



Transport Committee

Oral evidence: Investing in the railway, HC 257 Monday 30 June 2014

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Members present: Mrs Louise Ellman (Chair), Sarah Champion, Jim Dobbin, Jim Fitzpatrick, Karen Lumley, Jason McCartney, Karl McCartney, Mr Adrian Sanders, Chloe Smith, Graham Stringer, Martin Vickers

Questions 1-110

Witnesses: Paul Plummer, Rail Delivery Group member, and Group Strategy Director, Network Rail, Jeremy Long, Rail Delivery Group member and Chief Executive Officer, European Business, MTR Corporation, Nigel Jones, Rail Delivery Group member and Head of Planning, DB Schenker, Clare Moriarty, Director General, Rail Executive, Department for Transport, and Roger Jones, Deputy Director, Rail Network Outcomes, Department for Transport gave evidence.

Q1 Chair: Good afternoon, and welcome to the Transport Select Committee. Could you give us your names and organisations, please?

Jeremy Long: I am Jeremy Long. I am from MTR, and today I represent the Rail Delivery Group.

Nigel Jones: My name is Nigel Jones. I am from DB Schenker, and I am an alternate member of the Rail Delivery Group.

Paul Plummer: My name is Paul Plummer, group strategy director at Network Rail. I am also a member of Rail Delivery Group. I chair the planning working group under RDG.

Clare Moriarty: I am Clare Moriarty. I am the director general for rail executive at the Department for Transport.

Roger Jones: I am Roger Jones. I am deputy director of rail network outcomes in the Department for Transport.

Q2 Chair: Thank you very much. We are three months into the new five-year control period. What would you say has been learned from the last control period and what are the lessons that you think you can apply to this one?

Paul Plummer: First, one of the key messages is about the challenge of growing the railway, which has been highlighted throughout CP4, and the importance that growing the railway can make not just to users but to the economy as a whole, and the need for us all to balance constantly reliability with that growth challenge. That is one point I would highlight. The second point is about sustainability and the criticality of continuing to address previous years of underinvestment. We have made great progress on that and are continuing to do so. Looking at it from a whole life, whole system and whole network perspective is key.

The third point is to deliver efficiently and effectively. CP4 has shown that Network Rail needs to work collaboratively with its customers and suppliers at a local level but also nationally with Rail Delivery Group, and the importance of the franchising and regulatory regime in creating the right alignment between the parties to help with that. Finally, in terms of efficiency it has highlighted the need for strong planning both in a very long-term sense for the future of the railway and for the much shorter term, in terms of work planning and not changing things so often, which has been really highlighted. Combined with that is the need for a mindset around continuous improvement and the effective use of technology.

Q3 Chair: Would anybody else like to add any points?

Clare Moriarty: In a very similar space to Paul, there are three particular things we would draw out. One is the value of early planning and engagement to make sure that, as we run into the control period, everybody is absolutely ready to go. I think there has been much more early delivery planning than there was for CP4.

The second thing is about having sufficient flexibility within the plan. A control period of five years is a long period to plan for, and at the time when the planning starts it may be seven or eight years until the end of the process. What we have done this time collectively is build in the flexibility to be able to work through the detailed planning and costing, and make adjustments to the programme as we go through.

The third thing, as Paul says, is about alignment of the industry around a set of core objectives. If we are going to get the best and most efficient railway we can, it is important that we have the objectives of Network Rail, train operating companies and freight operating companies all aligned so that people are working together to get the best out of the available resources. You can see that coming through increasingly in the way that Network Rail and the operating companies work together, and Network Rail and the supply chain are working together. In particular, over time Network Rail, the Office of Rail Regulation, who is very critical in this space, and we at the Department for Transport are working closely together to make sure we get the maximum out of this fantastically large investment in the railway.

Q4 Chair: Is that going to happen? Is that going to change in this control period? Mr Long and Mr Jones, from where you are, in the Rail Delivery Group, how can this be improved? This was one of the key reasons you were set up, was it not? What is going to be done differently?

Jeremy Long: As both Paul and Clare said, if you go back in time the industry has been working together for some time to plan CP5. There are sub-groups within the Rail Delivery Group which bring all of us together to look ahead at the spending plans in CP5, both at a very high level and increasingly at a more detailed level, so that, as Clare said, we are able to start the control period with the plans as formed as they can be, having had the greatest time for consultation and to form those plans—so very much so.

Nigel Jones: I absolutely endorse that. It is happening even as we speak. We learned a lot from CP4, with a very parochial freight hat on. We learned about getting wide engagement from a wide variety of stakeholders across the freight sector lined up behind the investment plans, getting what

we wanted to do agreed early in the control period so there was time to plan it effectively and efficiently and then deliver it. We learned as we went through CP4, and we are bringing the same processes through CP5, and we have widened the scope of the sort of things we are looking at under the RDG hat. For freight, we now have specific detailed groups looking at smarter use of the network: how can we do more with less in the use of capacity and paths so that the call for investment in the network is minimised?

Q5 Chair: Mr Jones, do you want to add anything?

Roger Jones: No. We concur with that.

Q6 Chair: A lot of the funding in this control period will be taken to complete schemes that started in the last one; they include Thameslink, Crossrail, great western and northern electrification. What proportion of the funding in this control period will be going to projects that are already under way?

Paul Plummer: Of the £12.8 billion of enhancement funding, £3.1 billion is for Thameslink and Crossrail—two projects that were always intended and expected to span those control periods. There are a number of smaller schemes that were always expected to span control periods as well. It is a continuous process. We get a little hung up on control periods, and I think it is important to recognise continuity through periods and the flexibility Clare highlighted. There are a small number of things where it was not planned that the spend would roll over into the control period, but we have agreed with the regulator that it is entirely proper that it does so as well.

Q7 Chair: What proportion of funding in this control period will be used for previous schemes or commitments?

Paul Plummer: I am happy to give you the proportion in correspondence, if that would be helpful.

Q8 Chair: What are the target dates for completion of the four schemes I mentioned—for example, Thameslink?

Paul Plummer: Sorry, Madam Chair, I am just checking something: the second phase of Thameslink is due to complete in December 2018.

Q9 Chair: And Crossrail?

Paul Plummer: Crossrail is before that.

Clare Moriarty: Crossrail is late 2018 as well.

Roger Jones: They are all December 2018.

Q10 Chair: Great western?

Roger Jones: Great western has a number of phases, but it will be substantially complete in December 2018 when all the various elements are finished.

Q11 Chair: And northern electrification?

Roger Jones: That is December 2018 as well. That includes electrification of the trans-Pennine route between Manchester and York.

Q12 Chair: There won't be any reductions in the northern electrification scheme, will there? We had evidence in previous sessions, not specifically about that electrification, about electrification schemes being above cost, or that there was lack of clarity about how costings were done. Is there any question mark over completing this one?

Paul Plummer: There are challenges with a lot of our projects. We now have a much more rigorous process, whereby the outputs are already defined. Those are set out in detail in our delivery plan; all the dates you asked about are set out transparently. Some of those dates are not yet firmed up. They will be firmed up through the ECAM process—the enhancement cost adjustment mechanism. We at Network Rail are asked effectively to develop the projects against the time scales we have all talked about here and say what we think the cost of those projects is. The regulator reviews it and takes a view on what the efficient cost is, and as long as it continues to be affordable we are able to proceed with the delivery of that work. All of these schemes will need to go through that process.

Q13 Chair: To go back to northern electrification, does that mean there is still a question mark over what is affordable?

Clare Moriarty: It might be helpful if I just outline way the process works.

Q14 Chair: I do not want to hear more about the process; I want to know about the consequences. Does what Mr Plummer has just said mean there is still a question mark over the affordability of, for example, northern electrification as it was promised?

Clare Moriarty: At the stage when the schemes were listed out, a number of schemes—northern electrification may be one of them—were at quite an early stage, when it was not possible to say absolutely definitively what they would cost. Rather than try to set artificially tight costs, it was agreed that the schemes would proceed and that the overall cost would be assessed. The regulator's expectation is that all of those schemes will be assessed and will fit within the cost envelope that is being set, but if, when they are costed out in detail, the total turns out to be more than the amount expected, the ORR will effectively come back to the Department as the customer so that the Department can decide whether to put in more money, or to have a discussion about the phasing and scope of the projects after a very rigorous process of value engineering. The reality is that at the point when the ORR set its numbers, and set the grant for Network Rail, there was not sufficient definition on the costs of some of those programmes to be able to say absolutely, "This scheme will definitely cost this amount."

