disenfranchising passengers. Not only have we never had that whole-P&L perspective, all the incentives of Network Rail do not drive you to be consumer-oriented. People act very rationally. However much you bring in a new chief executive, it is very hard to change that when the day-to-day incentives are like that.

GBR will be measured, critically, on that whole P&L, so that people will be making decisions in the interests of what actually works for the user of the railway—passenger and freight—and the taxpayer. That is fundamental. We sometimes talk about culture as if it is some sort of ethereal thing that lands. It does not. It is driven by the basic incentives in the business, and that is why I am so passionate about GBR being whole profit and loss-based, because that is the single biggest thing you can do. You can incentivise people. There are the signals you send them, and you can regulate them according to system outcomes, not asset outcomes.

Q26 **Iain Stewart:** Picking up Anit's point, you are making initial steps to try to improve the reporting lines and the culture within GBRTT. The creation of GBR is potentially still some way off. What else can you do now, tangibly, to improve the situation? There have been various internal reviews that have concluded that there are unclear and duplicated reporting lines between yourselves and DfT. Who can take charge of that and improve it before we get to GBR's creation?

Anit Chandarana: If this is about what we can do out in the industry, there are a couple of examples that I can talk through. As we look forward and in the period between now and getting legislation, we have alighted on what we are calling some key focus areas. An example of that is business planning. Today, business planning in the industry happens in quite siloed spaces.

What we are looking to do is introduce integrated business planning before we get to legislation, which means that the folks who work in DfT, for example, looking at operating business planning, are working with colleagues from Network Rail, trying to understand and, effectively, trying to bring out, through that business planning process, that integrated P&L that Andrew talks about, so that we can start looking at the decisions that we are taking and whether they deliver better outcomes for the system or just better outcomes for the individual organisations that sit in there. Of course, the integrated P&L is a tool that helps us do that.

I talked about the track and train collaboration that we are looking to use Anglia as a pilot for. Can we make better decisions in an integrated fashion, notwithstanding that we do not have legislation, so that we start showing the benefits of taking those integrated decisions and start showing people that they can make those decisions? There are some real challenges in some of that. When people act rationally, for example, in a shareholder-driven business, how do we create some return for those shareholders at the same time as for the public sector?

You may also have been talking about the relationship between the GBR transition team and the DfT. Now, we have an annual business planning process between us and the Department, where we agree on an annual basis what the transition team is being specifically commissioned to do and the budget that goes specifically with that, and then we are monitored on that. These are the steps we have taken to improve how the transition team and DfT work together.

Q27 **Iain Stewart:** I have one final question for this section. Could you just explain to me the appointment or the secondment of Alex Hynes from Scotland into the Department? How is his appointment designed to improve these relationships?

Dame Bernadette Kelly: That is probably sensible for me to respond to. We have carried out an internal reorganisation of parts of our work in DfT. It goes beyond rail, actually, but it includes reorganising our rail responsibilities. That essentially means that Conrad's responsibility in the future will be for wider strategic issues, relating to rail, as well as wider public transport and local transport issues, which I hope will allow him to drive closer integration on that local transport front.

Alex Hynes is going to lead our work on, essentially, rail services and operations, so our contracting arrangements and our infrastructure clienting of Network Rail within the Department. I hope Alex will bring the enormous experience he has of running an integrated system in Scotland to our work now in the Department and, ultimately, when GBR is established, into GBR. I am really pleased that we have been able to bring Alex in on secondment, to bring that experience to bear now, both on the day-to-day operational work we are doing, but also on our transition to GBR.

Q28 **Chair:** Dame Bernadette, one of the challenges you had at the beginning was that you and the Treasury were not aligned. You had some disagreements. You are an experienced permanent secretary. You are dealing with colleagues with experience in the Treasury. How did it get to the point that you kicked off without having got agreement with the Treasury about some of the mechanisms for, for instance, setting fares, maximising rail revenue and managing costs?

Dame Bernadette Kelly: The White Paper had collective agreement from all Ministers and the then Chancellor—

Chair: Ministers agreed, but somehow you did not manage—

Dame Bernadette Kelly: —and officials had all signed off on the rail reform White Paper.

Q29 **Chair:** What went wrong?

Dame Bernadette Kelly: As with all White Papers, it set out broad direction and it set out detail in some areas, but in other areas it did not set out all of the detail, because that was part of the ongoing work of the reform programme. It is fair to say that, as we got into some of that detail, it became clear that there were differences of view between ourselves and the Treasury on what I would call important but relatively technical issues.

One example was the role of GBR versus the role of commercial operators in setting some aspects of fares and things of that sort. It is quite common in complex policy areas—and, particularly, in complex policy areas that also have a significant financial impact on the Government's finances—for there to be a lively debate, as it were, between Treasury and Departments, as we try to work those through. Certainly, that was true of this programme. It is not particularly exceptional for that to be the case. As I say, there are lots and lots of issues where we and Treasury bat issues back and forth before—

Q30 **Chair:** You have been doing this for a long while. You have a long track record, not just as permanent secretary but previously in the Department. Issues such as who sets the fares and managing costs may be high-level for a White Paper, but surely there would have been some work underneath that.

Dame Bernadette Kelly: There was work. I expect Conrad can say a bit more about that but, as I say, sometimes you go into quite a lot of detail and these debates can get quite detailed as well. One thing I would say is we recognised around 2022—an IPA review certainly highlighted this—that we needed this alignment in order to be better and in order for us to make progress, and certainly—

Q31 **Chair:** By "this alignment", you mean Treasury and DfT alignment.

Dame Bernadette Kelly: Yes, Treasury and DfT.

Q32 **Chair:** I have great respect for the Infrastructure and Projects Authority, but I would have thought it was blindingly obvious that you need alignment between the Treasury and the DfT—

Dame Bernadette Kelly: Yes, indeed, and we were working it through. We continue to work it through and there is now much greater alignment between us and the Treasury on a whole host of issues, partly because current Ministers have taken, in some ways, slightly different views on those issues. We have seen lots of ministerial changes through this programme. That alignment is pretty good now, but I would acknowledge that there were challenges at various points in this programme and we had to work quite hard to resolve those.

Q33 **Chair:** It is pretty good now. Mr Bailey, what else needs to be resolved? It is pretty good but not 100%, so what else needs to be resolved?

Conrad Bailey: In terms of areas where we have made really good progress, we have agreed a revenue incentive mechanism, which we put into the commercial base of the national rail contracts. That is designed to drive back passenger numbers and revenue, harnessing the private sector.

Q34 **Chair:** Can you just unpack that a little bit for us? What does that mean to the passenger and the taxpayer?

