HOUSE OF COMMONS

ORAL EVIDENCE

TAKEN BEFORE THE

TRANSPORT COMMITTEE

THE WORK OF NETWORK RAIL

MONDAY 14 OCTOBER 2013

SIR DAVID HIGGINS

Evidence heard in Public Questions 1 - 74

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Oral Evidence

Taken before the Transport Committee

on Monday 14 October 2013

Members present:

Mrs Louise Ellman (Chair)
Sarah Champion
Jim Dobbin
Karen Lumley
Adrian Sanders
Iain Stewart
Graham Stringer
Martin Vickers

Examination of Witness

Witness: **Sir David Higgins**, Chief Executive, Network Rail, gave evidence.

Q1 Chair: Good afternoon, Sir David. Welcome to the Transport Select Committee. Could you give us your name and position for our records, please?

Sir David Higgins: David Higgins, Chief Executive of Network Rail.

Q2 Chair: Sir David, it hasn't escaped our notice that you are shortly to become chair of High Speed 2. Before we ask you questions about your current position, I would like to raise some issues to do with High Speed 2. I am sure you are well aware of the mounting criticisms that have been voiced of High Speed 2 in recent weeks. In view of that background what do you see as your main challenges in taking up your new role?

Sir David Higgins: I should start by saying that I don't take up the role until January, therefore I have not been directly involved to date. When the business case is fully and transparently discussed in Parliament, as it should be, I think it will be very strong. It is a national project. It is a long-term project that deals with a long-term problem of public transport that we have had in this nation for a long time. We use traditional methodologies of assessing it, and to date the methodology cuts out any growth three years after the project has finished. I suppose that is a commentary on the methodology. It might also be an indicator as to why it is very difficult to get major infrastructure in key parts of this country. When the full facts are laid out, together with what I consider to be very conservative figures on growth of about 2% per annum assumed in the model going forward, until it is capped three years after it has finished—which is less than half of what we are currently achieving—I think it will be a very strong case. I don't think that will become the issue.

What will be the issue is giving the public and Parliament confidence that this major investment of public money can be done responsibly, in the most cost-effective way and that the communities to the north and adjacent to the railway line in the regions benefit the most. They should benefit from schools, jobs, businesses and services that are freed up on the existing line. I am not sure we have done the right job, or the fullest job, of explaining that to those communities, listening to them and then delivering that.

Q3 Chair: If the job of explaining that has not been done, who is to blame for that? Should Ministers or High Speed 2 have been doing it?

Sir David Higgins: No one is to blame for it. It is a very complex project. A project of this size and scale is going through a very complex parliamentary process. We need to explain to members of the public, first, why a parliamentary process, which will probably finish on the current schedule in 2020, takes so long, what is involved in that process and also the benefits.

To date everyone is focused on speed. Speed is an interesting part of it, but for me it has never been about speed. It has been about capacity. The bottom end of the West Coast is full. We know that now; we can't put any more train paths on it. Virgin applied to have one this year. Regrettably, we turned down two paths from Shrewsbury and Blackpool. We know the bottom end is full, but the main benefit I see is connectivity. It is connectivity from the north. There is a north-south connectivity, but there is also a connectivity between the great cities of the north, which we need to explain and show the benefits of. We also need to get the maximum benefit from what this will do to regeneration in major cities in the north. We need to explain how that will happen now and that these cities won't in some way be blighted for years to come. It should be quite the contrary; it should be a fantastic opportunity that we need to explain to business.

Q4 Karen Lumley: What made you want to take on the role? How do you think you are going to do a different job of changing people's hearts and minds?

Sir David Higgins: I became concerned that a project that has always had bipartisan political support was becoming a bit of a political football. It is too important for that. It is a national project that is crucially important for the nation to spread wealth but also crucially important for the railway infrastructure. We cannot keep going on patching up the existing one for the next 50 years.

Q5 Karen Lumley: How are you going to do it differently from what HS2 have been doing so far?

Sir David Higgins: I will just build on what they have done. If you look at what they have had to do in the last few years to get to the stage where the Bill will be lodged in Parliament within the next six weeks, it is an amazing achievement. It is way ahead of where Crossrail got to. I know Doug Oakervee very well and have enormous respect for him. I want a smooth baton change between Doug and myself so that I can pick up the work that he has done so well to date.

Q6 Mr Sanders: You mentioned connectivity, but how does connectivity in this project help the far south-west of England, which at the moment has some of the slowest journey times and the highest fares?

Sir David Higgins: High Speed 2 is not a case of either/or. It is not a case of either/or even on the traditional line—the West Coast. We will spend more money in the 20 years that High Speed 2 will be built on upgrading the existing network than we will on High Speed 2. On the Western there is a £7 billion project, on which I am sure you are well briefed, which takes electrification to Cardiff and then on to Swansea and the valleys. It will bring it at the moment down to Bristol, but that will improve line speed on the whole section on the Western not only by electrification—

Q7 Mr Sanders: Could I ask you to stop there and maybe look at a map and I will ask the question again? How does it help connectivity in the far south-west of England?

Sir David Higgins: Within the far south-west, it is subject to further investment no doubt both in this control period but also in the next control period. It means that its core route, so moving from the Thames Valley and areas through to Bristol further south, that line now—

Q8 Mr Sanders: Sorry—I am talking about the far south-west. Bristol is the south midlands and not the far south-west.

Sir David Higgins: Okay. The major investment programme at the moment, with a lot of work at Bristol and Bristol Temple Meads, means that—

Mr Sanders: That is not the far south-west.

Sir David Higgins: —is where we stop, if we carve off south-west England at that point. Then we will look at continuing improvements. In fact we have already put a proposal through to the Department of how we put more investment down to Exeter and the whole areas that were substantially impacted, connectivity-wise, during the wettest summer we had last year—what can be done to make sure that that area is not so exposed and not cut off as it was last time—and we have put a case through to the Department to consider that.

Mr Sanders: That is just protecting existing connectivity. It is not improving the connectivity in the area.

Chair: I am sure we will be returning to this at another date, Mr Sanders.

Q9 Martin Vickers: Sir David, you mentioned connectivity between the major cities of the north and how it will help regeneration. Could you expand a little on how you think it will help the more provincial towns in the north, in terms of freeing up capacity so that they too may have more direct services to London and other major cities?

Sir David Higgins: That is a huge opportunity. Everyone talks about Leeds to London or Birmingham to London. The other day I went to Milton Keynes. I had business in York. It was quicker to come down to Euston, walk across to King's Cross, have a cup of coffee and then go back up to York. That is actually three and a half hours if you go the other way. That will be cut dramatically—more than halved.

There are at least a dozen major cities in the midlands where their journeys between cities will be much better. The huge benefit, which I don't think we have properly set out to the public, is what it does in relieving the main line—the West Coast. By having 18 new train paths on the new high-speed line, it means that we can free up the West Coast for freight of course, but that provides huge capacity to look at services.

At the moment I travel on London Midland services quite a lot. I stand quite a lot as I go into Coventry or Birmingham, and not even in peak hours. There will be more stopping services between the cities of Coventry, Rugby, Milton Keynes and all these areas. There will be an improved service from Stafford and Liverpool.