Q15 Chair: It is not what it costs but whether it is going to happen. There is a general understanding that northern electrification, as it has been put forward before, is going to happen, and we now seem to be having some question marks. Am I right to be concerned?

Clare Moriarty: What we are trying to explain is how we go through and make sure that we are able to go forward with programmes. We are not saying that we are going to be cutting programmes, but what we have to do is make sure that the overall scope of programmes can be afforded within an amount of money.

Q16 Chair: When will that be? In relation to northern electrification, when is the date or the time that decision will be made?

Paul Plummer: Each individual scheme is set out in our enhancement delivery plan, so against that it will have a specific date when we intend to go through the ECAM process—for each of those schemes. I don't have them all in the top of my head, but they are all set out totally transparently. In terms of all the schemes you have mentioned, they have a very strong business case, which is why we were—

Q17 Chair: Does that mean they are going to happen?

Paul Plummer: I cannot give you that absolutely categorical confirmation. I can say that, within Network Rail, everybody working on all of these projects is working on the basis that they will be continuing and will be delivered, and that is absolutely clear. There is no doubt or ambiguity within those project teams that they should be waiting for any decision.

Q18 Chair: But that is not quite consistent with what Ms Moriarty has just said, is it?

Paul Plummer: I think it is. The message to those people is that they have to continue to develop those schemes on the basis that we will be delivering them.

Chair: This is something we will be taking a further interest in. I certainly feel concerned that suddenly all kinds of question marks are put against it.

Q19 Martin Vickers: I am trying to get these figures clear in my mind. Does this mean that some schemes could be started, and if there is a cost overrun or increase they could be abandoned incomplete?

Clare Moriarty: I am not expecting schemes to be started and abandoned, and I am not expecting schemes not to happen, but there are choices the Government will need to make. If, after the full detailed costing of these projects, the cost is greater than has been allowed for, there will be choices to be made about whether to put more money into the system or whether to look at particular phasing. I think it is more a question of phasing than scope, but, given that we do not know exactly what the costs are at this stage, it would be irresponsible for me to say that we know for definite things that we cannot know until this process is complete. The costing process is due to be complete by March of next year, but it is an ongoing process. We are not waiting until the end of that process blind; a very comprehensive dialogue is going on with the Office of Rail Regulation, who are responsible for the process, challenging Network Rail's costs and making sure we drive out all the savings we can.

Q20 Chair: I do not know why you could not answer that question before when I asked when the decision would be made. I asked Mr Plummer and I asked you. You hedged around with all kinds of words, and now we are getting somewhere near it. This Committee would like to have information, when you are getting towards that point, as to what decisions or options are being considered in relation to these schemes.

Clare Moriarty: I apologise. I think there was a misunderstanding between Mr Plummer and myself about the date you were asking for—whether it was the date the schemes were due to be delivered or the date when the costing was due to be complete. The date for completion of the costing work is March 2015.

Q21 Chair: Basically, we want to know whether the schemes that have been promised are going to be delivered.

Clare Moriarty: Absolutely.

Q22 Chair: That is the rather obvious key question we want to know about, isn't? Apart from the matters you have just raised, what would you say are the problems that could prevent you from reaching your targets in this control period? Presumably, affordability is one.

Paul Plummer: If it were the case that the efficient cost of all the schemes we have been asked to develop was no longer affordable, that would be an issue, but we are not working on that basis. It goes back to the points I made at the beginning in terms of lessons: being absolutely clear what it is

we are going to deliver; having the plan to do that; having a much more detailed milestone-based plan than we have had in the past, which I think is important; and, critically, having ownership of the plan across the industry and Network Rail business. We have been putting a huge amount of effort into producing a plan that is much better owned, much more detailed and supported by all of our stakeholders, because those have been problems in the past.

Q23 Chair: The Government say that the “strategic intent for CP5 is to develop the network in a way that will enable it to shoulder demand until HS2 becomes operational, but...then...to adapt and integrate around the...High Speed 2 corridor.” That is very much in line with what this Committee has been urging since the first time we looked at High Speed 2. Could you tell me what mechanisms are being put in place to ensure that happens? It is very welcome that it is now the Government’s policy. What mechanisms are you aware of to make sure this actually takes place?

Clare Moriarty: We are working very closely looking at HS2 and the rest of the rail network. I think the key mechanism we have is something called the tripartite co-operation board, which brings together the Department—myself and David Prout, director general for HS2—with David Higgins, Simon Kirby and Alison Munro in HS2 Ltd, and Mark Carne and Paul in Network Rail. That allows us to look across both HS2 and the existing rail network, with the absolutely integral involvement of Network Rail, to understand what might need to be done to the existing rail network to make sure we are getting the absolute best connectivity out of the system as a whole.

We are three months into control period five and we are already starting to think about how we plan for control period six. Making sure that we are thinking in an integrated fashion about HS2 and the rest of the network is one of the central planks in how we are starting to think about CP6. That is done in close co-operation with Network Rail, RDG and the operating community so that we can make sure we are getting the connectivity in particular out of the system. It is very closely connected with the work David Higgins recommended, which is now going on, about east-west connectivity. We are also looking at how we make sure we get integration with other modes of transport. We want to see rail properly integrated with the investment that is going into roads as well, and make sure that we are driving forward the big programmes, like electrification, which are designed to make the whole system more efficient.

Paul Plummer: I shall not repeat what Clare said in relation to Network Rail’s interaction with the Department, which I think is key. In terms of conversation across the industry and what Network Rail and RDG do, we are looking to build on that closer collaboration with Government and have a conversation across RDG about how we can effectively integrate this. There is a long-term planning process that we co-ordinate across the industry, which develops route studies, market studies and some of the cross-boundary studies. This will be totally aligned with the thinking as we develop what HS2 can deliver in terms of connectivity with the whole of the network. From our point of view, the critical point, building on what you said, is to see this as a whole network and plan it in that way so that we get a seamless operation and benefits for all: operators, customers and users.

Q24 Chair: Is the approach that Sir David Higgins recommended in his statement now being followed up in the organisation? Is that what you are saying?

Paul Plummer: It is very much more collaboratively engaged.

Q25 Chair: From the Department’s point of view.

Clare Moriarty: It is.

Q26 Chair: That is actually being taken forward.
Clare Moriarty: Yes.

Chair: That is very welcome news.

Q27 Mr Sanders: What proportion of the £38 billion funding settlement is ring-fenced or hypothecated, and what proportion of that £38 billion can Network Rail choose to allocate to particular projects?

Paul Plummer: There is a relatively small proportion hypothecated in a very strict sense; £1.2 billion of funds have to be used for specific purposes, around small discretionary schemes, or around stations or other investments, or to achieve longer-term benefits through R and D and so on. There are notional amounts, effectively, against all of the £12.8 billion of enhancements, but there is no absolute requirement that we spend it on this enhancement rather than that enhancement. There is flexibility to manage risk, if you like.

Q28 Mr Sanders: How much is contingency—for example, for weather-related events?

Paul Plummer: It is not specifically for weather-related contingency. There are specific allowances embedded in our asset management plans about building in further resilience. We have to develop resilience plans for September this year, which we will submit to the regulator and publish, and which will feed into our longer-term thinking about what needs to be done. We have an amount of risk buffer, or contingency—whatever you want to call it—to manage the business as a whole. That was how we were able to deal with the short-run consequences of the extreme weather in the last year or so. There was not a specific contingency for weather risk.

Q29 Mr Sanders: That is an amount of money within the £38 billion.

Paul Plummer: Yes.

Q30 Mr Sanders: Local councils put things in reserves for contingencies; do you not have a percentage that you calculate you might need for unintended events?

Paul Plummer: We have a risk buffer, as we call it, to deal with all the risks across the business. We do not hypothecate bits of it and say, “This is for weather resilience, and this is for punctuality.”

Q31 Mr Sanders: Do you have a figure for that buffer?

Paul Plummer: In terms of the overall risk buffer, I would rather send that amount to you.

Q32 Mr Sanders: That is for the whole network.