Conrad Bailey: What it means is that, under the national rail contracts previously, we took within Government all the revenue and cost risk. What we have done is we have now agreed a target level. If the operator manages to drive revenue and passenger numbers above that, they will get a small share of the benefit and, if it falls down, they lose a bit. It helps incentivise their teams in that space. Another example would be open access, where we have been working with the regulator and Network Rail to identity access opportunities that could be better utilised, to make sure—

Q35 **Chair:** When you say "access", is that the rail companies having access to the lines?

Conrad Bailey: Yes. This is in terms of open access, so operators that are not funded by the Department.

The third area I would point to, where we have made real progress, is we have moved forward on the pre-legislative scrutiny of the draft Bill, which has been agreed across Government.

Q36 **Chair:** What issues need to be resolved?

Conrad Bailey: In terms of issues that are outstanding, when we establish GBR, there will be a range of issues around the level of its independence versus, given how much of the cost of the railway it will be responsible before, how much of the funding arrangements are delegated. There is also the future commercial model. One of the areas in which we have had a debate is the extent to which the private sector is in a position to take more of the revenue risk, depending on the market conditions.

Those will be areas where we still have, for example, significant work to do. At the heart of it is a discussion about how much responsibility you provide to GBR to really drive things, versus what powers we need to reserve to Government. That tension is one that has really grown out of covid. Keith Williams, in his original team, had a secondee from the Treasury. We were very conscious of the need to get this alignment throughout, but post covid, as the Secretary of State has said a number of times, that need for Treasury control over the funding of the railway has been that much greater. That is what goes to the heart of most of the debates.

Chair: We will watch this with interest because, in the end, if the Treasury is not with you, you are not going to get very far, are you?

Q37 **Iain Stewart:** I would like to turn to the question of Government subsidy for the railway. Income for railways effectively comes from two sources: from those who pay to use it, in whatever guise that is, and from Government subsidy. During the pandemic, for very obvious and understandable reasons, the subsidy level soared and it is now anticipated to fall. What is a sustainable level of subsidy for the railways? What split between farebox and subsidy are you envisaging?

Dame Bernadette Kelly: Ultimately, that is a political choice. There has always been some subsidy for the railway, which may be a combination of subsidy for rail operations—that is, the gap between fare income and service costs—and funding for Network Rail to maintain and operate the infrastructure. There has always been a level of subsidy. That, as you rightly say, was much higher during covid, because revenues collapsed, but we maintained services at a reasonably high level.

What we are now seeing, certainly on the operating cost side, as revenues recover, is the level of subsidy is starting to diminish, though it is still significantly higher than it was a decade ago. There was a point, of course, where we had an operating surplus, which is not the case any more. It is a political choice as to what a sustainable level is, ultimately.

Current Ministers are very clear that the level of funding and subsidy for the railway is not at a sustainable level and therefore we need to do two things. We need to increase revenues and we need to reduce costs. Rail reform is seeking to do both of those things but, in the end, it is a choice. There is no one level that I could identify as sustainable. That is something for Ministers to determine.

Q38 **Iain Stewart:** You identified there the two objectives of growing revenues and controlling costs. Which of the two is more important? Which is the primary focus of your work?

Dame Bernadette Kelly: You need to do both. It is like which is my favourite child or something.

Q39 **Iain Stewart:** Is it 50:50? Is one more important than the other?

Conrad Bailey: We are very clear that the long-term solution must be driving up revenues and passenger numbers, so we are making the most of the asset we have nationally in the railway. However, there are many places where we believe that it is possible to drive cost out of the cost base of the railway, and that will be made much easier by having a more integrated approach and actually being able to view the railway's finances in a whole picture.

That is why one of the real priorities for us with rail reform has been looking at this whole P&L. At the moment, we are beginning to get that in a way that you can begin to get some insights, but there is further to go. Once you have Great British Railways created, you have even more of a tool there to really drive out those benefits. Revenues and passengers are clearly the absolute priority.

Andrew Haines: What you do not want to do is drive revenues at a cost that completely outweighs the revenue and yet, for the last 30 years, nobody in the sector has been able to say, "The system cost of doing that revenue initiative, if it involves infrastructure or train, is x", and therefore you end up with no sense of the net cost. That is what we can just about start to do now, in the last few months, for the first time in 30 years. That is why, to Conrad's point, we are in a better place to drive revenue in an affordable way, which has to be a better way to do it.

Q40 **Iain Stewart:** My colleagues will touch on the cost savings in a minute, but I just want to ask one further question on growing revenue. We are starting to see passenger numbers recover, but it is not uniform. The off-peak, tourist-type of traveller is probably above pre-pandemic levels, but the business and commuter numbers remain becalmed, and that is where the industry gains a lot of its traditional revenue. What forecasts are you making for the growth of passenger numbers in those different sectors and how does that translate to revenues?

Conrad Bailey: At the moment, we have a range of forecasts. It is still very hard to tell where numbers are heading. Our sense, as you refer to, is that the leisure market is a new and growing market. In a number of areas, it is already exceeding the pre-covid levels. Business travel in particular is an area that traditionally provided real financial benefit to the railway, but we just are not seeing that come back.

One of the reasons it is quite hard to really get underneath the forecasts at the moment is because of the industrial action. It very hard to know what the core passenger behaviour is, but clearly, as we see more and more people returning to working from an office, we are seeing that growth beginning. There are very good examples of where we are seeing parts of the railway exceeding expectations.

The Elizabeth line is a really good example, where you can see that demand is up but, at the moment, particularly because of that industrial relations picture, it is very hard to know where the natural level of recovery is. What we are doing about it in the meantime is looking at areas where we can trial and do different things. We have had a number of rail fare sales, as you will be aware. They have delivered real benefit to passengers, but are also introducing new people to rail, and those are the sorts of things that we have been looking at.

Q41 **Chair:** Permanent secretary, when you agreed the 2021 spending review, you planned savings of £2.6 billion for the £1.4 billion of cost. The rail reform budget was £1.4 billion. You were going to make £2.6 billion of savings. We are now in 2024-25. Will you have a chance of meeting that £2.6 billion, given that you are behind?

Dame Bernadette Kelly: No. We do not expect to achieve all the savings forecast.

Q42 **Chair:** Why did you agree to it so readily in 2021?

Dame Bernadette Kelly: When we were agreeing to it, we were making assumptions about the pace of progress on legislation and other matters, and obviously we did not at that point—

Q43 **Chair:** Is legislation the biggest reason for not achieving the savings?