Q10 Martin Vickers: Would you expand a bit on the East Coast too? I represent the Cleethorpes constituency in northern Lincolnshire. As the Prime Minister pointed out in his speech to the conference, northern Lincolnshire and the Humber area is a major centre for the renewables sector. Potential investors are looking for connectivity not just to London but to other major cities. Would you anticipate that towns such as Grimsby, Cleethorpes and Scunthorpe could also gain additional services?

Sir David Higgins: Yes. The key thing about this design that I find most attractive is that it is not a replacement for the West Coast. It is a central spine. It connects to the East Coast and it connects into Sheffield to the East Midlands services. The real challenge and the crucial part on the East Coast is the two-track railway, which is incredibly restrictive because we are mixing freight, commuter and high speed. It will release a lot more services, and those who come on at York or Leeds of course can divert on to the high-speed line.

Q11 Graham Stringer: When Philip Hammond was Secretary of State he had a rule of thumb that the rate of investment in High Speed 2 should be roughly the rate of investment that there had been in Crossrail, which was about £2 billion a year. Do you think that is a reasonable rule of thumb, or could High Speed 2 be built more quickly, because it is going to give us significant economic benefits?

Sir David Higgins: If you are in the north you will want to see the benefits earlier. I don't think people will want to wait until 2032 or 2035 to see the benefits. That is something I will look at closely.

Q12 Graham Stringer: One of the things this Committee recommended in its report on High Speed 2 was that, as well as building from south to north, it should look at building from north to south. Would you consider that? Do you think that is a sensible recommendation?

Sir David Higgins: We should certainly look at it. At the moment it is driven by the legislative process. The current timetable has the Royal Assent for the second stage in 2020. That is a long way from now. You could build stage one of High Speed 2 between now and Royal Assent for the second Bill. Surely we can make that quicker, if we can. All options are open.

Q13 Graham Stringer: You mentioned the methodology for the assessment of High Speed 2. Could you expand on that a little? Do you think the methodology for assessing costs and benefits is faulty at all—or could it be improved? That is probably a better way of putting it.

Sir David Higgins: Let us just look at history. The Jubilee Line extension did not pass a value-for-money test. Thankfully it was built. High Speed 1 nearly fell over but for the Secretary of State intervening in the project. Crossrail 1 and Thameslink are both 20 years late because they failed value-for-money tests at the time; and clearly they don't now.

While I have not gone through the value for money in detail, it is probably right to put in the growth assumption of 2%, though it is very conservative, of where we are currently in terms of rail demand. Everything we have built has outstripped all of our projections. If you look at a 20-year timetable and you start the assessment or modelling in 2015, you shut it off in terms of growth in 2035. I understand that for most projects—but not for a project that does not finish until 2033. In terms of the growth you only get two years of benefit and then it flattens off, because that is what the model says. That has got to be wrong, hasn't it?

Q14 Graham Stringer: I agree with that. There has been a lot of debate about whether business people can work on High Speed 2. I am not sure whether they do or they don't. I have always thought that is irrelevant. The real benefit of the project is capacity and induced economic growth in different parts of the country. Do you think the part of the economic assessment that deals with the time saving—the fact that a business person can be in their office that bit longer—should be scrapped from the assessment system?

Sir David Higgins: You are right, provided that business people can sit down, of course. Currently around 100,000 people a day coming into London stand, and that is not going to get any better unless we work on capacity. You will find that element of the case for justifying it will be reduced in the new strategic business plan.

Q15 Graham Stringer: Do you accept the figures in the recent KPMG report which indicate that High Speed 2 would be paid for in 30 years by increased revenue into the Treasury?

Sir David Higgins: I have not been through that detail, to be honest.

Graham Stringer: If you haven't, you haven't.

Sir David Higgins: All I would say is that the upgrade on West Coast had a certain level of forecast. There is a 70% increase in patronage in 10 years from Manchester to London and a 60% increase from Birmingham to London. There was a business plan based on that. They have already hit 30% of that target within a very short period of time. We have outstripped the business case for the West Coast route modernisation, as it was called, because traffic growth has been far in excess of what anyone predicted.

Q16 Iain Stewart: In both the context of HS2 and the rail system more generally there has been some recent comment that capacity issues could be helped, if not solved, by getting rid of first class and converting those carriages to standard class accommodation. Do you think that is a red herring or is there some merit in that?

Sir David Higgins: I read something about that today. That is really for the train operating companies to work through with the Department. There are lots of things you can do. All of them are small and incremental and they will eke a little bit more out of the existing system. What High Speed 2 does is make a monumental increase in capacity. There will be 18 new train paths. Train paths are like landing slots at Heathrow. They are very valuable and you can't invent new ones. At the moment Virgin on West Coast has about 10 or 12 an hour, but 18 new ones could potentially take 1,000 people each. That is a massive increase in capacity. When it opens, it will also take around half a million lorry movements off the existing road network by creating capacity on the West Coast. If you were to build the motorway equivalent of that, it is about two new motorways. There is the passenger capacity as well as the freight that is freed up on the existing line. It is that huge leap in capacity that is the crucial prize in this whole major project.

Q17 Iain Stewart: I have one last question on HS2. Last year the Secretary of State announced that he was going to look at the feasibility of extending HS2 towards Scotland. Are you able to give us any update on what work is being done on that?

Sir David Higgins: No, I can't. All I would say is that in control periods 5, 6 and 7, which will be over the timetable, there has to be development on the existing network, including the section north of Preston—that is Scotland—to get maximum benefit out of High Speed 2. I am sure that will happen.

Q18 Chair: Part of the case for High Speed 2 is developing new services for passengers and freight on the freed-up lines. Whose responsibility is it to make sure that work is actually done?

Sir David Higgins: It is Network Rail's responsibility to advise High Speed 2 and the Department. We have done that and put work into that. We did a public study about six months ago about the availability. I wouldn't try working out winners and losers, because by building this extra capacity there is time over the next years to work out how best to use that.

Q19 Chair: What would happen if high-speed rail was folded into Network Rail and stopped being a separate organisation?

Sir David Higgins: No matter what happens, I believe that both High Speed 2 and Network Rail need to work incredibly closely together. The key thing is the network itself—how you make sure that the train services on the existing network, freight and so on, tie into what will be quite a few junction points where you can get on the high-speed network. It is what we call a system operator. You need a controlling mind that works out how you prioritise traffic not only in the good times but when you have disruption on the network. It is essential that the two organisations work together. On whether they can be one organisation in a project of this size and scale—and you might call me conflicted here—it would not be surprising if the Secretary of State would want a fairly heavy hand to know what is going on from a project point of view, because it is such a mammoth project. I think you will find that, with High Speed 2, the Department and Network Rail will reach agreement in the coming months on how that relationship works.

Q20 Chair: There is a lot of concern that investment in High Speed 2 could starve necessary investment in the existing classic line. Do you see any evidence of that happening?

Sir David Higgins: I don't see that. I see strong support from both the Government and the regulator to continue to invest. We have virtually finished the control period 5 negotiations to take us through to 2019. That is again a record investment in the existing network. Work has already started on control period 6, which takes us to 2024, and the schemes involved across the nation mean that it won't be starved of funds. I do believe longer-term that you need to look at how the two projects are funded and the long-term sustainability of all that, but I don't see any evidence that the existing network will be starved of funds.