Paul Plummer: Yes.

Q33 Chloe Smith: Could you explain to us how, through the process you have been describing, passenger growth is accounted for?

Paul Plummer: We look at it in a number of different ways. When we do our long-term studies we look at the railway today, what we think is going to happen to passenger demand and what we have to accommodate over a period of years. We build those forecasts into our thinking about what capacity we need to provide. The flip side of it is that, if you provide capacity, you can generate demand; some of our schemes create economic growth and activity, which generate transport demand, so it is both sides. I am not sure which way you were coming at the question.

Q34 Chloe Smith: From the point of view of seeking a railway that is fit for purpose over the periods of planning, and wanting to be sure that your assessment of growth comes through into what you are planning for per control period.

Clare Moriarty: To go back a step in the process, Network Rail responds to what is called the high level output specification, which the Department prepares. That has at its core capacity and the need to accommodate demand growth. We do not specify exactly what must be done, but the high level output specification published in 2012 sets out a requirement for 120,000 additional commuter journeys into London and 20,000 additional commuter journeys into other cities. That forms part of the inputs, so Network Rail, working with operators, will say, "This is what we think we might need to do to meet that." The Office of Rail Regulation then looks at their proposals to see whether or not what is being proposed delivers what the Department has asked for within the amount of money that the Department has said is available. Those forecasts of what demand is likely to do, which come from recognised modelling systems, translate very directly into the requirement that the Government set out, and to which the rail industry then responds.

Roger Jones: It ensures that the infrastructure is available for that degree of carrying capacity. Through the Government's franchising process, it puts that information into the specification for any particular franchise. When renewing a franchise, we seek bids on the basis of that information. We make sure that the franchise and rolling stock fit the long-term need that the infrastructure is being prepared for.

Q35 Chloe Smith: I have in front of me HLOS and also the long-term demand scenarios from the London and south-east market study of Network Rail. Although I very much supported some of the elements in HLOS, I also see in section 9 that HLOS sets out peak city demand being met and designed to support economic growth in the north-east, Yorkshire, the north-west, the midlands, the west, and London and the south-east. We may have a terminology problem, in the sense that some people think East Anglia is part of the south-east, but that does not seem to me to tally with the extent of passenger growth that you would then see; in the Network Rail documentation East Anglia is one of the highest growth areas in passenger numbers. How do you think those two things ought to be reconciled in the future?

Roger Jones: It is a terminology issue, in the sense that the south-east definition was assumed to include East Anglia. I appreciate that is subject to debate, but that was what it was intended to include. It was not intended to exclude East Anglia. As you have correctly pointed out, it is one of the highest growth areas in the UK railway network.

Q36 Chloe Smith: It is very helpful to have that on record. Looking ahead in control period terms, the figures in that passenger demand survey go into 2023, and a later batch goes to 2043. For 2023, it lands squarely in the middle of CP6, which you will be in the midst of planning for, as you rightly say, Ms Moriarty. We are merely taking East Anglia as one example, but can you give us reassurance that, across the country, the CP rhythm can keep up with the kind of growth numbers you are showing?

Paul Plummer: As I said earlier, we are trying to get a continuous mindset. We need to make funding applications, and Government need to make decisions about blocks of time, but you need to be looking through the control periods. As a business, it is even more important that we do that; otherwise, you get artificial boundaries. I do not see a fundamental reason why it should be a problem. Ultimately, the Government need to make choices about whether they want to continue to buy the sort of growth and capacity necessary to keep pace with that demand. So far that has been very positive, and we will continue to make the case for that investment.

Roger Jones: A point was made earlier about integrating that as a concept in planning for HS2. It is critical to ensuring that over the long period 2023-43 that degree of growth is accommodated, or can be accommodated, by the railway network. Some of the railway network needs expanding to accommodate that. HS2 is a means of achieving that across significant parts of the UK, particularly England. That is part of the story. As for all of the rest of the network, we have started planning for CP6, but, as Mr Plummer said, it is a continuous process. What we do transcends in many cases the fixed control period funding boundaries, which is why you get schemes that run from one to another quite deliberately. For electrification of the network, we set out a start-off back in control period five, but it was very much only a start. We would expect that to continue as a programme into CP6 and CP7. All of that helps to develop the network to ensure it can accommodate the degrees of demand set out in that market study.

Chloe Smith: May I go on to one further question on the subject of speed?

Chair: One.

Q37 Chloe Smith: Perhaps this is mainly for Ms Moriarty, because I appreciate that it verges on advice you give for political decision making. I very much enjoyed the Chancellor's speech last week on a potential HS3. I noted his comparison of the speed in getting from London to Paris; I have made a comparison publicly between London to Brussels versus London to Norwich. Can you tell us if you are advising your Secretary of State on the capacity for other high-speeds—perhaps High Speeds 1 to 10—up and down the country?

Clare Moriarty: It goes not just to starting to plan for CP6; we also need to look ahead to CP7. We are advising on how we get really good connectivity east-west, particularly in the north of England, to complement HS2. High speed routes, as in completely new alignments and track, are one way of doing that. What the Chancellor was talking about last week was the use of existing alignments and looking at ways of speeding it up. What are the ways in which we can use existing technology to speed up journeys considerably? There is a spectrum from High Speed 2 as a completely new line through all sorts of other variants on how we get the maximum speed out of the lines. What things can we do potentially incrementally? I do not know at the moment what the answer is, but all of those things are absolutely part of the work going on in the light of David Higgins's report, to try to answer the question: what are the options? There will be a huge range of options. Like all options, they will have a huge range of costs attached, so a judgment will need to be made by Government about how much it wants to invest and how you can get the best bang for buck. Maybe a series of smaller things would get us to speeds quite similar to what you would get from a "high-speed line." It may be that you can only get really transformational step changes through more formal high-speed technology. That work is going on at the moment. I do not know what the answer is, but the important thing is that we really look at the options.

Chair: I think we may be pursuing that a little later.

Q38 Karl McCartney: As an aside, could I make a plea for HS4? Obviously, it would cheer up two of us on the Committee if we had a line from London direct to Lincoln and on to Cleethorpes.

Thank you very much for coming in. I say an especial hello to Roger. It is good to see you again. I am going to give Mr Plummer a little break by asking some questions about macro-management issues, which I have asked before—certainly of your new boss. Do you think that all operators on the rail network feel as you obviously do? It is great to see you all singing from the same hymn sheet, but do you think improvements have been made that everybody is happy about from your particular points of view?

Jeremy Long: I cannot speak for all individual operators, but I would like to endorse what Paul said earlier. To take another issue, the devolution of Network Rail has allowed operators to get closer to the decision-making process within Network Rail. As I was saying earlier, whether it is through the planning oversight group, which is a subset of the RDG, or, at more local level, operators engaging much more directly with Network Rail, there is much greater awareness of cause and effect.

On how one is dealing with demand and whether it is a lag or a lead, there will be much more pressure from train operators now to demonstrate to Network Rail where the potential exists. If knowledge exists within a passenger train operator that demand may exist, through housing development or the commercialisation of an area, there will be much greater pressure on Network Rail now to solve that. It clearly is ultimately a decision for Government as to the extent to which the case for rail can be met, but there will be much more information coming forward and, through that planning process, much greater knowledge; and a much stronger case can then be put forward to Government. The extent of that funding may or may not always be capable of being met—

Q39 Karl McCartney: I am sorry to interrupt you, but can we get back to who is actually being more open—who has improved? Would you say that longer franchises have helped? Do you think that Network Rail has been more open and more susceptible to persuasion from operators and, perhaps, major departments of transport, or has the Department for Transport got better?

Jeremy Long: I think the interface between the train operator and Network Rail has improved, because Network Rail is taking more account of passenger train operators' needs—at the time of franchising. It is important to distinguish, as Clare said; there is a point at the time of franchising when the competition process itself leads all bidders—we have been a recent bidder in competitions—and that in itself leads all bidders to be in the closest possible dialogue with Network Rail about the potential for that route, whether it is a seven-year or a 15-year franchise. You are then looking at the potential over that route in order to make the very best of your bid. That is at the time of the franchise competition, but once one is the incumbent running a franchise, during the term of that franchise, I would say that dialogue with Network Rail has improved the ability to influence their spend through whichever stage of whichever control period one is in.