Dame Bernadette Kelly: It is one of the reasons we cannot realise the full benefits, because we cannot drive the full reform. Certainly, some elements of workforce reform have also been challenging to deliver. It was a reasonable but ambitious target. We have not achieved it. We have achieved savings of £2 billion. We have undershot. We have also, of course, spent less than anticipated on reforms—£400 million, I think, rather than the £1.2 billion forecast. Both savings and costs are lower than anticipated at the time of the White Paper.

Q44 **Chair:** What is the impact on the rest of your budget of not having made the savings target?

Dame Bernadette Kelly: It is not that material. It is material—£600 million—but, in the great scheme of DfT finances and bearing in mind the fact that we have not incurred all of the costs of rail reform, it has not been a major factor in terms of DfT budgets in the wider sense. The much bigger issues there for us have been around inflation, and of course there are significant financial implications from industrial action, though they impact principally on revenue, which sits on the Treasury's books.

They have had an impact and one of the things that Conrad and team have had to do is challenge, particularly in our annual business planning with the train operators, to ensure that costs are being really tightly managed, just as Andrew Haines has to drive cost efficiencies in Network Rail. As I say, we have managed this—

Q45 **Chair:** You are trimming this with efficiencies, basically, so no big project has been stopped, Mr Bailey—

Conrad Bailey: It is worth being clear that, as part of our spending review settlement in 2021, the Treasury settlement expected us to look at the costs and the savings from rail reform, alongside the passenger service budget. Because the costs have been lower overall within the SR period, in fact we have not faced a financial pressure from rail reform, because the net position between the two is actually lower. None of that changes the fact that we desperately need to really deliver those cost savings to make sure the railway is sustainable in the long term.

Q46 **Chair:** You have another spending review, depending exactly on the time of the election, but given an election has not happened yet, it is likely to be delayed into 2025. You are presumably working up your numbers for that. That will depend partly on legislation going through, and also a change of Government might happen—

Dame Bernadette Kelly: There are many unknowns between now and 2025, but the key things that we are focusing on are, as Conrad said, first, really tightly managing that cost base through annual business planning rounds with train operators, and driving forward with reform wherever we can.

Q47 **Ben Lake:** Dame Bernadette, you mentioned there some of the conversations you have had to have with rail operating companies to try to keep costs tight. In the NAO Report, paragraph 11 mentions that you recently amended contracts with the train operating companies to introduce a mechanism to better incentivise operators to increase revenues. How has it gone so far, and when do we anticipate knowing whether these efforts have been successful or not?

Conrad Bailey: I just described how the mechanism works. The initial signs in terms of what we are hearing from operators is that it is changing the focus of their management and their teams. They are seeing more of that focus on really driving up ridership and revenue. We have not yet had sufficient data back to really answer that question. I would imagine that we will need at least six months of allowing this to run before we will start to be able to tell whether it is delivering significant benefit.

Q48 **Anne Marie Morris:** We have some very interesting issues about passenger service, and my colleague Mr Francois has already raised the challenge as to what we are going to see that is going to make a difference for passengers. I am pleased to hear, Mr Bailey, you talking about putting passengers as your priority, as in, effectively, getting revenue up, rather than cutting the cost. This whole programme is being delayed because we cannot get the legislation through. Much of what was promised in the White Paper has effectively had to go by the board. What can we expect to see within the next six months that will actually improve the passenger experience?

Conrad Bailey: Things we have been working on that we should deliver over the next six months include rolling out more pay-as-you-go in the south-east of England. The Great British Railways transition team have agreed a plan to begin that process of rolling out and trialling pay-as-you-go for customers in Greater Manchester and the west midlands. We are looking at mobile pay-as-you-go technology trials across the network. Those are some examples.

I have talked about the Great British rail sales that we have done to date. I am sure we will continue to look at further opportunities for those.

The other area I should touch on is that we have done an accessibility audit of all of the stations across the network, and one of the things we are now working on, again with the Great British Railways transition team, is to make sure that data is available to the public, so people can understand the baseline of where we are starting from, so we can make further improvements. Those are some of the examples.

Q49 **Anne Marie Morris:** Okay, but those are projects. They are outputs. They are not outcomes. The overall outcome is a happy passenger: the trains are on time; they arrive when expected; you have the cart going down selling the teas and coffees. There are some pretty basic things that matter much more to passengers than all of the projects that you have described. What are you going to do to improve the quality and to make sure we actually get delivered the journey experience that passengers expect?

Conrad Bailey: I would argue that the accessibility experience is a very critical one for many users.

Anne Marie Morris: It is, but it is not the only one.

Conrad Bailey: It is absolutely not the only one. What you are pointing at is the importance of us really focusing in on performance and making sure that the railway runs to time. All our research tells us that the thing customers care most about is whether their train is going to turn up and is it going to run on time.

Q50 **Anne Marie Morris:** What are you going to do about that?

Conrad Bailey: What are we doing on that? We are doing a number of things. We are working with colleagues in Network Rail and in the operators to really focus on those operators where performance has been particularly challenging. I will give a number of examples. We have worked with TransPennine Express to ensure that they are able to reintroduce rest day working, which has led to a better performance. We are continuing to work very hard to hold Avanti West Coast to account for its performance. If you look at routes out of Paddington on the Great Western main line—

Anne Marie Morris: I know that well.

Conrad Bailey: —there is a huge amount of work going on between Andrew’s team and Great Western Railway to make sure that we are not only trying to improve performance in the first place but, when things do go wrong, people have a better experience and the recovery is faster. Andrew, you might want to add a bit about that example.

Anne Marie Morris: Mr Haines, are you going to give me some comfort? Most of the time—and I come up every week—it is late; it is very late.

Q51 **Chair:** We had to resist the temptation for us all to give our worst rail experience. Ms Morris gets a free pass on that one but, Mr Haines, tell us how it is going to get better for actual passengers.

Andrew Haines: If it is any comfort, I did not get past the police at security without having my ear bent. I am very much aware of that at the moment. If I look particularly at the western route out of Paddington, which has been one of our two worst-performing routes, we are investing very heavily in asset performance, renewing close-to-life-expired assets.

We have had lots of problems with drainage. It sounds very dull and boring, but actually a railway is built on drains, particularly when you have the sort of exceptional weather we have had in the last 12 months. Something like a points failure, for example, very often would be caused by poor drainage, because that creates a dip in the track and then the bounce effect can either cause a cracked rail—

Q52 **Chair:** Those are the problems. How are you going to solve them?

Andrew Haines: We are investing in additional drainage teams and additional track teams. We are replacing assets earlier. We have put an additional £13 million into track renewals because we have realised, particularly with the Elizabeth line—that critical corridor—that very often people can get a decent journey as far as Reading and then they get delayed there. We are making a very strong financial investment, but also then working very closely with Great Western Railway on how we look after passengers when things do go wrong.