Q21 Chair: Improving efficiency in the railways will be an ongoing issue for both high-speed rail and the classic line. You have been chairing the Rail Delivery Group, which was set up to improve working between different parts of the rail industry and improve efficiency. What have you actually been able to deliver?

Sir David Higgins: First, I was deputy chair. Tim O'Toole from FirstGroup has been a very competent chair, I have to say. The first thing we have been able to do is enable the CEOs of the rail operating companies, freight and Network Rail, with the support of ATOC, to meet every month. We discuss the industry's major issues.

One of the big commentaries of the McNulty report on the rail industry was that there was no leadership and a very fragmented railway. We do have one of the most fragmented railways in the world with the way our system is set up. The Rail Delivery Group was the industry's response to McNulty, saying that we can take a leadership position. It is everything from the franchising rounds right through to issues on smart ticketing and technology, which we are heavily involved in, and through to access. One of the major challenges we face with a huge workload—a record workload—on the network is how we get more efficient access and are quicker on and off the track when we need to maintain or do major work. There is a lot of good work going on there.

Q22 Chair: What have you actually been able to achieve?

Sir David Higgins: Pilot projects. We have projects where we have changed timetables, whether it is in Kent or the east midlands. We have been able to make available more weekend time slots for weekend travel for the public. We are getting more efficient access mid-week to be able to maintain and do capital upgrades on the projects.

Q23 Chair: One of the areas you have been looking at is the franchises. What has improved there?

Sir David Higgins: There has been a great combination. Everyone expected, with the natural commercial tensions within the rail-owning groups, that they would be competing with each other. In response to Richard Brown's study, the RDG came out as a single voice with a series of 11 recommendations. They were done in a private consultation with the Department and with Richard Brown. I am pleased to say that all of those recommendations were very seriously considered and most of them taken up. That is the first time that the industry has spoken with a single voice. I think even the Department was somewhat surprised at how unified they were. In the end, the result that came out of the report and from Peter Wilkinson's work within the Department has been very constructive.

Q24 Chair: Are £3.5 billion of efficiency savings going to be achieved by 2019?

Sir David Higgins: If we go back to 2005, we were an industry of over £7 billion. By 2019, we forecast the industry's public subsidy to the railway to be around £2.6 billion. Will we achieve £3.5 billion? We will achieve a target, we think, of between £2.5 billion and £2.7 billion by the end of 2019. The reason I can't be explicit about your figure of £3.5 billion is because a number of the savings—i.e. the non-Network Rail savings—come from the franchising process. While it is slightly delayed, it has now been worked with the industry and that will deliver savings. We obviously won't know what those are until the competitive process is in place for franchising.

Q25 Chair: The West Coast Main Line debacle has cost at least £50 million. Has that had an impact on all of this? Are you going to be able to work around that?

Sir David Higgins: The good thing is that out of all challenges come opportunities.

Chair: That is a good way of putting it.

Sir David Higgins: What the Department was facing was something that was unrealistic. The timetable they were set and the number of renegotiations or franchise bids they had to do, in the end, would have ended up in a very difficult position. We now have—or the industry thinks we have—a much more realistic programme spread out over a number of years. There have been some very pragmatic extensions. The solutions on Western and Thameslink now, for example, recognise the massive amount of capital works that are going on to those projects. They are not trying to force the industry to take a fixed price risk, not knowing how those projects will impact performance. I think we have a much better solution. The Government and taxpayer will benefit from the franchising process and from what has come out of West Coast.

Chair: You are saying, in a different way, that that target will not in fact be achieved.

Q26 Iain Stewart: I have a couple of questions on achieving efficiency and savings. The first relates to the alliance with South West Trains—the Wessex alliance. When I last asked about this it was deemed too early to be able to evaluate what sorts of savings were being delivered. Are you able to give an estimate now?

Sir David Higgins: When we set up the alliance in May of last year I sat with the chairman of Stagecoach and we agreed three objectives. The first objective was to run a safer railway. The second objective was that we wanted to run a better one for the customers. At the very end we said that we wanted to save money. That is the first thing we have done. We have looked at everything from driver rosters to the number of drivers and through to investment on the track and how we do renewals on this very difficult, overused railway line in Wessex. I follow the progress closely. It is a really difficult railway to operate. As you will have seen today in ATOC's press release, it delivers substantial money to the Government every year.

We have to make some very difficult decisions on that railway line in the next three to four years. The throat of Waterloo, which is a massively used station, really needs a substantial overhaul. Fortunately, in the current control period we are just negotiating to start in March of next year, the Government have set aside some £300 million. We need to fix up that particularly vulnerable section from Wimbledon into Waterloo that is so prone to failure and subject to single incidents, whether they are suicides or points failures. We need to get that right and work out access and how we do that. Yes, it will disrupt the public unfortunately, but we have to do that in an open way so that everyone is clear what the trade-offs and consequences are if we don't do that work.

Q27 Iain Stewart: But you are confident that you will be able to quantify the savings that this alliance is delivering at some point.

Sir David Higgins: We certainly will be able to, yes.

Q28 Iain Stewart: The other question I had is a forward-looking one. I am aware that Network Rail is commissioning a traffic management project to have a more efficient use of paths on the existing network. I have heard some concern that, since the initial tendering process, the technology has advanced and you are not fully evaluating bids that have this new technology. Are you able to comment on that?

Sir David Higgins: I am aware of the case that you refer to. I have asked for an independent review of the tendering process with that particular company that has queried that issue. I would say that traffic management is a huge opportunity for our railways to get better benefit out of it. There are global companies. It is not a technology that is not used elsewhere. Other countries such as Japan use it all the time. Companies like Hitachi, Thales and Italian companies have this technology. We should bring it in in a way that delivers relatively quick results, but you need a system that works.

My only comment is that, on the organisation you are talking about, they don't have a traffic management system. They hope to have one in a year or two's time but they don't have one now. They don't have one that anyone else uses and we would be asked to take a leap of faith that that may happen. I am not sure, but I have an open mind and I have asked for an independent review of that particular tendering process.

Q29 Iain Stewart: Who is conducting the review?

Sir David Higgins: Our head of finance—our director of finance. He will make sure that it is totally separate from the procurement process.

Q30 Graham Stringer: I suspect I have had exactly the same briefing as Mr Stewart. Will you be making that independent review available to this Committee?

Sir David Higgins: Yes, we can do that. I have the same concerns that you have. I know the company and their employment base. Traffic management is a massive need for our organisation. It is often not the technology that is the issue; it is how we get the industry to accept that it is something they can trust. With new technology, particularly in rail, these things sometimes don't work. We have to have something that is tried and true. People can visit other countries in the area and see it in practice, and have the confidence that it will work when we turn it on.

Q31 Graham Stringer: I accept that. I don't think any member of this Committee would put themselves in a position where they could make a decision between different competing commercial organisations, but we do want to be satisfied that the right process is undergone. The briefing I have had is that there is £1 billion difference between one system and the other.