Q40 Karl McCartney: Looking forward to the next control period—Paul, you may want to come back in a second—we had Paul's new boss in front of us a couple of weeks ago. What would you be saying to him to make further improvements as we move forward? That is both to you and also the Department for Transport, or do you think you are in nirvana already?

Jeremy Long: It would be continuing to share the information we have between us. There is knowledge within any one passenger train operator. One has visibility of one's passengers and one has an understanding of demand and a forward picture.

Karl McCartney: You just used the word passengers for the first time, by the way. But carry on.

Jeremy Long: Network Rail has considerable knowledge of where its choices lie in investment terms. There is now a much closer joined-up awareness of cause and effect on the railway route by route, sometimes section of route by section of route, in what can be achieved. There are clearly trade-offs financially; all things cannot be met all the time, but that in itself creates greater peer pressure for the very best schemes to come forward.

Q41 Karl McCartney: Do the Department have any other things they would like to see changed to make even further improvements to those that have already taken place?

Clare Moriarty: We are on a journey. The Department are seeking to make a lot of change in the way we engage with both Network Rail and the operating community. There has been a bit of a tendency in the past for the Department to do things and then hand them over as a finished product. We have very deliberately taken the position that everything we do is improved by having input, particularly from the operating community. As we have worked through getting the franchising programme up and running again, we have shared our policies and documentation, and we have taken comments. We have sought to do things in a very open way. I think that meshes very well with the increasingly open and engaged position that the rail industry is taking. What we see in terms of the Rail Delivery Group is that it brings together the owning groups, who by definition have different interests and voices, and creates a single voice. We have a lot of engagement with them, as well as directly with Network Rail.

Q42 Karl McCartney: To drill down quickly on franchises being open, I think the preferred bidders for the east coast franchise were far from open compared with previous franchise procedures that the Department has gone through. I get the feeling that that was the Department being very authoritarian. Is that a good word to use? Do you think you will carry on in that vein, or do you think you will free up your preferred bidders to be a bit more open with the public, shall we say? I hate the word “stakeholders.”

Clare Moriarty: We have certainly sought to run the process in a way that is open and engages local authorities and local communities. I am not sure I recognise the authoritarian stance that you are referring to. If it is something you have observed, it would be useful to know more about it, because that is what we are trying to deal with.

Q43 Karl McCartney: I am very happy to have that conversation with you. I just give Mr Plummer the chance to have a word, if he wants to.

Paul Plummer: I will not dwell on it too long. We see much closer genuine collaboration at a local level and nationally between Network Rail operators and with Government. It is difficult yet to see that fully turning into pound notes and performance for passengers, but my belief is that it shows real promise that over time will deliver real value for everyone concerned.

Karl McCartney: We are very pleased to hear that. Thank you.

Q44 Chair: Network Rail is to be reclassified to become part of the public sector in September. In January this year, the Secretary of State told us that the previous system—the one still in operation: borrowing on the open market—was “pivotal” in Network Rail’s success. Does that mean that Network Rail is not going to be able to be as successful in future? Mr Plummer, what do you think? The Secretary of State told us that the previous system was great. He said it was pivotal in Network Rail’s success, and that it gave essential flexibility and permitted access to capital in a flexible and consistent way. Now all of that is going to be changed. What is it going to mean for Network Rail?

Paul Plummer: The memorandum of understanding agreed at the time of the announcement of the decision about reclassification was a really important step for us. It confirmed two things in particular: the continued commitment to investment in the railway and all the things we have been talking about already, but also the commitment to allow, or indeed require Network Rail to have flexibility and to be accountable for delivering outputs over a period of years. That was really important. What we have been doing since then is working with Government to agree a more detailed framework agreement.

Q45 Chair: But that is not what I am asking you about, Mr Plummer. I am asking about the impact of this major change. Is this going to stop you? You have just used the same words the Secretary of State used on why you are being successful now. What is going to happen when it changes?

Paul Plummer: I was trying to answer that, Madam Chair. I apologise. In our mind, the purpose of that framework agreement is to try to retain the strengths of the existing system. At the moment, we are able to invest in order to deliver outputs that the regulatory regime requires us to deliver. We are able to have that flexibility to make management decisions and be accountable for the consequence of those decisions. Those are the things that we think are important. You described the way that worked in the previous system. What we are trying to do with that framework agreement is to make it so that we still have that flexibility, and I think it is fair to say that we have made very good progress on that. We may not continue to be borrowing from the market directly, but we will have the flexibility to borrow and to draw down funds, so we can still have the flexibility to manage risk in the way we talked about earlier, to deal with issues like severe weather, rather than be cash-constrained in the way railways have been in the past, or indeed have been in other countries. The important thing as far as we are concerned is that we have that flexibility and we have access to funds to be able to manage the outputs, and that we can continue to make the case for investment and find a way of financing it. All I can say is that the conversations we have been having about that so far have been very positive. As to how it works out, we will have to wait and see.

Q46 Chair: Ms Moriarty, what is your view on this? After all, the Secretary of State told us that the system we have now was important, pivotal and essential to investment being consistent and accessible, and now it is all changing.

Clare Moriarty: Without wishing to put words into my Secretary of State's mouth, I do not think that, as Paul was saying, it was borrowing on the market specifically that was the pivotal feature of that arrangement.

Q47 Chair: That was what he said to us.

Clare Moriarty: I think he was talking about the overall package, whether the money is borrowed from the markets or from the Government, provided the conditions in which it is borrowed are the same, particularly the ability to take a five-year view of investment needs, not working on the same basis as a Government Department where we have annually voted amounts. What we have sought to do, as Paul was saying, is to put in place a framework that retains those critical features. It happens to involve Network Rail borrowing from Government rather than borrowing on the markets, because that produces a better result for the taxpayer in terms of eliminating the small, but not negligible, premium that is paid for borrowing on the markets.

All the way through, what we are trying to do is respect the changes that come about as a result of Network Rail coming into the public sector. It needs to be accountable to Parliament; Mark Carne will be an accounting officer. All of those changes are important, but what we are trying to do is retain the operating freedom and to mirror in the arrangements we set up for the future the sort of operating environment that Network Rail has had in the past.

Q48 Chair: Over the next five years Network Rail must deliver 18% efficiency savings. In the last control period you had a target of 21% savings, but achieved only 15.5%. Is this saving realistic? Can the Rail Delivery Group representatives tell me what you can do to help these efficiency savings to be realised when the targets have not been met before?

Nigel Jones: It is one of the reasons why the Rail Delivery Group was set up. If you look at some of the areas where the Rail Delivery Group has been very active, such as the supply chain

management group, of which I am a member, we have been setting in train a number of initiatives that are absolutely central to how Network Rail is going to achieve those efficiency targets. As we were saying earlier, they are very much about the industry working together in a different way and planning things in a more integrated fashion very much earlier.

I have sponsored and led a particular work-group that has been working with Network Rail to find ways in which they can produce a business case to take out unnecessary pieces of infrastructure at times other than when signalling needs to be renewed, which historically is the only time anyone has looked at any form of infrastructure change. We have been quite successful in that. The same group has also been working critically on what is called the industry access programme, which will be absolutely central to how Network Rail will be able to encompass the volume of work that has to be achieved during this control period in a more cost-effective manner.

Q49 Chair: Mr Plummer, what other proposals do you have to get to these efficiency savings?

Paul Plummer: As I said at the beginning of the session, at this stage in the control period we have much more detailed plans for how we are going to deliver the efficiencies than we had at the equivalent stage of the last control period. Those plans are based much more on specific milestones that we can track and monitor as a business, with the regulator, Government and the Rail Delivery Group—our partners—so we are in a much better place with that. If you think about the areas where we found it particularly challenging, some of those are in a much better place. One of the initial challenges in control period four was about operations costs. In order to make those savings we needed to make investment in control centres to consolidate it in one place. That was a challenge for quite a few years. Having done that, we are now in a better place going forward.

Another difficult area is track renewals. Throughout the last few years of the control period we have not delivered the efficiency savings we wanted to achieve. We now have a very detailed 10-point plan, which is very much developed not just in Network Rail but with our suppliers and the train operators. It builds on a lot of things Mr Jones talked about in terms of the access programme and what I said earlier about being much more disciplined in our planning process, so that we are not constantly reworking things to make them better but we actually stick to the plan and deliver it. We have that 10-point plan as an example. The key point is that it is much more owned and supported by the industry; it is much more owned by the people on the routes who are accountable for delivering it; and it is a much more rigorous milestone-based plan that we can monitor and hold people to account on.