Very recently, we had a very nasty issue at Ealing Broadway, where a trespasser went the wrong side of a bridge. You cannot stop that with the number of bridges we have, but we have lessons to learn on how we work with the police to respond to that and how we look after passengers. We are making good progress and I am meeting again with the chief constable of the British Transport Police next week to talk about those incidents.

Q53 **Anne Marie Morris:** How are you measuring passenger dissatisfaction, so that you can actually test whether or not what you are doing is making a difference?

Andrew Haines: We are measuring in a number of ways. We have a Wavelength survey. We have joint results every four weeks. We have monitors at Paddington station, for example, which is the button pressing. I was taken aback at just how many people are prepared to use that. We do mystery shopping for a lot of our services in that regard.

Trust me: people are not backwards at coming forwards with feedback, quite rightly; they are challenging, particularly when we let people down on a systematic basis. That has been our problem at Western.

Conrad Bailey: We also benefit from Transport Focus, in terms of its insight as the passenger champions within the system.

Q54 **Anne Marie Morris:** They are the passenger champions. They alone do not know what passengers actually want. What stakeholder engagement are you undertaking to ensure you really understand—other than what we all understand to be the obvious, which is being on time—what it is that they want, given the constraints we have begun to see?

People use railways in a very different way to the way they used them before. You and Mr Bailey have said that it is quite hard to work out where the balance is going to come in terms of how people use the railway, and whether it is going to be more for holidays and less for work.

That gives rise to all sorts of challenges, but also some decisions, and unless you understand from the passenger what they really value, given the constraints and the way they use trains—which is now different—you are not going to be able to tick the passenger satisfaction box.

Andrew Haines: We have done, as part of the Great British Railways transition team, a lot of work using our colleagues from train operators on what we call passenger revenue optimisation plans. That shows what we think is the untapped potential in the British public for using rail, among those who are not currently using it. Guess what? One of the biggest issues is reliability.

The four things we identified that are overwhelmingly passenger priorities, which they vary in ranking according to where you travel from, are the punctuality of your service, the ability to get a seat, the sense that you are getting a fair fare—in other words, that you are not being diddled—and, if something is going wrong, that you get a sense that somebody is looking out for you. It is not rocket science.

Q55 **Chair:** When you say "somebody is looking out for you", do you mean staff on the train?

Andrew Haines: In other words, that is somebody trying to help you get to where you want to, either because of the personal, human touch of somebody you meet, or the announcements on the train, or the information that you can in your app; people want some sense that the system is working for them and not disregarding them. Time and time again, all our research says it is those four things. If it is a longer distance, you will accept a 10-minute delay, but if you have to stand for two hours, that is really frustrating. If it is a shorter distance, punctuality really matters to you. Those four characteristics, time and time again, are the things that all the research says.

Q56 **Chair:** It is not really rocket science, is it?

Andrew Haines: I literally just used that phrase.

Q57 **Anne Marie Morris:** You are going to have to challenge there, going forwards, because you are going to have to change how you run the trains, the frequency, and what goes where when, once you have determined what the new working pattern is going to stabilise at and what the holiday pattern is going to stabilise at. How are you then going to work with that change and these expectations? There are cost implications for that.

Conrad Bailey: The way we currently do it is we try to make sure that we are taking advice from the operators and their engagement with users and representatives of users, and they will set out where they see there are opportunities to increase passenger numbers and revenues. We take that forward through this annual business planning round, which allows us to set those opportunities.

For example, in the summer, we will look to support a number of operators running additional trains in the school holidays towards the beaches, because that is obviously an area where we know there is customer demand and there is capacity on the railway. What we need to do is take that up a level, through the creation of Great British Railways, and have that very regionally focused railway that can really bring together both what we are seeking to do on the train operator side, but also Network Rail, to maximise our ability to get the right trains in the right place through the timetabling process.

Q58 **Sarah Owen:** I want to follow on from some of the questions around passenger service, stakeholder engagement and workers and the workforce. First, Mr Bailey, you talked about some of the passenger service improvements—pay-as-you-go, mobile pay-as-you-go, GBR sales. What passenger improvements have you done for disabled passengers and people who find accessibility an issue?

Scope has reported that 50% of the discounts for wheelchair users are not available anywhere apart from at a ticket office. They are not available on automated services. Only 45% of disabled people actually own a smartphone. Those three big things that you have just mentioned actually have no impact on disabled users at all.

Conrad Bailey: You are absolutely right that we need to make sure that the railway works for disabled travellers, and, critically, if you look at the demographics, this issue is going to become more and more important as we go forward. One of the things we committed to under the plan for rail was a review of station accessibility. In some ways, I am surprised that we needed to do that, but we did. That has now been completed, as I said. We will be making sure that that is publicly available, and then allowing Andrew and other colleagues in Network Rail to use that to look at how you improve the facilities at stations. That would be one area.

The next thing we will be doing shortly is going out to consult on a national rail accessibility strategy, precisely so we hear what people actually need, rather than us thinking that we know what they need. That is the next element.

Q59 **Sarah Owen:** You will forgive people's frustrations, hearing that you are doing an audit of stations that they cannot use, and that there will be a consultation about the stations, again, that they cannot use, given that rail access campaigners have been campaigning on this for a number of years.

I am going to give you the really specific example of Leagrave station in my constituency. Luton, where I live, has three stations. Out of those three stations, only one has lift access—one. That is pretty shocking. Luton Town station was given its Access for All funding years ago, yet no work has started—none. They have been waiting years. Leagrave station has nearly 2 million journeys from it per year. Its footbridge is being held up by scaffolding currently. It is rusted. It has holes in it. There is a disabled toilet, which very rarely works, but that does not matter, because no disabled person can actually use that train station to get on and off the train anyway.

I have taken the Rail Minister there and he has seen for himself the state of the railway. I have managed to get Network Rail, GTR, the Bedfordshire Rail Access Network, the general public and Luton Borough Council to all support an Access for All bid. They put money in to have a feasibility study for lifts and improvements there. Years later, we are still waiting. This is not an issue that you did not know about; this is an issue that you have known about for a very long time. Why is it so patchy and why is it that rail users are waiting for so long, and all that they are getting in terms of accessibility is another questionnaire about which services they can and cannot use?

Conrad Bailey: That is not what they will be getting through the consultation. They will be getting the opportunity to feed in, not only in terms of the infrastructure requirements, but also the other requirements that they may well have, so we can make sure that we are using the available funding as effectively as we can.

What you are talking about in the case of Luton is clearly along with all the other Access for All schemes. I do not know whether Andrew or Anit want to say anything more about Access for All.