Sir David Higgins: If I thought there was I wouldn't be hesitating at all, but I am convinced there isn't. The proposed saving is substantially less on something that is not proven, but let us wait for the independent review.

Q32 Graham Stringer: And you will provide the Committee with that before a final decision.

Sir David Higgins: I will do that.

Q33 Graham Stringer: That is very helpful indeed.

I want to go back to the questions about the Rail Delivery Group that were asked before. One of my general worries about Network Rail and the Rail Delivery Group is that it is a bit too cosy. It is right to get people who have an interest together. Network Rail itself has an unusual and unique governance structure. How can you reassure the Committee, when you have a governance structure where the users of the service control it—you don't have shareholders or elected people doing something—and you now have a Rail Delivery Group which again is the users, that the taxpayer, the passenger and the freight user are getting best value for money?

Sir David Higgins: You are right that we do have an unusual structure in our country. We are unlike any other railway industry in the world. Every other railway has one dominant major user, whether it is Amtrak in America, East Japan, SNCF or DB. Even in Holland or Sweden, there is always one dominant carrier that has very close links between the ordering and running of the train and the infrastructure.

We have gone for a completely different model, which is incredibly fragmented. Most of the rest of the world come here and say, "How in the hell does this ever work with no co-ordination of a few dominant operators in the whole thing?" That is the model we start from.

In many ways I would say we are an industry set up for conflict. Our charters are drawn up by some lawyers, and they are very smart lawyers, but the principle was, "Via a series of penalties, claims and legal contracts, we will force you to work together, otherwise bad things will happen." I have never seen any other industry succeed that way, whether it is oil and gas or construction. It just seems to be an industry set up for conflict, and that is what has happened.

The Rail Delivery Group is a first step in saying to an organisation that we are still bound by contract. None of that has changed. There is Schedule 4, Schedule 8, performance measures, the regulator and the DFT. We still have an enormous amount of scrutiny driving performance, but there is a common good. There is a reason why everyone else in the world does it differently from us. That is where the value changes and that is how you operate railways. We are trying to say to everyone, "Put aside your individual company commercial interests and try and act as an industry for the better good of the railways." That is what the Rail Delivery Group was set up to do. I believe it has taken that principle. I am really impressed with the time and effort that these busy CEOs of the holding companies put in and their ownership of it. We should certainly support that and not try to encourage fragmentation.

Q34 Graham Stringer: I am asking the same question again, really, but perhaps more pointedly. How can you reassure me and the people I represent as taxpayers that, when you get together in that structure, it isn't a conspiracy against the taxpayer to make those companies have an easier life and be more profitable? How can you reassure me?

Sir David Higgins: Yes—that there is not cartel behaviour.

Graham Stringer: I understand that you have a rail industry with 40 participants and that is difficult. Getting them together is sensible, but, when they get together, how can you reassure us that it is not a conspiracy against the public, to misquote Adam Smith?

Sir David Higgins: The most important protection is that it has no statutory authority to make any commercial decisions to direct any one of the parties there. The Rail Delivery Group was purposely set up this way. It can't bind any member. It has no authority to do away with, amend or in any way act in precedence ahead of the commercial agreements that bind the train operating companies and the freight companies to the Department or ourselves to the regulator in that tripartite arrangement. There is nothing that this group can ever do that can breach those key commercial arrangements. That is the protection. You are right to say it, because we have seen cartels operate in other areas, but none of this affects the commercial area.

The other thing we do is to regularly invite in the chair of the regulator. We are quite open about that. We have had the Department in. In fact, the director-general sat in on our last meeting last month and talked about what the Department wanted and what the concerns of the Secretary of State were. We had a workshop only about three or four months ago with all members of the Rail Delivery Group. It is all about trying to get better benefit out of this industry for the public and the taxpayers.

Q35 Chair: Why have the delays on rail attributable to Network Rail increased so much? You have not met your targets, have you?

Sir David Higgins: In terms of the overall targets, there are a lot of them. If I am allowed the indulgence of this Committee to go back a fraction, the first thing is that we have learned a lot—both ourselves as Network Rail and the regulator—since the targets were set in 2008 in a time of recession. There are three things that affect our targets that were not considered at the time when the targets were set.

The first thing is that extreme weather was not considered and isn't provided for in our settlement. If I look at the last 10 years from 2000, in the last 100 years, of the five most extreme weather events and the wettest years on record, four have happened since 2000. The fifth of course was in 1954. Extreme weather was never allowed in it. Of course, last year it was the wettest summer on record, flowing through into winter. The Victorian railways are not set up for that. When we have extreme weather we do one thing. We operate our railways safely but we don't cancel trains. We had a huge number of delay minutes last summer because we made a conscious decision to keep running trains. We thought that it was more important to move people than it was to cancel trains.

The second issue is that, when the settlement was made and the targets were set, the major projects work on the railways was much less than it is today. I can give a simple example. Crossrail was not in the settlement. It was not in the control period 4 settlement; neither was electrification. We are doing all those billions of pounds-worth of work above and beyond. I would love every project to be finished, but, as those who travelled on the railway this morning will know, there are a few overruns. We are doing a massive amount of work on the railway now and that affects us.

The third issue is growth. When the growth was set in 2008 it allowed for overall growth of around 6% of the railway network. It has turned out to be around 9%. The oft-quoted figure of PPM—public performance measure, as it is called—is about trains, not about people or passengers. What I can say is that by the end of this control period, every year 200 million more people will arrive on time than they did at the start of the control period. Why is that? It is because every month we are providing 13,000 additional train services than were allowed for in the bid. That means we are moving a lot more people on time and ahead of what was in the control period bid, but if you just measure PPM, if you just measure when a train arrives on time, then, because we are running a lot more trains than we expected to, the public performance measure is flat. It is flat at around 91% of trains within the acceptable performance figures. That is the reason why that has occurred.

Q36 Chair: You have mentioned extreme weather, but isn't it the case that the ORR exclude data where there is extreme weather from their calculations?

Sir David Higgins: It is not excluded from delay minutes or Schedule 8, and it certainly hasn't been excluded to date from any of their considerations of whether or not they will fine us.

Q37 Chair: So when the ORR say that you haven't made reasonable efforts to meet the targets, presumably you are disagreeing with them. Why?

Sir David Higgins: We set out our case, but in the end, ultimately, the ORR are the judge. They make a final determination and we cannot challenge that. We do make the case on those three key points. It is not correct to say that this railway is designed for extreme weather. Last summer we had 50 major landslides in western, particularly south-west England, in one day.

Q38 Chair: But couldn't you have prevented some of those landslides? Isn't it the case that Network Rail has been criticised for failure to do work in such a way that some of those events would be minimised?

Sir David Higgins: You can reduce some, but we have over 120,000 slopes. We have 80,000 tunnels, bridges and structures across the network. Half of those 80,000 are over 100 years old. We found last summer that railway embankments failed that had been classified as stable and reasonably good just because of the level of water that had built up in rivers or the amount of rain we had. I don't believe you can ever provide for that or design it out. Unfortunately, many of our railway lines have been built on, beside or even in watercourses. Therefore, because they have been around for 100 years or so, they are very exposed to that sort of weather. We will do a lot more monitoring. We can progressively improve flood defences and monitoring, but it is much more a case of pre-empting what happens when a bad event happens so that we keep the railways safe.