Q50 Karen Lumley: After September, how do you see the relationship specifically changing? Do you see it changing between the Department and Network Rail, and, if so, how?

Paul Plummer: Of course it will change. At the moment Network Rail's relationship with Government is as the funder and specifier of the outputs it wants to buy. We have a close relationship, but it changes in the sense that there is now a more explicit owner role. In the conversation around the framework agreement we have been trying to develop what that means. What information flows do Government need to assure themselves that Network Rail is working as efficiently as it possibly can to deliver the outputs the nation wants from the railway? That is not a process that should undermine the flexibility and accountability we have—that is what we are trying to preserve—but equally it is right that we provide information, and that there is a very open conversation about the challenges. Yes, the relationship will change. Inevitably, there will be some challenge in that conversation. That is not to say it was not there before, but it is a different sort of challenge. We are trying to define the rules of that game, if you like, so that it is as explicit and clearly understood at the outset as it possibly can be.

Q51 Karen Lumley: Who will be your boss: the Secretary of State or the chairman of your board?

Paul Plummer: My boss will be the chairman of the board and chief executive of the company.

Q52 Karen Lumley: You do not see any change in that relationship.

Paul Plummer: Inevitably, there will be a change in the relationship, particularly between the chairman of the company and the Secretary of State. It was already a relatively close relationship, but there will be clear accountability, with the chief executive as accounting officer, including to this group. He and his predecessor have always been clear that they regard that as a key accountability anyway. We are often criticised for not being accountable, but I assure you that we feel incredibly accountable to an awful lot of people.

Q53 Jim Dobbin: I am interested in rail freight. Is there competition between investment in passenger travel and investment in freight?

Nigel Jones: When you look at the figures, there appears to be only a relatively small amount of money within the control period settlement specifically for rail freight, but what that does not make clear is that the vast majority of general network investment and enhancement benefits rail freight as much as it benefits passengers; our customers will get benefit from any scheme that is upgrading a route or adding more capacity. Unless there is an element of the CP5 enhancement scheme that is specifically for station enhancement, for example, just about all general network investment benefits rail freight.

One of our tasks is to make sure that the investments we are making specifically for rail freight, which tend to be concentrated where our customers need them—to and from ports or areas of production—link and are planned seamlessly in an integrated fashion with the rest of the general network investment. To give you an example, in CP4, and indeed in CP5, a lot of money is being spent on increasing capacity from key ports, such as Felixstowe, to the main lines, in particular to the west coast main line. That is very good. If you look at strategic freight network investment, a big slug of it will go for capacity on that route, but that capacity has to interface absolutely with the separate investments that are taking place on the east coast main line at Peterborough, and particularly on the midland main line. We have already touched on midland main line electrification and capacity enhancement. If it is not completely joined up, you will not get the maximum benefit from it. One of the big roles for us is to make sure, through all the governance and other processes across the industry, that the interests of rail freight customers are protected and joined up.

Q54 Jim Dobbin: Are you saying that, if and when HS2 takes off, freight will be part of that development programme?

Nigel Jones: In the sense that continued freight growth will need capacity, particularly on key corridors such as the west coast main line, or from London and the south-east and the key ports and the channel tunnel through to the major urban centres of the UK. As capacity is freed up on other routes when HS2 opens, yes, that will be very important indeed for rail freight.

Clare Moriarty: Freight is very much part of the thinking in the whole integrated planning around HS2 and the existing network. Clearly, as Nigel said, HS2 creates more capacity; it gives us more options, and we are looking at it alongside the whole package of investments and the information we have about freight forecasts to make sure that the right provision is in place for freight, as well as for passenger services.

Paul Plummer: To go even further than that, from our perspective there is one network. It is not about whether it is Network Rail, HS2 or HS3; there is one network. There are conflicting

pressures for the use of scarce capacity, and strong demands, rightly, to grow that capacity and connectivity. It is not just about freight and passenger; there is long distance commuting and various shades in between all of that. We need to make the best overall use of capacity and develop it where there is the strongest case—as a network, regardless of who is running a particular part of it.

Q55 Graham Stringer: Ms Moriarty, can I take you back to a couple of the answers you gave? I think you said that the change to the debt being with the Government would lead to small percentage improvements in the finances, but not trivial amounts. Can you tell us how much that would be?

Clare Moriarty: The thing that makes the difference is not so much the debt coming on to the Government's books but the fact that future borrowing will be from the Government. I would have to come back to you on the quantum of the difference between the two.

Q56 Graham Stringer: I understand that, because you are regularly re-borrowing the money you have in debts, and presumably there will be continuous savings.

Clare Moriarty: Yes. Network Rail has been borrowing on the markets, and periodically it has then been refinancing. As new tranches of borrowing and refinancing come up, that borrowing will come from Government rather than from the markets, so the saving to the taxpayer from the difference in rates will start quite small, because it is one year's worth of tranches of quite long-term debt, and then it will rise over time.

Q57 Graham Stringer: Because you borrow at a better interest rate. If you could send us a note on that, it would be very helpful.

Clare Moriarty: Yes.

Q58 Graham Stringer: In talking about future demand, I think you said that between the south-east and northern cities, there was a ratio of about six to one in increase in demand. You also talked about economic regeneration in the northern cities. Are you referring to different words, or is it a different kind of assessment in terms of investment, when you are talking about demand in the south-east and economic regeneration in the northern cities?

Clare Moriarty: When I was talking about 120,000 additional commuter places, that is about capacity. Demand can grow, and some additional passengers can be accommodated on existing services. Quite a lot of the services coming into London and the south-east are already overloaded, so there is not a one-to-one correlation between growth and demand and growth and capacity that is needed to meet it. The numbers set out in the HLOS were the result of analysis of where additional capacity was needed to provide both north and south with the opportunity for economic growth.

There is a big programme of investment in the north around the northern hub; there is the electrification programme, and new services have just been introduced by TransPennine Express. There is a lot of investment going on there. How that translates into precise requirements, as we think we need this number of extra spaces, is part of the analysis done in the background.

Q59 Graham Stringer: I think I understand that. The question I am trying to get at is: are the investment decisions being led by demand? I understand that if there is spare capacity you have to do the subtraction sum—it is more complicated than that. Or are you looking at it the other way: the demand is not there yet, but if you invest in rail you will create economic regeneration? What I wanted to know is whether you are looking at those things differently and, if so, how you are doing it.

Clare Moriarty: I take your point. Inevitably, there are trade-offs, but what we are seeking to do is make sure rail is fulfilling the role that it can to support economic growth across the country. You get places where there are pinch points and you get places where there are opportunities; what the specification the Government set out aimed to do was get a good balance of investment across the country.

Roger Jones: At one level, it is the same issue: economic growth and space for carrying individuals into jobs in city centres—they are the same thing. The programme we look at is based upon market need. The south-east market at the moment is a much bigger one than exists in most of the other cities. Therefore, when we seek to grow it the numbers are larger, but what we aim to do with all the investments we make in the railway industry is about developing the UK economy, making sure there is capacity for travel into urban areas and areas with jobs, and the ability for people to commute to take those jobs, and also between areas of economic growth. We talked earlier about connectivity between different parts of the country and the importance of journey times. Those are all parts of ensuring that over the UK as a whole and over England as a whole we develop the railway network to meet existing and potential market need. It is very much a two-way street. It is also working with our partners and stakeholders in understanding the needs of a particular area as well as looking at the latent demand.

Q60 Chair: Have you made any changes recently in the way you address that—looking at the balance between developing areas where there is an established market need and areas where there would be a potential market need? Have you made any changes in the way you approach that issue?

Roger Jones: In the way we approach it in development and economic modelling, we haven't, but we have had a lot of input from LEPs in different parts of the country setting out their priorities and how they can be met by the railway network both as it is at the moment and as what it might be developed into.

Chair: So you have not actually changed anything.