Q60 **Sarah Owen:** Before you do, can I just come back and say, actually, that is what they are getting? With the consultation, they are not seeing any action. When can they expect to see some action on the data that you have collected?

Conrad Bailey: Once we have that information back, we will then be able to set out the strategy.

Q61 **Sarah Owen:** When will you get that information back? When are you expecting to have that?

Conrad Bailey: We are expecting to launch the consultation shortly and I would expect us to get that back towards the back end of the year.

Q62 **Chair:** Ms Owen's point is well made. You can have disabled toilets or any other facilities for people but, if you cannot actually get access from the train to the platform, the rest of it, though it might be better value for money, because you can spread it, does not really deliver, does it? Mr Haines, do you want to come back on some of the infrastructure points?

Andrew Haines: The reason the access study is important is because, for me, there are four fundamental reasons why we are not delivering for passengers who require assistance at the moment. One is the selection of schemes is not grounded in which ones are going to make the most difference. We end up with investments that are then, effectively, stranded assets, because you do not have the system working as a whole. It is really important to help with the right selection.

Secondly, we tend to make vague promises without really understanding the scope. I am absolutely not making an excuse, but the fact that the Luton station is by the A6 means it is more expensive. When we allocated the funding, we did not recognise that, because you are building in a very tight, constrained area, it is going to cost more. Then we find the money has not gone as far as we promised to people.

Thirdly, we then end up getting very involved with stakeholders and we end up making schemes more and more expensive, so the money goes to less.

Fourthly, we as Network Rail have not been good at really driving it. We are really good at managing big schemes. We are doing a fabulous job on TransPennine with the upgrade. East West Rail is now bang on budget but, when it comes to small schemes like that, we historically have not been good enough.

I am personally leading a programme to bring that into a national portfolio, so we can get the value and the economy, give stakeholders better choices, and ground it in rational conversations about where there should be those priorities. It will not fix everything. It will not increase the budget, but it does mean that we should be able to deliver more reliably and make better value of the money. At the moment, we can do a lot better than we have been doing.

Chair: It is always a promise of things to come, Mr Haines.

Sarah Owen: Time is short, so I will move on to the workforce.

Chair: Before you do, I just want to bring Mr Stewart in on access. The Transport Committee is doing a big bit of work on this.

Q63 **Iain Stewart:** We are just preparing our report on our inquiry into accessibility. I just wanted to ask one very specific question. You said you are going to do this consultation on passengers with disability and other mobility needs. How are you speaking to people with disabilities who just do not travel at all, because they are just put off by the whole nightmare sometimes of travelling? How would you capture their views and needs?

Conrad Bailey: The way we will need to do that is working with representatives of those groups, but also working with people from Transport Focus, DPTAC—our disabled persons transport advisory committee—and others to help us make sure we are hearing all the voices. You are absolutely right: the danger is you hear the voices that are already active and you do not spot those opportunities to really address what you need in order to encourage people back to the railway.

Q64 **Sarah Owen:** May I also make a plea that you involve other people that will have access issues, including parents? I did take my very small pre-schooler with me on the visit that the Minister, Huw Merriman, made to Leagrave station, to show him just how dangerous and difficult it is to navigate with a small child. It is virtually impossible with a pram. Luton is an airport town. We have many passengers and tourists with huge amounts of luggage. This is not just about people with accessibility issues. This is also about what they are using that station for.

I will move on to workers, because this is an issue that disabled passengers have frequently raised. It does not matter whether the train comes on time or not. They actually cannot get on and off the train, and therefore they are not relying on public transport any more. Over 50% feel that it is completely inaccessible to them and, largely, not always because of the infrastructure, but because they do not always have reliable numbers of staff to be able to operate the ramps and the lifts. Have there been any thoughts about how you are going to improve that, not just in terms of physical lifts, but in terms of staffing as well?

Conrad Bailey: This is a really critical issue, and it was the point I was trying to bring out, in terms of understanding what people actually need. It is not just about the infrastructure.

In terms of the actions that are taking place in that space, we learned a huge amount through the ticket office consultations. It was very clear that the proposals that the industry had come up with were not going to be acceptable, which is why Ministers did not take them forward, but we did get a huge amount of insight from a lot of people about what they needed at stations and how. One of the things we are now working with Ministers on is identifying what we can do to take some of that learning.

A specific example would be, when people arrive at a station, whether they know where to go to find support. Is there a way of identifying a welcome point or some of those things? We are looking to trial some of the things that came out of that, precisely to help people make sure that they can access the staff they need, because it is a very common issue that regularly comes up in complaints to operators.

Q65 **Sarah Owen:** We have talked a lot about culture change and some of these big changes that are going to take place. The people that are going to have to deliver this change are the staff and the rail workers. What consultations have taken place with them about what they need and what they want to see for the future of rail as well?

Conrad Bailey: There are a number of things. When Keith Williams conducted his review, he consulted very widely, including trade unions and workers across the railway, to make sure we really understood their perspectives. As we have taken forward reforms, we have tried to make sure we have done the same in specific areas.

An example would be some of the work we have done around making sure we understand how drivers can best operate trains and how onboard crew can best operate trains for passengers. When new rolling stock is coming in, it is an area where that dialogue with the unions is always very important, to get that insight.

Q66 **Sarah Owen:** I will make this the last one. Mr Bailey, you mentioned much earlier in the evidence session the rail reform board. I am intrigued to know who makes up that board, because I would not want to see the same people who have got us into this situation perpetuating the same problems, albeit just in a smaller room together. Are there people there who have specific knowledge and expertise around disability and access, or passenger groups and service, or worker representation at all?

Andrew Haines: On the GBRTT board, we have Dr Stephen Duckworth, a very prominent disability rights campaigner. I think he is quadriplegic himself. He is a member of the Network Rail board and he is also a member of the GBRTT board for that. He has been working with the team on the national and rail accessibility study and he is very direct, as we want him to be, in his feedback.

Chair: That is one person—good.

Conrad Bailey: We also work closely with the chair of DPTAC.

Chair: Just spell out DPTAC for us.

Conrad Bailey: The disabled persons transport advisory committee.

Q67 **Sarah Owen:** Is there anybody from a workers' representation body?

Conrad Bailey: Not on the rail reform board, no.

Q68 **Chair:** How do you engage with the trade unions, then, if they are not on the board? Is that through the normal routes?

Conrad Bailey: It depends on the issue. It is either through direct dialogue or through meetings with Ministers.

Q69 **Sarah Owen:** When was the last time the Ministers or senior members of the DfT met the trade unions to discuss the rail reforms?