Q39 Chair: When do you think you will meet your targets?

Sir David Higgins: The really big improvement we have had—and it has taken two years of negotiation with the ORR, in which I have been heavily involved—is to say that railway embankments and railway structures are all different. Many of them were never even designed. Of course, they are old and Victorian. We have to progressively work through them and take, in the case of structures, 10 years to spend money responsibly. It would be irresponsible to throw money at the structures today. We have done a lot of work on our policies. Internationally, we are seen as right at the top with our standards of dealing with historic structures, but we need a very sensible risk-based approach because we could just spend an infinite amount of money on both embankments and structures to deal with them responsibly. If you look at our safety performance on embankments and structures we have a very solid record, but we do need to have a measured approach so that we spend public money sensibly.

Q40 Chair: The ORR are very specific in their complaints about your performance. They talk about maintenance backlogs, problems with asset management and slow progress in delivering efficiencies. Are you saying that they are wrong?

Sir David Higgins: No; they are right. We can always do better. We work very, very hard. They are right in terms of maintenance and renewals. In the first years of the control period, there were things that we carried out which had an impact on performance. There is no doubt about that. To put our draft determination and strategic business plan five years ago in 2008 into context with where we are today, what we thought we needed to run the railway and what the regulator said we could have to run it was a gap of £3 billion. The only way we could solve that gap was to substantially reduce the front-line maintenance staff. It was no use saying that we were going to ignore that and just keep ploughing on.

We took 2,500 people out of our front-line track maintenance and I stand by that decision. You don't do that without it being difficult. It has been a difficult transition. We stopped a lot of track renewal because the targets we were set of £1 billion saving on track renewal meant we had to stop and buy new equipment from Switzerland and wait for it to arrive. We had to change policies to save that £1 billion. We will go very close to saving all that money, but, in implementing it, there is no doubt that it has had an impact on our railway. We could have done things better, but there was a consequence of taking £3 billion out of how we used to run the railway.

Q41 Chair: You are saying, then, that you took significant numbers of people out of maintenance.

Sir David Higgins: Yes, we did.

Q42 Chair: You reduced track maintenance and you reduced planned maintenance. Isn't that a great indictment of the way you approach the work?

Sir David Higgins: No. The way you traditionally carry out maintenance on railways—it is how they do it in Japan or Germany—is to replace track on a set time schedule. Every so many years you replace the sleepers, the track and ballast. You do the inspections on certain routines. That is great and that is what we used to do, but, when you want to save £1 billion in renewables and you want to save substantial money in maintenance, you have to move to what is called "risk-based".

There is no point in replacing a railway track if it can last longer than seven years or 15 years, as it is supposed to. What is more, even if it is going to fail, if it is on a line that has a train once a day at 50 mph, it is not going to be catastrophic even if it does have a rail break. Risk-based maintenance has caused us to re-skill our people, change our work methods and change our methods of renewal. It is the only way we are going to get to these levels of cost structures on both renewals and maintenance. Japanese and German companies now come to look at us and say, "How did you do that transition?"

Q43 Chair: What changes are you proposing to make to improve your performance? Are you suggesting that you are not going to make any because you have changed the way you do things?

Sir David Higgins: No, of course not; no. I hope I don't sound offensive. I will never be satisfied with our asset condition. We need good asset management. We do have an external company that rates our organisation on asset management. I am happy to send those figures. It is called AMCL and they are a big international company. What they will say is that, on asset management capability, in the last five years there has been a very substantial improvement in Network Rail's capability of asset management. As we move to risk-based maintenance and risk-based renewals, it means that your knowledge of your assets has to be very good. Our knowledge of our rail is very good by world standards. Our level of rail breaks is very good by European standards. We are substantially ahead of the French and German railways in the way we deal with that. Our asset knowledge of other parts of our network is not as good as that, and we need to work on that.

Q44 Chair: What are you going to do to change that? The ORR have made that one of their major criticisms—that the knowledge of your assets is not good.

Sir David Higgins: We launched a programme some two years ago called ORBIS. It is a technology programme that digitally documents a lot of the railway. It enables our track workers through the latest technology to be able to get access to all the information coming out of measurement trains so that our track workers and engineers on the ground have real-time information about what is happening on the track. At the moment we have a measurement train for feedback, but that is old technology. We need to put measurement devices on the actual trains themselves to measure everything from the overhead line to the way the train performs. In many ways, we lead the world on remote condition monitoring and the video inspections of our track. We need to do more and more of that work to hit the efficiency targets that the regulator has set, which I have to say are incredibly tough.

Q45 Graham Stringer: I have been on this Committee long enough to remember the chief executive of Railtrack assuring the Committee that Paddington was the safest railway station in the world. I think those were his words. Can you reassure the Committee that the whole of the track under your responsibility is now completely safe?

Sir David Higgins: I can never guarantee anything like that. What I can say is that, in terms of targets, I have made it abundantly clear within our organisation that there is only one target that keeps me awake at night, and that is safety. I have been very clear in terms of our organisation where funding goes and that focus. I am pleased with our performance if you compare it with our European colleagues—and it is vetted independently by the regulator and by European standards—but I will never be satisfied with level crossings.

We have 6,000 level crossings. They are all a risk. I know that this Committee is doing a full investigation, and rightly so, on level crossings. It is by far the largest risk on the railways. I expect us to make a 25% improvement in the risk that level crossings pose to our railways over this control period. One thing I hope the regulator will consider in our bid as they determine the additional money in the next few weeks is that we have asked for additional money on level crossings to ensure that that improvement continues on.

Alarmingly, there have been too many major incidents in the western world of train crashes in the last three years. We focus on them extremely closely and we take a great amount of focus on that. The RSSB committee is one that I will always attend. It is a very important organisation that is external to our organisation. It scrutinises best practice in the industry and monitors our performance along with RAIB. We have a proud safety record on train performance but we are never complacent. I am not satisfied with our safety performance in our work force. I believe that, while it may be good compared with other European railway companies, it is poor compared with other industries. We have an enormous amount of focus on that at the moment.

Q46 Graham Stringer: I will come on to the work force in a minute. Are you saying that there has been no reduction in safety standards because of the change in the maintenance regime?

Sir David Higgins: No; safety standards are never compromised. I will compromise performance instead of safety any time. I will put speed restrictions on if we have any concerns. I don’t make any judgment. I don’t consider either the Schedule 8 consequences of that or the consequences of the timetable if I have any concerns.

Q47 Graham Stringer: One of the big improvements that have been made over the last 10 years is to bring maintenance in-house. I have had submissions—I don’t know if the other members of the Committee have—that some of the subcontractors that are still being used are on zero-hour contracts, which means that they can work for a number of different companies and the checks on their working time is not as good as it should be. Are you aware of that as a problem?