Q61 Graham Stringer: I do not think the two things are the same. What concerns me and, I suspect, other members of the Committee is that, if you keep the criteria the same and you just go on a demand model, you are continuing what has happened for a long time; most of the investment goes into the south-east system, because that is where a lot of the congestion and demand is. I understand that. The only point I would make, which is why I would argue for a change in those criteria—I am disappointed that there has not been a change—is that you need to invest not just for demand but where you can create, as transport often does, economic regeneration. It does not appear that the criteria have changed to enable you to do that.

Roger Jones: With respect, we are trying to do both. A very good example is east west rail, the first phase of which is between Oxford and Milton Keynes, and potentially on to Bedford and Cambridge. That is about developing rail services in that corridor to improve transport linkages to existing markets, but also to create new linkages to serve markets and development in those corridors. That is being done very much in collaboration with local stakeholders—local authorities and LEPs—and it is also true particularly in the central belt of northern England between Liverpool and Hull. The northern hub programme and the electrification programme in northern England and north-west England across the Pennines to York is in part about existing market needs, but it is also very much focused on developing and assisting those economies to develop further.

Chair: I want to keep to questions on regional investment for the moment.

Q62 Jason McCartney: A couple of hours ago I met the chairman of Leeds city region LEP, Roger Marsh, and talked about investment plans. I represent Huddersfield in West Yorkshire. We identified transport spending as a key driver of economic growth, and that is what we have just been talking about. There are still concerns and a perception about spending and capacity in the south, and it is self-perpetuating. Can all of you say a few more words about how you can assure us that the north is going to be getting its fair share in CP5, how you are actively engaging and what engagement you have particularly with the Leeds city region LEP?

Clare Moriarty: I would hate to give the impression that there is a mechanistic process by which we say, "Here's the demand and, therefore, here's the investment." Clearly, in getting to the point of specifying what the Government want from the railway, there is a process that takes account of a much broader set of considerations. In terms of what is happening in CP5, the reality is that, if you look at the investment programme, there is good news. There is a very large and strong programme of investment going into CP5, and the whole of the northern hub set of enhancements is about creating a railway that will serve all of the northern cities to maximise the potential for economic growth. Those have gone ahead because they have good cost-benefit ratios. They are projects that have the potential to generate economic growth, so it is there and we continue.

We are engaging a great deal with the cities of the north at the moment. There are two dimensions. Rail North is a grouping across all 30 of the northern authorities. They put a proposition to have the two franchises that serve the north, the Northern Rail and TransPennine Express franchises, devolved. The Secretary of State came to the view that to do it all in one go was too big a step, too fast.

Q63 Jason McCartney: How do you think that is going to work in practice in the north with DFT?

Clare Moriarty: What is happening in practice is that DFT are leading the process of letting those franchises, but with very close involvement in Rail North. We have people from Rail North seconded to our franchise team. They are inputting to the invitation to tender, and they were involved in the prospectus.

Q64 Jason McCartney: How will its success be judged?

Clare Moriarty: Once that franchise has been let, we are going to have a joint management arrangement between DFT and Rail North. It will be physically based in the north, which is quite important; it will be able to be much more responsive to the opportunities created by joining up much more closely with the PTEs in the north, so that, where there are opportunities for integrated transport, they can be taken. We can collectively be—

Q65 Jason McCartney: What will it mean to my constituents? If anyone else wants to come in, please do. Every day my constituents are crammed into those TransPennine and Northern Rail trains, whether they are commuting to Leeds or Manchester. I have Slaithwaite and Marsden on the TransPennine rail route into Huddersfield as well. What does this mean? We can talk about this in CP5 and Rail North. How is it going to make their commute better and more comfortable?

Roger Jones: Under CP5, six weeks ago, in May this year, the TransPennine franchise introduced an extra train per hour across the Pennines, which is a significant increase in overall capacity on the route serving Huddersfield, Leeds and other places. The intention is that when electrification of that route is complete, towards the end of the control period, there will be electric trains on it with more capacity, because they are larger. The HLOS statement sets out that we would expect to have extra capacity going into Manchester and Leeds. Over the next few years it is all about increasing the capacity of trains that go through Huddersfield, making the journey that your constituents make into Manchester or Leeds much easier and more pleasant than it is currently. That is why

Government prioritised that investment; we recognise that development across that corridor is so important and urgent. That is for CP5.

For control period six and beyond, we are expecting to see more. We talked earlier about the Chancellor's comments about an HS3. All of those things are about developing the east-west corridor and the capacity on that route so that it provides services to your constituents and others in the way they want for shorter commuting journeys, and maybe for longer commuting journeys and connectivity right across the country. We would say that over the next five years your constituents will see a significant improvement in services in that area.

Q66 Jason McCartney: Will the Rail North partnership and leadership make a repeat of TransPennine losing leased carriages to Chiltern Railways less or more likely?

Clare Moriarty: We are working very actively to resolve that issue with the industry. I would very much hope that, even if we were not working with Rail North, we would not see a recurrence of that issue, but the more closely we work with local authorities and have something which is genuinely and very directly informed by the needs of—

Q67 Jason McCartney: By the way, have you got an update on that?

Clare Moriarty: We hope to have one shortly.

Q68 Jason McCartney: A week, two weeks.

Clare Moriarty: I would hope it might be within two or three weeks.

Q69 Chair: Is the system that created that problem going to change?

Clare Moriarty: The reason we have that problem is partly that as we move to electrification there is a pinch point around the availability of diesel trains. Paradoxically, it is partly a result of the big investment programme that moves us to electrification. We are trying to work very closely with industry—the rolling stock companies, the rolling stock manufacturers and the train operating companies—to make sure that during the period of transition from diesel to more electrification we avoid any more situations like that.

Q70 Chair: There will not be any more situations where rolling stock is not available for electrification without taking it away from somewhere else where it is needed.

Clare Moriarty: We are working very closely with the industry. The rolling stock is owned by rolling stock companies and leased to train operating companies, but, as with all the other things, the more closely we can work together across the whole industry, the more opportunities we have to make sure we find upstream solutions.

Q71 Chair: That does not sound entirely reassuring. Mr Jones, do you know anything about that?

Nigel Jones: No. I cannot comment.

Q72 Graham Stringer: There is the TransPennine stock, but it is also about having sufficient new or appropriate stock for the electrified lines. Will that stock be available to run on the newly electrified lines to give us the extra capacity that you talk about?

Roger Jones: One of the purposes of the new TransPennine and Northern Rail franchises is to ensure that electric rolling stock is there when the routes are electrified. Electric rolling stock is

being put in service in north-west England between Liverpool and Manchester this summer and autumn, to turn trains that are currently diesel operated into electrically operated trains between Liverpool and Manchester. That process will continue both under the current franchises but particularly under the new ones, when they are let, so that both in north-west England and across the Pennines there will be electric trains to operate on the newly electrified routes.

Q73 Chair: That is a categorical statement, is it? That is a promise.

Roger Jones: The specification for those franchises will require bidders to produce proposals for how those routes will be operating electric trains. Until we have gone through that process we do not know what will come out at the end of it, but that is what we will specify.

Q74 Chair: What on earth does that mean? All we want to know is that when lines are electrified the appropriate rolling stock will be available. Will you promise that you would not deliberately delay electrification because you know the rolling stock might not be there?

Roger Jones: I do not think we would deliberately delay the electrification; I am not sure that we can. Network Rail could in theory, but there would be no point in Government investing very substantial sums of money in electrifying the railway and then not seeing electric rolling stock there.

Q75 Chair: You are assuring us that the appropriate rolling stock will always be there on time.

Graham Stringer: Giving the appropriate capacity; it is not just that there is some rolling stock, but that it gives the extra capacity.

Chair: Will that always be there?

Roger Jones: The capacity that we will require those train services to provide will in part be set out in the specification for each of the franchises. It will also be for the bidders to take a view of how they believe the market will develop, and we would expect the bidders to set out how that rolling stock is put in place.

Q76 Chair: But is it going to happen? In half of what you say, it starts to sound as if we might be getting somewhere, and suddenly it is all about “taking a view,” “we would expect” and “rolling out.” It is a simple question. Will the appropriate rolling stock be available when the lines are electrified?