Conrad Bailey: I know that the Rail Minister currently has invitations out with both the general secretary of ASLEF and the RMT, and I know he is waiting for responses.

Q70 **Sarah Owen:** That was not quite the question I asked, was it?

Conrad Bailey: He is waiting to meet them.

Q71 **Sarah Owen:** The question I asked was when the last time that they spoke was?

Conrad Bailey: I cannot answer when he last spoke to them.

Q72 **Chair:** We can probably find that out through another route. Dame Bernadette or Mr Bailey, do you meet the trade unions?

Dame Bernadette Kelly: Not regularly, no.

Conrad Bailey: I have met regularly with Unite recently.

Q73 **Chair:** Which bits of the service do Unite run?

Conrad Bailey: Unite was in the context of rolling stock.

Q74 **Chair:** What about in terms of the actual train drivers and guards?

Conrad Bailey: That is done through Ministers.

Chair: That is always through Ministers. That is interesting.

Q75 **Iain Stewart:** I would like to return to the future of rail reform. We have already touched on some of the areas I wanted to ask about, but I want to focus more on what is achievable without legislation and around the legislation. A lot of the evidence we have had for our scrutiny is that, broadly, the Bill itself is welcome, but it is one piece of a much broader jigsaw. There is still a lack of clarity as to how things like the new contracts, licences and the like will be arranged. That is where there is an uncertainty in the industry. When can we expect to see some of that clarity on what will sit alongside GBR when it is created?

Conrad Bailey: Perhaps I can start with the contractual position. We currently operate under national rail contracts. We are in the process at the moment of developing a further version of that, if you like—a national rail contract 2—which is going to be designed to further encourage that growth in revenue and passengers, and that focus on the passenger experience.

We expect, following that, to be returning to competition with passenger service contracts. We are not in a position to do that at this point, for a number of reasons. The market has been extremely clear with us that they want to have real clarity on when GBR will be created and who the contracting body will be, but they also want clarity particularly on the industrial relations position, so they can understand the level of revenue and other risks they are willing to take.

In terms of that wider structure around Great British Railways and making sure that it can be held to account, we would expect, following legislation, to set out very clearly reforms to the GBR licence, but also to see the Secretary of State use directions and guidance to really set the priorities and parameters for Great British Railways. In doing that, we will need to work very closely with the regulator, the ORR, but also Transport Focus, to make sure that that passenger voice is very clearly heard.

One area where we are already, for example, working with the ORR, and, indeed, Network Rail, is around open access and how they can access the railway—that is the private sector operators, who are not contracted by DfT.

Q76 **Iain Stewart:** Let me just push a little further. Let us say that the Rail Reform Bill goes through in pretty much its current guise, either just before the general election, if it is later this year, or very early in the next Parliament. How quickly from the passing of that piece of legislation will this broader framework be in place, so that the industry has that certainty?

Conrad Bailey: We would expect that framework to be in place in the period between the legislation passing and GBR being established. We are talking probably a year to two years, to put all those different building blocks in place, depending on—

Q77 **Iain Stewart:** Is that a year or two from now?

Conrad Bailey: It is going to be informed by what the legislation is. We would need that new framework in place for the point when GBR comes into being. That is the timeframe.

Dame Bernadette Kelly: I am guessing that, once legislation is in Parliament, there are areas where we can move further than we have been able to move to date towards shadow operating status. There are a number of things. Once legislation is actually in Parliament, that gives much greater certainty and we can start accelerating some of the plans on that basis, but obviously the legislation needs to be part of the legislative Session.

Q78 **Chair:** Of course, the online harms Bill was delayed quite a lot. You are not saying you are going to rush in, the minute it is in front of the House, because there could still be delays.

Dame Bernadette Kelly: Yes, of course.

Q79 **Iain Stewart:** I have one last question. The commentary around GBR is that it should be a guiding mind and not that the head of GBR is, if I can channel my childhood reading, the Fat Controller out of Thomas the Tank Engine, controlling every last aspect. Others are actually saying that, no, it needs to be more of a directing mind, to sort out the problems that are in the system. Between a guiding mind and a directing mind, what is the balance?

Andrew Haines: Those who argue very strongly for a directing mind forget that we are in an increasingly devolved Kingdom: the people of Scotland, the people of Wales, the people of London, and the powers of the Mayor in Manchester and the West Midlands, with others increasingly gaining mayoral powers. The idea of a central, directing mind telling all those people what sort of rail service they can have just would be wrong and would not be acceptable.

There are times when the network can only work if somebody takes a decision, and sometimes we see failure in the system because nobody is able to make that decision. There are very rare occasions when there will be a need for that sense of somebody having to make a network trade-off, but that should be absolutely the exception and not the rule.

Those people who talk about a directing mind typically tend to be quite introspective about the railway and do not look at the railway's users or the railway's political stakeholders, who will want a significant say in how the railway performs and the outcomes of the system.

Anit Chandarana: That is right. When we have worked up and tested the draft operating model, it has tended much more towards that guiding mind concept for those reasons. The balance to that is that what customers are very clearly saying is, "We also know who to hold to account for when things go wrong," so we have to find the right balance between the guiding mind who is guiding but who is also prepared to stand up and take the accountability to fix those things. It was one of the four things that Andrew talked about before.

Q80 **Anne Marie Morris:** Mr Bailey, £400 million has been spent. Are those just sunk costs or is there a future value, given the uncertainty that pertains with regard to future legislation?

Conrad Bailey: There is future value. There are examples of things that have been spent from that money. We have seen workforce reform within Network Rail, which has helped deliver significant savings. We have done a huge amount of work to develop the future operating model for the whole sector but also for Great British Railways. That will be dependent on the legislation going forward. Other areas that we have invested in include the work around revenue recovery. I talked about the rail sales and some of the ways of improving ticketing for passengers. I have talked about the accessibility audit. None of those things is wasted, and that is what the money has been spent on.

What I am trying to say is that there is a mixture. A lot of it has delivered real benefit that is already there. Some of it is work that will not be wasted for the future in any circumstance but would require the legislation to really fully deliver the benefits.

Andrew Haines: The Network Rail workforce savings achieved a net saving of £775 million in the spending review. We reckon that the revenue initiatives are north of £100 million in the spending review period. There are some very sizeable financial benefits.

Q81 **Chair:** That is double—if you just took Network Rail savings—

Andrew Haines: Network Rail alone is almost double the cost. Not all the costs accrue to Network Rail. That is a cost of redundancy.

Q82 **Chair:** How are you recording all of that?

Andrew Haines: To get approval for my pay deal from the Treasury, I have to go into enormous detail, so it is very well articulated. It is all of our savings from nearly 2,500 managers' jobs lost but also the productivity savings from the workforce.