Sir David Higgins: That is correct. We have a method of determining whether you can come on to the railways. It is called a Sentinel card. At the moment there are over 300,000 people who are eligible at any time to come on to our railways. We have about 80,000 that are active. The card is like a credit card. What was obvious to us was that the process was being abused. This is the card here. It is a smart card. This is a new one called Sentinel 2. You have to go through a full detailed test to get this, but this is now a smart card. Over the next few months this will replace—

Chair: A division has been called. The Committee is suspended for 10 minutes.

Sitting suspended for a Division in the House.

On resuming—

Q48 Graham Stringer: You were telling us about the passes to get on to the railway.

Sir David Higgins: What you said was absolutely correct. It was a system of getting access to the track which was past its use-by date, frankly. These new cards I just showed you before the break have a lot more details on the individuals and provide a much stricter control of people getting on to the track. They also streamline, from a worker's point of view, the smartphones getting on to the track. We believe that will not only clean out a lot of people who shouldn't be on the track but will stop a lot of cases where people are double-jobbing—where they are working on one project and running up much longer hours than they ever should—because we will have a much more accurate record of that.

Going back to the issue of labour agencies and zero-hour contracts, I have certainly made it very clear that I am unhappy having any safety-critical roles both within Network Rail and our whole supply chain as zero-hour contracts. The industry is now in the process of migrating out. It is a very large industry in zero hours. We have also been to the industry—the agency workers and companies—and said, "This industry needs to reform." We want to lead the process with the industry. We have had a series of industry meetings and workshops, and we intend to publish at the end of this month—October—or early November our blueprint of how we believe the industry should reform. We are a major employer in the industry, in the rail sector, and we want not only our direct labour force but also the contracting industry to embrace these reforms on this issue. We think there is a valid role for an agency work force. We just believe there needs to be a minimum standard that all parts of the industry embrace. We want to bring our contracting work force along with that as well.

Q49 Graham Stringer: When will the new authorisation system be fully implemented for people to get on to the rail network?

Sir David Higgins: Most of it is through Network Rail right now. It will all be done by Christmas, but it is progressively happening through the entire industry.

Q50 Chair: Do you accept the ORR's conclusion that you are falling behind on efficiency targets?

Sir David Higgins: That is correct. Maybe I am pre-empting the next six months, but I don't believe we will actually hit the full efficiency target set in control period 4. There are a number of reasons for that. Our organisation and I consciously made the decision to put money back into maintenance. As I said earlier on, we did take quite a lot of track workers out of maintenance in the early years. We have put money back in there and have put some additional money into expenditure on some of the assets. That means that we will not hit the full extent of our efficiency targets. I expect us to hit somewhere around 18% efficiency. I don't know the final determination that will come out from the regulator for control period 5, but I would expect it to be somewhere between 18% and 20%. Yes, we will be a couple of per cent below what I believe was a very ambitious target when you add on those three other elements that I explained earlier on—the growth that we have had to accommodate, major projects and the extreme weather.

Q51 Chair: What proportion of your maintenance staff are agency workers?

Sir David Higgins: We don't employ directly or have any people on our books on zero-hours contracts. We have about 30-odd companies that we employ as an agency work force to add to our current maintenance team. With the peaks of coming on to the railway out of hours, we do utilise agency work force to top up mainly our works delivery works on the site.

Q52 Chair: Is that something that you will always do? This is not a temporary thing?

Sir David Higgins: It is inefficient to resource in full-time direct labour for the absolute peak. We are an industry that has a lot of peaks and troughs. At Easter and on bank holidays we have these extreme work cycles because that is the only time we can get access to the track. It would not be responsible to have all those people as full-time staff for five days a week or seven days a week on the books when we can use them for those extreme periods. It is an industry that will always utilise contingent labour. As I said in answer to the earlier question, there do need to be standards that are acceptable not only from a safety point of view but from a skills point of view. There is no point having a labour force which is too easy to get into or in which we are not getting a sufficient level of skills.

Q53 Martin Vickers: Sir David, earlier you mentioned the problems that landslips were causing. Certainly my constituents were very familiar with that on the Doncaster to Cleethorpes line earlier this year with the Hatfield landslip. What that showed to some extent was the inflexibility of making alternatives when two alternative routes are available. Yes, there were problems with capacity and train operators not wanting to give up paths and so on, but that also comes into the regular scheduled weekend engineering. As you will appreciate, passengers would much rather have 15 or 20 minutes extra on a train that is going on a diversion than have to offload with baggage and so on. What additional work is being done to improve the situation of making a seven-day railway in effect and trying to iron out some of these inflexibilities?

Sir David Higgins: You are absolutely right. The collapse of the coal dump at Hatfield had a devastating impact on the commuter services and freight because, as you know well, that line supplies a lot of big power stations. It is a crucial line and they did an amazing job in moving a couple of million tonnes of coal dust off our railway, where it shouldn't have been, and returning it, I think, in record time. That was something that impacted on us. Of course, we paid delay minutes. We paid many millions of pounds in Schedule 8 to our train operating companies for that inconvenience. The knock-on effect, as you say, because of the inflexibility of the network and the lack of resilience, is still being felt today. The modification of the GNGE, as we call it, which is the upgrade of the line through Lincoln, has been put back by many months. It means that this Christmas we have record workloads because we had to put off a lot of the work because we could not have any relief line.

What are we doing? We are doing two things. First, we have to be more efficient as we planned. We are now in a supply constraint market. There are not enough clear-off trains, tilting wagons or signal fitters to do the work we have to do. We really have to do that and what we have done in a number of cases is this. Recently we shut down Nottingham station for 28 days. We got a massive amount of work done, under budget. There was a huge improvement, not only to the track but giving the station upgrade a big push ahead. We talked to the public and said, “We know it is going to be incredibly inconvenient with a bus replacement, but we will do it over the summer holidays. We will explain why we are doing it and will tell you after the benefit.” We did the same at Wigan. We shut Wigan on the West Coast for nine days, but we did what would have taken two and a half years of continuous disruption on every bank holiday in that area. We explained to the public.

It was the same at Reading and at Paisley Canal in Scotland. We are going to do the same at Watford on the bank holiday coming in 2014 and early 2015. That will bring the work ahead by 18 months on the West Coast. We did the same at Reading. We went to the public at Reading and said, “If we can save 18 months and in terms of the public purse tens of millions of pounds, will you put up with a lot of disruption at Easter?” That is the Easter that has just passed. The public said, “Yes. If you can explain why you are doing it, what the benefits are and that we are going to get the additional lines and platforms at Reading 18 months earlier, yes, we will accept it,” if you explain it properly and then, when you return it, it works.

This is what we are facing nowadays. It cannot be any more complex than London Bridge, which we are just going through now. We explain well in advance to the public so that they can understand what we are doing. They then accept it, provided we do it properly and they see it bringing the benefits forward.

Q54 Chair: How did you assess that that is what the public thought?

Sir David Higgins: We used Passenger Focus on a number of occasions to go out and poll the public, give them the options and discuss it with them. That was a very effective process.

Q55 Iain Stewart: I would like to pick up on one comment you made about skills availability in reply to Mr Vickers’ question. There is a huge amount of investment work going into the railways over the next couple of decades with high-speed rail, East West Rail, Northern Hub and the electrification projects. Do you have a concern that this country has the skill and capacity to do all these projects, or is there a training need that needs to start?