Clare Moriarty: It is very difficult for us to give an absolutely categorical assurance—you could hang us all later—about things that involve a large number of parties over whom we do not have direct control. Because we cannot give a categorical statement, which I can’t guarantee is true, you find us qualifying things, but what I can absolutely categorically assure you is that we are watching these things like a hawk. We know there is a plan that will make sure we have the rolling stock in the right place at the right time. Unforeseen things can happen. What I cannot do is promise that nothing will ever go wrong, but I can promise you that there are always solutions, and every time these issues arise there is a great deal of working together behind the scenes to make sure we resolve them as quickly as possible.

Chair: I suspect that is as far as we are going to get on that particular point today, but we may come back to it.

Q77 Martin Vickers: Ms Moriarty, returning to the role of Rail North in the TransPennine and Northern franchising, will the Secretary of State have the final decision on who gets the franchise, or is it devolved to Rail North?

Clare Moriarty: The Secretary of State will have the final decision on who gets the franchise.

Q78 Martin Vickers: Returning to the discussion about economic development and its links to transport, the consultation document that is out at the moment about the TransPennine franchise refers repeatedly to economic development issues and how they will play a major part in the decision. Will that be the overriding decision or will operational issues play a bigger role, such as the one we have been debating about the availability of diesel units? Mr Jones said a few minutes ago that we need services to areas where jobs are available. The area that I represent in northern Lincolnshire is on the cusp of an economic renaissance with the renewables sector, yet one of the proposals in the consultation document is to take away our three services to Manchester. How do you square those two?

Roger Jones: On the latter point, we set out in the consultation document a series of options, in part to start a debate. The whole purpose of the consultation exercise is to have a debate; it is not an open and shut book, if you like. We do not have a set of answers in the bottom drawer that we are about to wheel out regardless of what is said. It was to encourage debate. That debate will take place, and we will listen to everybody's views—all the stakeholders—on the range of issues we put into the consultations.

When the franchise itself is procured and let, there is a whole range of issues against which the bid is judged, financial and operational. Without going over the same ground, we would expect the operators to provide electric trains to run on electric lines. Is that in the bid? Do we believe the proposals that are in there? How do they match and develop the capacity they are proposing to provide against the expectations we have set them? How are they addressing the economic development needs of each part of northern England, because both franchises cover very large geographic areas? What we are looking for is something that, in the round, does all of those things and provides the best service to the passenger, as well as ultimately to the Government and the taxpayer, because for both franchises there is a subsidy rather than a premium. At the end of the day, the Government are giving a subsidy to the operator to operate those services. We need to cover all of those points in the way we assess bids and award a franchise.

Q79 Martin Vickers: Mention was made earlier about the importance of the key cities in the north. We all recognise that they have a major part to play in economic development, and so on, but the peripheral areas also make a significant contribution. I think Mr Stringer made a point earlier about the perception, and indeed the reality, that more investment goes to the south-east. The perception in my part of the world is that not only does the north miss out, but the whole of the Humber region in particular is not getting anything like as significant an amount as the north-west. How would you respond to that?

Roger Jones: We set out a whole range of things potentially in the prospectuses for those franchises. We have already talked about the investment portfolio in CP5. It cannot do everything, because obviously there is a limit to both the amount of Government investment that can be made and the amount of resources Network Rail and its suppliers have available to do this work. In CP6 we would expect to see other parts of the railway in the north of England electrified. Indeed, a northern England electrification task force, which the Chancellor asked to be set up, is having its first meeting later this week to set out the north of England stakeholders' perspective of what they would like to see and the priority in routes to be electrified in future control periods.

We are expecting to see continued investment across the whole of northern England. We talked earlier about the balance between freight and passenger investment. As you well know, north Lincolnshire has a very large rail freight market—one of the largest in the country. A lot of investment

goes into it both in that area and in the routes that radiate from the area across the network, to ensure that rail takes its market share of port traffic, as well as passenger traffic, out of north Lincolnshire. I would suggest that we are looking at what needs to be done in both the short and the long term for the market needs of that area.

Q80 Martin Vickers: Does that mean you are looking at electrification to the port of Immingham?

Roger Jones: Within the context of all the schemes in northern England, yes.

Q81 Chair: Mr Jones, I take it from your answers that the possible cuts proposed in services in the consultation document might not be serious proposals. You say you are going to listen to everyone. Another aspect of that consultation document appears to be a suggested trade-off between fares and services, putting up rail fares in the north in exchange for additional services. Is that something just for the north to worry about, or is it for other franchises? Mr Plummer may want to come in on this, but perhaps the Department can respond first. I would like to know your views. Is this just something special for the north—that maybe all the fares will go up?

Clare Moriarty: As Roger said, it is a consultation document. We are going into the process of the competitions for the Northern and TransPennine Express franchises, and part of that process is to have a wide consultation about all the options. Clearly, huge amounts of investment could go into the north of England. There is a lot going in, and there are lots of other things. I have talked to people; there are all sorts of investment aspirations, which is fantastic, but as part of looking at the overall situation we have to look at what is reasonable in terms of the overall money that flows into the northern region. It is the most heavily subsidised franchise. The Northern franchise is subsidised to the tune of about £350 million a year. Within northern England some train fares are significantly less expensive than bus fares. As part of looking at the totality of the opportunities and the potential trade-offs that might need to be made, all of those issues have been raised in the consultation document to get people's reactions, so that a judgment can be made about what is put into the invitation to tender, which is the much more specific document that bidders will propose against.

Q82 Chair: You are saying that it is a serious suggestion that, in the north, fares might go up significantly.

Clare Moriarty: All I am saying is that it is right for us to put on the table the question of fares, as well as the question of service improvements.

Q83 Chair: Have you put forward this suggestion for any other region of the country?

Clare Moriarty: We are looking at franchises as they come up for renewal, and the franchises that are currently about to go out to the marketplace are the Northern and TransPennine Express franchises.

Q84 Chair: Will any other region of the country have a proposal that suggests fares may go up in a very significant way?

Clare Moriarty: At this stage I cannot tell you, because we look at each franchise competition as they come up.

Q85 Chair: Are you intending to do this in any other franchise competition?

Clare Moriarty: I cannot tell you that at this stage, because we are not—

Q86 Chair: Is the answer no, or is it that you have decided that you cannot say?
Clare Moriarty: We are not at the stage where we are making that decision.

Q87 Chair: You have just decided it for the north. Mr Plummer, did you want to add anything?

Paul Plummer: I was not looking to comment on fares. To make a more general point, in relation to a lot of these questions we are at a time when the opportunity is to look further ahead. I want to come back to the northern hub example, which people have used a lot, because we are in exactly the same position across a whole range of things. From where I sit, that situation was a fantastic example where we worked with a lot of people on the possibility of what it would generate if we could deliver the infrastructure, and then as an industry, with Government, working out the best way of delivering it. We got a hugely beneficial proposition, which this Committee has supported consistently throughout. We are now embarking on the next phase of the long-term planning process and engaging in getting input to those things so that it can inform decisions about whether to make those investments. We are keen to engage with the LEPs and anybody else in a process that is as inclusive as it possibly can be to get the right evidence and the best business case for those investments.

Q88 Chair: Could any of you elucidate the mystery around the Chancellor of the Exchequer's statement last week about HS3? Did his statement relate to work that any of you are engaged in or know about?

Clare Moriarty: As I said when we talked about this earlier, there is work going on following David Higgins's report on HS2 to look at interconnectivity between east and west.

Q89 Chair: That is Liverpool to Hull. Is that right?
Clare Moriarty: I think it is broader than that.

Q90 Chair: It includes Liverpool to Hull.
Roger Jones: Yes.

Clare Moriarty: Including Liverpool to Hull, it looks at how we address some of the issues about journey times between east and west, so we are not simply creating something that gives people a very fast route to London; we are looking at interconnectivity in the round. That takes us into the question of the ways in which journey times can be addressed. What the Chancellor was talking about was the potential on an existing alignment to find ways of speeding up services significantly so that you get a high-speed service. As I said in answer to Ms Smith's earlier question, there is a distinction between high speed identical to the High Speed 2 model, and high speed as in whether there are ways in which we can get high-speed services on a combination of existing and upgraded lines, and that work—the question about how we can best deliver connectivity—is something we are looking at in the context of developing—

Chair: His statement may or may not have related to that.

Q91 Mr Sanders: Do you ever have discussion about what you would like the network to look like in, say, 40, 50, even 100, years, as a destination that collectively you would all like to work toward?