Q83 **Chair:** You are making that level of savings. Productivity in the public sector is a challenge. It sounds like you have a bit of a blueprint there. Could you give us a couple of real-life examples?

Andrew Haines: We have taken more than 10% of the management headcount out, for a start. There are two things with the workforce. First of all, in the period when the railways were doing well, pay for general frontline workers was rising above RPI. Despite some difficult issues, we have had some good, constructive relationships with trade unions, and we have managed to manage that down very differently in the post-covid context. Last year, we negotiated some fairly radical reforms to the way that we do maintenance of the track, which is our single largest group of staff, with over 10,000 people. That has allowed us to offer voluntary severance.

Q84 **Chair:** What you are describing so far is job losses. That is how you have made the savings.

Andrew Haines: They are job reductions but also work reductions. Technology means that we no longer need to use people for tasks, so you can use technology instead. There were out-of-date standards, which meant that assets did not need monitoring in the same way. We changed some of our remuneration, starting signallers on starting salaries and requiring them to give us five months' notice, not four weeks' notice, so our chance to recruit and train people up meant that our overtime cost is reduced. All of that allowed us to fully fund two years of pay award and achieve a significant contribution back to the Treasury on a recurring basis, all ultimately strongly supported by our colleagues in the system as an acceptable deal.

Q85 **Anne Marie Morris:** You have been doing all of this anyway.

Andrew Haines: No, it is very groundbreaking. I am sorry—I do not think that there is any other part of the public sector that achieved that in the current period.

Q86 **Anne Marie Morris:** So you are really telling me that it is the fact that you were focused on creating Great British Railways that has driven these savings and better work practices, and that they are things that you would not have done in the round.

Andrew Haines: No. What I am saying is that it was part of the Government's collective agreement that, as part of progressing rail reform, the costs of the railway had to be brought under control. A significant part of the costs are employment costs and, therefore, we had to demonstrate that we were tackling that as part of this. It is an absolutely fundamental part. A lot of the costs of the £400 million relate to those costs.

Conrad Bailey: The overall programme had four key elements. It had the structural reform, of which the key element was creating Great British Railways. It had workforce reform, which Andrew has been talking about. It had this reform around fares and ticketing, and the passenger experience. Then it had the commercial reform that I have already talked about.

Q87 **Chair:** You have talked a lot about headcount reductions. The notice period sounds like an interesting one that other bits of the public sector could learn from. What about productivity in a purer sense? Technology has helped.

Andrew Haines: It is slightly embarrassing because some of our traditional working practices are really quite arcane. Previously, we had to roster teams, and yet, because of previous privatisations, people might have 20 different contract terms in a team, so you could roster a team only to the most restrictive contract term. We have now agreed that we will individually roster people, which means that we can get more productive time out of people.

Q88 **Chair:** It does beg the question of why this did not happen before.

Andrew Haines: It is because the incentives in the system always drove people to buy peace, regardless of the price, bluntly. It is only the post-covid financial stretch and strain on the system that has made people say, "Hang on. We are building in unnecessary and unsustainable costs in the system." That is why I am very pleased our colleagues voted overwhelmingly for that, albeit at the end of industrial action. They ultimately supported that package as the right thing in terms of giving them sustainable and, ultimately, better jobs.

Q89 **Ben Lake:** Dame Bernadette, I have been quite interested to read a little bit of the history of various rail reviews over time, and I note that there have been a series in the last 20 years or so that have identified many of the problems that we have been discussing today.

The Department's "The future of rail" White Paper back in 2004, when I started secondary school, identified issues with a lack of accountability and clear strategic direction, among other things. In 2011, we had "Realising the Potential of GB Rail", which identified an insufficient focus on the needs of customers. In 2012, the "Reforming our Railways:

Putting the Customer First" White Paper came along. In 2016, the Shaw report identified "frustration with the quality or reliability" of passenger services and "a perceived lack of accountability" in the railway system.

Many of these things were again touched on in the 2021 review. Why do these historic reviews fail to lead to improvements on many of these issues?

Dame Bernadette Kelly: I confess that I have not done a deep history lesson on all of these reports, quite a number of which, with the exception of Shaw, predate me. I could give you a few more reviews, not listed in the NAO Report, which have happened as well, because there have been a lot of these over time. Andrew will have lots of thoughts on this as well, as will Conrad, I am sure.

First, these reviews have not always looked at the whole of the railway in its entirety as a system. Certainly, when Nicola Shaw did her review, she was focused very much on Network Rail and its performance. If we are going to improve the performance of the railway, both financially and for passengers, you have to look at the whole system, which is what Keith Williams did, and which is how our current reform programme is focused.

The other thing is that, in a sense, the financial pressures have definitely driven a stronger focus. They have always been there, but they have been hidden at various points. For a significant period of time, Network Rail was not on the public balance sheet and, therefore, we did not concern ourselves with its costs in the way that we do and that Andrew has to now.

Similarly, for a period of time—and I can even briefly remember this—train operating revenues were going up and up, and there was a significant surplus relative to costs. Again, the incentives to look at both revenue growth and costs were not there.

Of course, the third thing was the pandemic and the way that it has changed people's travel patterns, which therefore also required us to look again at whether the railway that we now have is fit for purpose, given the way that people are travelling.

There are a number of factors that have brought this into much sharper relief, and that, I hope, means that this is a sustained programme and that we will be driving reform to some genuinely significant outcomes for passengers and taxpayers.

Andrew Haines: Bernadette absolutely nailed the two key things for me. The first is that I do not think that any of those reviews looked at the system as a whole. Secondly, most of them were done in the second decade of this century, when the railways were on continuous growth. Some of the underlying financial challenges were being masked by a headline growth number and, as a consequence, the railway was becoming more and more congested. Both Labour and Conservative Governments have been investing in the system and then find, "Hang on.

We do not get the return for our investment, because the fragmentation in the system means that I cannot rely on putting in £10 and getting £15 back over the life of the asset, given the different players."

The underlying growth of the economy and the shift in people towards using the railway was masking some of the problems, which were then super-exposed by the congestion effect. Some of that investment, which had been, for a long time, in the north, around the Manchester area, and then in the Thameslink programme, really exposed the fact that the system cannot promise to deliver in return for the taxpayer's input, because the system does not function as a system; it functions as a series of different actors at the moment. That had not been exposed in any of those other reviews, because they were not looking at the system. I hope that that is not too "railway" an answer.