Sir David Higgins: Together with the Secretary of State for Business and Industry, I was co-chairing the Construction Leadership Council before this meeting today. We spent most of the meeting talking about the ageing population of our entire construction industry, the skills gap that is coming up and how the industry can work together to address that. Yes, it is a concern to all of us in the industry, particularly with the level of investment that is happening. We at Network Rail have an award-winning apprentice programme. We have over 1,500 apprentices that have been through that programme since 2005, and we have a very good graduate programme. The industry, not only in rail infrastructure but in house building and other sectors, is very focused on this issue. Certainly, on that committee I co-chair, it has to be our biggest issue.

Q56 Chair: Freight has a weighting of just 3% in your management incentive plan. Do you think you are giving enough attention to the needs of freight?

Sir David Higgins: I don’t think we focused on freight enough a few years ago. We did appoint a director of freight about three years back reporting to Robin Gisby, our director of network operations. It became more fragmented, particularly as we devolved our routes. I don’t think we took a national perspective on freight. I am clear now that that is getting better. Certainly, within the Rail Delivery Group, we have our own freight board there as well. That represents the freight industry nationally and reports through not only to the Rail Delivery Group on issues that they want addressed but also to the Department. We are very focused on freight. Freight has set some challenging targets from the regulator. There are things that the industry needs to change too, because there are residual rights that in the end, on a crowded network, we need to be able to negotiate to see whether they are really necessary and the impact that some of these have on congested mainline routes. It is a mixed use.

Q57 Chair: How are you going to improve freight without jeopardising passenger services?

Sir David Higgins: There are current practices and trade-offs that we need to challenge in how we regulate the railway. Tragically, a lot of the assets that have helped the railways manage freight were sold off in a spree of stripping out a lot of the assets from the railways, if we are being blunt about it. That has made it more difficult to regulate freight. On a couple of the key routes now, the freight sidings that have historically been put in for coal trains were not done for these new big container trains, which require much longer sidings. We are hoping to negotiate with the industry to essentially acquire the sidings that were sold off during the privatisation back into Network Rail. We can then improve them and make them available for the entire industry to use. Therefore, those sidings will allow us to get more effective use from the main network.

Q58 Chair: Can you give us any clearer idea of what you are aiming to achieve in improving freight services?

Sir David Higgins: The challenge for our customers—freight companies—nowadays is that more and more of their customers are very short-notice. They get requests and they have to compete with lorries and the motorways. Therefore, they need incredibly short notice and flexibility to be able to get on to our very busy mixed-use network, particularly on the West Coast. That carries 43% of the entire freight load of the whole nation. Trying to accommodate that need as their market changes is something we need to discuss in a forum. They have historical freight paths, including ones that run through the North London line, that some of them don't use, but they keep them and use them every now and again because if they don't they will lose them. There must be a sensible commercial resolution of those residuary rights while accommodating their very real needs to be more and more competitive. It is the most competitive part of the railway sector.

Chair: Mr Stringer, is your question on this?

Q59 Graham Stringer: It is on control period 5, if that is all right. Your final determination is in just over a fortnight's time. There appears to be quite a difference between you and the Office of the Rail Regulator. What will be the consequences for the projects in control period 5 if you don't get a resolution in your favour?

Sir David Higgins: First, I would say it is a much better process. I wasn't around for CP4, but everyone that was involved in it says this is a much more enlightened process. The relationships between us and the regulator are very constructive, challenging but very open. Within our organisation from the roots up to the senior management, we know the consequences of what the settlement is.

The big breakthrough we have made with the regulator in this control period is that—rather than having to commit to a fixed price with a scope that we don't know, such as is making all the structures safe, which is unrealistic because we have to have an improvement programme over a number of years—in the case of major projects what we have agreed is that we don't have the detailed design for a number of them, but we are giving ourselves to 2015 and a little bit beyond, we hope. As we develop the design, we have an emerging cost, and then we fix with the regulator what those projects' real cost is with a much greater level of design detail. That is the responsible way. If we had to take a fixed-price cost on an unknown design, we would either have to take a large bit or put a large level of contingency in, which would be wrong in both cases.

To answer your question, if in years to come we are unable to reach agreement on what is a fair price for the scope of work, then I think it is an issue between ourselves, the regulator and the Department. Are there any particular projects you are concerned about?

Q60 Graham Stringer: As a constituency MP I am particularly concerned about the Northern Hub.

Sir David Higgins: I am sure you are.

Graham Stringer: Do I have the figures right? The difference between you and the Office of the Rail Regulator is £1.4 billion, and about half of that is in terms of enhancements. Is that figure roughly right?

Sir David Higgins: The difference is £1.4 billion; that is correct. But that is not an enhancement.

Graham Stringer: No; half of that.

Sir David Higgins: No. The £1.4 billion covers a number of areas. It covers the big areas of information management. The biggest area would be renewals, and the largest of all those by far is track renewals. We believe we have put in a very ambitious bid of reducing costs for track renewals. We got into this challenge five years ago when we had a track renewal settlement, which meant that for two years we had a substantial reduction in track renewal volume as we struggled to try and come up with a new way of doing it. We haven't been wholly successful because we have not hit the metrics set by the regulator for track renewal. I don't want us to go through that again because that really impacted the subcontracting industry and staff were laid off. I want us to start with a realistic figure on track renewal on major projects.

With the figure on major projects there is a gap. In the case of Northern Hub the figure is £560 million, which is the figure that is set aside for the Northern Hub. That does not include any contingency. There are two projects that we are bringing forward beyond the 2015 date. That is what we call East West Rail, which is Oxford to Bicester, and the Northern Hub. We are bringing those forward so that we can reach agreement in the short term with the regulator and get started on that. I would be really surprised if the Northern Hub is at risk. It is a fantastic project in terms of what it does. It delivers 700 new train services a day to central Manchester, Leeds and through to Liverpool. It is just a very sensible project with a 4:1 value-for-money ratio, which I think everyone accepts is the right thing to do.

Q61 Graham Stringer: I certainly do. If you don't reach agreement, will you go to the Competition Commission?

Sir David Higgins: That is something we will have to decide. We have up until January to decide.

Q62 Graham Stringer: Can you give us an indication, if things go badly for you?

Sir David Higgins: That would be giving away our negotiating position.

Graham Stringer: I accept that. I am just worried that the Northern Hub will not go ahead.

Sir David Higgins: In the end it is ultimately for our board; it is not for me to decide. You are right; we do hear in a few weeks' time. On 31 October we will meet with our board. We have said, as we have done in previous times, that we are not going to make any great public fanfare that "we can't do it with this money." That is irresponsible. We will take the settlement away, discuss it in great detail with our board and analyse it. We will then come back with a response or recommendation to our board. Of course, as you would expect, we will continue to do our homework on what it would take to go to the Competition Commission, because that is ultimately the decision that our board and our chairman need to make.

Q63 Graham Stringer: I am particularly interested in the Northern Hub, but are there any other projects that are potentially at risk because of the current lack of agreement?

Sir David Higgins: I wouldn't call it a lack of agreement. The regulator in the end says—and I think it is a responsible way to go—"We are not giving you a blank cheque. We want to see the detail of what we are getting." That is the same whether it is R and D or level crossings. They have said, "We want to see what we will get for the money. We want the scope and the detail set out to us." That is the right way to go. Provided we can prove that we have done full analysis and the design is at a proper level, we should get support.

Q64 Chair: You have argued for "hands off" regulation. How can that be?

Sir David Higgins: We don't have that today, no.

Chair: You don't want that.

Sir David Higgins: No; we don't have it today and we don't want it.

Chair: You don't want it.

Sir David Higgins: We have "hands on" regulation. We do need to be scrutinised. What I would say is that if you look at all the targets that will be set for us in control period 5—I suppose "metrics" is the correct term—there will be around 3,800. That is important. We are not surprised with that because those are metrics we use every day and every month to manage our business. We have different routes and different elements of both analytical analysis plus competency models that we need to take. All I would say is that, if those 3,800 metrics become targets and the subject of long and detailed analysis, it is going to be a massive waste of public money and a huge distraction to both the regulator and Network Rail. You need to look at them all the time, but I don't look at and make decisions on 3,800 targets. You need to work out which ones are important to you. The 3,800 is a justifiable figure, but it is what you do with it that is important.

Q65 Chair: Your debt is expected to rise from £30 billion to £40 billion going to 2019. Why is that increasing?

Sir David Higgins: That is funding the growth on the railways. It needs to be justified, of course. We have to withstand the scrutiny of the regulator to say whether that can be justified against the regulated asset base. We have a borrowing limit compared to what that is. Your point is that that is a lot of money, and it is a lot of money. We don't have the benefits of a number of our other Japanese or continental railway colleagues, who have had substantial amounts of debt written off at various times. We don't have that; we have debt that has accumulated as the railway has needed to recover from decades of underinvestment and cope with growth. There will be a time—it is not today—where the sustainability of the level of debt needs to be reviewed.

Q66 Chair: Does that mean you think it will be better to make that debt part of the national debt?

Sir David Higgins: No.

Q67 Chair: How do you think it should be done?

Sir David Higgins: It is not for control period 5 but for control period 6 and beyond. It is for High Speed 2. You need to work out how you want to fund the railways long-term. As I am sure you are aware, we have a substantial obligation to pay off debt every year—to fund debt—and that is a significant cost to the railways.

Q68 Chair: Are you likely to be repaying any of that debt?

Sir David Higgins: We roll over debt. We repay debt and then refinance. We have done a lot of work in the last six months to—as much as possible—hedge the rollover and the commitments we see in control period 5, albeit there is always going to be some risk in terms of timing and volume. We manage that very closely because it is a very substantial cost that we have.

Q69 Chair: You referred to level crossing safety. The Committee is going to be conducting a separate inquiry into that. Very soon after your appointment to Network Rail, you came to this Committee and we discussed the very tragic deaths of two teenage girls at Elsenham. What had happened then, among other errors, was that safety risk assessments carried out in 2002 had not been acted on. Could that happen today?

Sir David Higgins: I would hope, when your Committee meets in the next few weeks and reviews it, that you have full access to any information we have on level crossings. We have a very open relationship with the regulator Ian Prosser, who I have put on record as being a fantastic support to our organisation in making, I would hope, a big change in level crossings. I would expect us to exceed reducing level crossing risk across the network by 25% at the end of this control period. I know that we put in a huge amount of effort. We scrutinise all the routes, within the routes themselves but also by audit, as to the level of risk assessment. It is important to have risk assessment right. We have then set up level crossing executives who take accountability for the individual level crossings. The point is then what you do with all that. We have made a conscious effort. We will have closed 700 level crossings in this control period. The best thing with a level crossing is to close it. For those where we can't, we have either put footbridges in or improved on technology, siding lines or whatever. I think there has been a step change but you can judge for yourself. It is something on which I gave a personal commitment to the families involved in that tragic event—that we would make a substantial improvement in level crossing safety.

Q70 Chair: We will be returning to this issue in detail shortly. I would like to ask you about winter resilience. What is Network Rail doing to ensure that the trains can keep moving this winter, if it is a bad winter?

Sir David Higgins: The first thing we are really focused on is autumn. The biggest area of impact is Kent. That is by far the most exposed route. We have done a responsible vegetation-clearing programme with heavy consultation, after a shaky start a year or so ago. The team there have done a fantastic job. Of course, autumn is all about train crews as well and making sure that the rails are properly repaired. You lose autumn in the first week if a driver is concerned that the rails aren't properly repaired and they are concerned about overrunning a signal. Trains all slow down and we lose performance dramatically.

In terms of winter, we have put in a massive amount of effort. We are particularly working with our train operating company partners. The biggest issue for both autumn and winter is drivers. We need the right number of drivers to be able to operate the trains. These are one-off events and we need to draw on a limited resource of drivers to be able to crew these road vehicles and trains that we set up especially for this. We are ready and very focused. I was up in Scotland the other week making sure that the team up there are particularly focused. We expect them to be the first impacted.

Q71 Chair: Are six snow and ice treatment trains enough?

Sir David Higgins: They are if they are properly used, they get proper access to the network and we have the right number of trains. We think we are in a substantially better position than we were. It is not only that; it is rail heating. We have done extensive work on the third rail here in the south of London in the last two years.

Q72 Chair: One of the issues raised last year was the lack of good information for people at the time they needed it. What are you doing to improve that?

Sir David Higgins: We are working closely with our train operating company customers. We use modern media a lot more. Our Twitter sites and the work we do with that have been very effective. Each rail company does it differently but we work very closely with them to get that information out. We can never be satisfied with the level of passenger information compared with some other industries, but the industry is putting out a huge amount of information and effort. You will see that transparency is something that the Rail Delivery Group takes very seriously.

Q73 Graham Stringer: I have one last question if we can go back to the very beginning and the High Speed 2 questions. Both in the political parties and across the country, there is a level of ignorance about the benefits of High Speed 2 and what your project is about. As we said before, the debates sometimes come down to saving 20 minutes here or 30 minutes there, which is not what it is about. Are you going to be making an attempt to speak to the leading politicians in the three main parties before you take over High Speed 2?

Sir David Higgins: You must have checked my diary for tomorrow. I have a long-standing appointment with the Shadow Chancellor, Ed Balls. I am seeing him tomorrow with the Shadow Rail Minister. I will also be seeing Andrew Adonis, who, let's face it, started High Speed 2. It was his idea and he sponsored it. He is very knowledgeable, being an ex-Transport Minister.

Q74 Graham Stringer: I think all those people are on-side. There are one or two people in my party who are less on-side. Will you be making an effort to see them as well?

Sir David Higgins: What I found in my previous job was that it was extremely helpful on some of the very difficult positions, such as should shooting go to Bisley or other complicated issues we discussed on the Olympics, to have open forums that particular Members of the House of Lords or Members of Parliament chose to organise. I would come along and do question and answer sessions. It was not in a formal process like this here but a more open environment, where they could ask questions and we could have flipcharts, which was very effective, I think rightly, in answering questions that they had been confused about or in some cases misinformed about. I am happy to do that.

Chair: I am sure we will be back with more questions on that topic. Thank you very much, Sir David, for coming today.