Q90 **Ben Lake:** Can I just ask for a bit of clarification? In those years when revenues were increasing, we did not find that incentive to introduce any reform or make changes to improve the service, and yet, all the way back in 2004, issues were raised in terms of cost and performance, and the relationship between the infrastructure provider and those operating on the trains. Forgive me, but I am missing a little bit in terms of them not looking at the entire system when, in 2004, they were looking at performance and at the relationship between train operating companies and the infrastructure.

Andrew Haines: 2004 was at the start of an entirely new structure. That was immediately after an Act of Parliament that removed something called the Strategic Rail Authority and vested the franchise and powers into the Department for Transport. That was a day-one assessment of what needed doing. In 2011, Roy McNulty was asked to do a review, which said, "The costs of the system are greater than they ought to be. Other railways run more efficiently".

My point was that the imperative to look at that was slightly masked by the fact that the top revenue line was covering those costs, as Bernadette has said. Despite that excessive cost, the effect on the taxpayer was declining subsidy on the railway, because the top revenue line was growing. It took the imperative out of the system because the numbers were still balancing themselves.

Q91 **Ben Lake:** Does it then follow that, due to the fact that we now have, for want of a better way of putting it, less money, we need to look at it? Necessity is the mother of invention, as it were, and that is why you are more confident that this round of reform will be more successful than previous rounds.

Andrew Haines: It absolutely does. It is a system, root and branch. There is a financial imperative to take action, and that is one of the things that has driven workforce reform because it has shifted the incentive to say, "No, we have to take that action," and created a different narrative with the workforce.

At the same time, Governments are still wanting to invest in the railway, which is exciting, but it means that they really want to be confident that they are going to be able to realise the benefits. There is not much point in Mr Francois getting his Ely scheme if nobody can utilise it because the guiding mind cannot engineer the additional capacity. That capacity is released for those services only if it works through Birmingham and Manchester for those freight trains.

Q92 **Mr Francois:** Yes, sir, but, for the record, I would be delighted if you could just deliver it and then we can argue about it afterwards.

Andrew Haines: But this is the point: Treasury is increasingly cynical about rail investment if we cannot deliver the end-user benefits, and understandably and rightly so.

Chair: We might be with the Treasury on that point—

Andrew Haines: I am as well. We are not able to avoid the system. That was not a complaint about the Treasury.

Q93 **Chair:** I would not complain about the Treasury with the Treasury Officer of Accounts sitting next to you. It is probably not a wise move.

Can I just go back to a point that was raised earlier? Various people have talked about stakeholder engagement. We briefly touched on trade union engagement. It was interesting, and surprised us all a bit, Mr Bailey and permanent secretary, that you do not meet the trade unions regularly. It is a matter for Ministers. There must have been a time when officials met trade unions just as a matter of course. I know that it has happened in other Departments at different times. Was there a step change at any point where it became an issue for you?

Dame Bernadette Kelly: The relationship with the trade unions in recent years has principally been managed through employers, through Andrew in the case of his employees, and through train operators in the case of theirs. They are the main point of dialogue, and that has been true certainly for the time that I have been in the Department.

Q94 **Chair:** Remind us how long that is.

Dame Bernadette Kelly: I have been in this role for seven years. For about 18 months before that, I was doing the DG rail role. There have always been points of dispute. We have had industrial relations disputes. Ministers may then offer to meet unions, and that has happened, but, where it is not obvious that progress is being made, that dialogue does not continue.

Q95 **Chair:** Mr Bailey, good policy is made involving stakeholders. Whether you agree with people's points of view or not, you need to know, first, what the practical realities are on the ground, and, secondly, what issues may arise with different stakeholders, so that you know whether you are going to have a challenge, whatever you propose. Would it not just be normal to have that kind of conversation at the point at which you are shaping and developing policy? We can put the dispute end to one side for a moment, but what about in terms of shaping good policy?

Conrad Bailey: It absolutely would. When we were developing the policy, Keith Williams, who was leading the review, supported by DfT officials, engaged very broadly with a huge range of people, including trade unions, user reps and people who may not travel, which was set out in the White Paper. That absolutely did happen.

Q96 **Sarah Owen:** When was that Williams review?

Conrad Bailey: Keith did his work between 2018 and 2021.

Q97 **Sarah Owen:** So we are looking at, potentially, three years of no conversations between DfT staff and representatives of the rail workers.

Dame Bernadette Kelly: Ministers have met.

Sarah Owen: Ministers have, but you cannot tell me when, because it was quite a while ago.

Dame Bernadette Kelly: We can check.

Q98 **Sarah Owen:** It would be great if you could get back to me. I can understand the Chair's concerns. These huge rail reforms are going to be delivered by the staff who are on the ground day in, day out, and there is a lack of direct communication between yourselves and them and their representative bodies.

Conrad Bailey: The reforms that we are talking about here are very much within head office functions. We have certainly talked to, for example, DfT trade unions in this regard. I am sure that Andrew has talked to Network Rail trade unions. Bernadette was very clear that we have not routinely engaged with the rail unions at official level. That has tended to be done through Ministers.

Q99 **Sarah Owen:** Can you see why that seems a bit strange? When we have talked about stakeholder engagement, you are prepared to talk to every other stakeholder, including disability groups, but not the workers' groups. Can you see that there is a difference there? Why is there that difference?

Conrad Bailey: As I say, we have tended to do that through ministerial engagement. I am very happy to engage with any stakeholders. I always learn more, and you are much better able to understand people's perspectives.

Sarah Owen: Would you be allowed in the future to perhaps engage with all stakeholders?

Q100 **Chair:** Is there any prohibition on your meeting trade unions?

Dame Bernadette Kelly: It is not a prohibition. While there are live disputes, the risk that meetings become politicised is greater. It is more difficult, therefore, to have, as it were, business as usual-type dialogues.

Chair: I think that we have taken you as far as you can go. It is a matter that we may raise with Ministers.

Thank you very much indeed for your time. Mr Haines summed up the holy grail, which does not sound very ambitious: that most passengers would be happy with punctuality, getting a seat, a fair fare, and having someone there or someone in the system able to help, be it staff or through other routes. Roll on the day that that happens. If that is the ambition, let us hope that it can be achieved.

We all recognise that, even with legislation, it is still going to take some time to deliver, and then we have the complication of, potentially, a general election in the middle of it. We wish you well, because we want all of our constituents to have a good experience on the railways. We are now at the point of saying that it is our successor Committee that will come to talk to you about this. Do not worry; I am leaving them a detailed note.

Mr Francois: There is no money.

Chair: You will have to do a subject access request to see what I say. Thank you very much indeed for your time. A transcript of this session will be available on the website, uncorrected, in the next couple of days, and we will probably be publishing our report at some point after the Whitsun recess. Thank you very much indeed.