Clare Moriarty: We are certainly starting to look at exactly those sorts of questions. Some very interesting work was done on rail technical strategy which looked at capability and the ways in which technology is changing and how those can be harnessed to get the best out of the existing and future railway. That paints a picture of, as it were, the how of the railway in 2030. We are also

starting to look at what a network might look like with High Speed 2 in it. What could it deliver for people and markets across the whole country? That is definitely work that is happening.

Paul Plummer: You mentioned 40, 50 and 100 years. We do quite a lot of thinking about the sort of things that could be done over that time horizon, but we are not terribly satisfied with waiting that long for some of it. We talk about the way in which we control trains on the railway at the moment and manage traffic, and we are looking at whether we can accelerate some of those changes in terms of cab-based signalling and so on. We have a plan that rolls out over many decades. Is it really plausible to think that in 30 years' time we will still control the railway as we are doing today? It does not feel right in many ways, but we have to look at that business case properly. The opportunity to modernise the railway and deliver additional frequency and improve journey time, reliability and capacity, without pouring so much concrete, is something we are very much looking at by being smarter about those things rather than waiting so long. Tying that into a lot of issues around passenger information and streamlining that, it could look very different, even before you think about how to interface with other modes of transport and that becoming much more automatic—the way we use our personal cars, but also how that interacts with public transport systems. Yes, we do think about that.

Q92 Mr Sanders: What about the industry side?

Nigel Jones: We are integrally involved in those discussions. The rail technical strategy was a cross-industry piece of work that involved operators, both passenger and freight, as well as a very wide range of stakeholders. We have referenced several times the long-term planning process that Network Rail are leading at the moment, which is looking 30-plus years out. There are demand forecasts looking 30 or 40 years out. In producing those demand forecasts and considering their implications, you have to think in the very strategic way you are inferring, so that the whole industry is involved.

Q93 Mr Sanders: What would it look like in 30 years? Is the picture that every rail line is then electrified, or is that too ambitious or unrealistic?

Paul Plummer: Certainly more of the railway would be electrified. We started off with an electrification route utilisation strategy, which kicked off thinking that there is a real business case for that. We are redoing or updating that strategy next year. I expect that will throw up further areas where there are opportunities to infill electrification and get a lot more electric train miles with relatively few electric track miles, if you like; the business case for that sort of scheme can be quite strong. Fundamentally, we would be controlling trains in a very different way. There would be much better and more real-time passenger information about how the railway is performing, so that people can make more real-time choices about how they want to use the railway.

Clare Moriarty: There are also opportunities around rolling stock. At the moment, if you are going to use an electric vehicle, it has to be on an entirely electrified route. At the moment a pilot is being run involving a train which effectively has its own batteries; as it runs on the electric network it powers up its batteries, and then it is able to operate independently for sections of the journey. If it is not cost-effective to electrify to the very end of a line, potentially you can have a train that will work partly on an electric line and will be able to use its charged-up batteries to get to the end of the line, back again and on to the network. That also gives us potentially cheaper ways of electrifying, because you do not have to have lines that go through tunnels. There are some fantastic opportunities out there if we make sure we pull in all the learning and innovation from other sectors—there is stuff going on in automotive and in aerospace—and thinking about how it can be applied in the rail context. The question of controlling trains is absolutely central. Essentially, we have a Victorian system for controlling trains, and that affects what we can put on the network. That whole piece of work is integral to taking us into the 21st century.

Q94 Mr Sanders: What about the size of the network, and areas of the country that do not have any rail links at all and are quite some distance from a rail line, but are growing communities that might wish to be in the rail network? I am thinking of north Cornwall and west Devon, for example.

Roger Jones: There are two issues. Earlier I mentioned east west rail, which is about creating a new railway, or reopening an existing one, between Oxford and Milton Keynes and possibly on to Cambridge. It is about identifying areas of the country where that is a sensible and cost-effective thing to do. That is one example. There are other examples. I saw a group earlier today who talked about railways north of Newcastle to Ashington, Blyth and places like that. There is a whole range of options for increasing the size of the railway network. One thing that concerns us is that these are very long-life assets, yet the market is very dynamic. We see the railway as a fixed feature in its size, whereas we should see it a bit more dynamically than that. We should not be afraid to see bits grow and other bits decline. New stations open, but where markets have effectively moved on there may be places where it is no longer appropriate to have a station. One of the things we would like to see is a more dynamic railway that reacts more quickly to market changes.

On how we see the railway in 40 or 100 years, personally I would not see it having exactly the same shape as now. I expect some bits to grow and some to decline. As Clare said just now, the way it is managed and the way trains are operated, with changes in technology—stored energy, batteries and so on—will revolutionise the way the railway runs, and its costs and therefore its effectiveness.

Q95 Mr Sanders: Going back to more short-term things, how do you identify the priority areas to improve resilience?

Paul Plummer: We are producing our climate change resilience plans in September, so we are now going through a process within Network Rail of talking with operators and others to develop those plans for each of our routes. We produced one of them a little while ago for the western route and it resulted in some additional funding, which you will be aware of. I think that model was very effective, and we will be going through the same process. It is resilience to all extremes of weather conditions, but also to other threats to the railway, to make sure we have proper resilience and business continuity, if you like, across the railway as a whole. It is possible, indeed likely, that that will result in some changes to the way we prioritise things today, so we would want to spend additional money within our current resource on clearing vegetation more proactively. It will do so as well in our longer-term case for what we think needs to be spent in terms of sustainably renewing and improving the railway so that it can deal with what we might think would happen in extreme weather conditions, or all sorts of extremes.

That feeds into the question about CP6. Also, very importantly, even within CP5 there is provision for us to set out our views in more detail about what needs to be done to manage sustainably the structures and earthwork assets. If you think back over a decade or so, we have addressed a lot of the underinvestment in other areas. Quite rightly, it is important to prioritise track, and we have addressed that and have very sustainable asset management policies there. There are challenges on efficiency, but the asset management policies are very good. We are not in quite the same position in terms of structures and earthworks. We need to get that on to a strong, long-term footing and, in doing so, make sure it is resilient to a range of scenarios and weather conditions.

Q96 Mr Sanders: You say you are confident about the modelling, but was the sea wall at Dawlish identified as a risk prior to the storms in February?

Paul Plummer: It is a site that a lot of people know, so it is on their agenda. It was an extraordinary situation. I do not think anybody expected it to happen in that extreme way. In terms of coastal and

estuary defences, as part of all these plans we are reviewing all similarly vulnerable situations. Do we need to do something more in terms of resilience or monitoring, or more radical options?

Q97 Mr Sanders: Will your approach to delivering resilience change as a consequence of Dawlish?

Paul Plummer: It already has; we are looking at that much harder than we were before. We were already planning to produce the resilience plans, but clearly it has given a stronger focus to that.

Q98 Chair: What role have passenger groups had in setting public performance measures? You have not met the target in terms of reliability, have you?

Paul Plummer: Are you talking about the way in which we measure it, or the level of it?

Chair: Both.

Paul Plummer: In terms of the way we measure punctuality, periodically we have looked at it and said, “Is there a better way of doing it?” One of the reasons is continuity. We have continued to maintain that measure, but we have a whole load of other measures as well. I am sure that, as we begin to think about the future structure of charges and the future of CP6, we will go through it again. Is it the right measure for the long term? I do not have an answer to that at the moment, but we will go through it again, and passenger groups will have input. We engage with Passenger Focus in particular on that; we had conversations with them last time round, and I am sure we will do the same again.

In terms of levels of punctuality, Network Rail engage initially with train operator customers as well as with Passenger Focus. The train operators obviously have immediate passenger interface and engagement, so they bring that daily experience to the conversation about what punctuality levels we need to deliver. Clearly, we have not delivered on all our targets, but we have been working with them on the targets going forward.

Q99 Chair: Mr Long or Mr Jones, is there anything that you feel the Rail Delivery Group can contribute in meeting targets? It is about efficiency, isn’t it?

Jeremy Long: The RDG is doing a lot in this area, but I would come back to individual train operators and their relationship at route level with Network Rail. As Paul said, whether or not one is talking about the very short term, planning for winter, for example—the very thing we have just been addressing in terms of resilience—there will be a very close dialogue. There will now be an iterative process of learning from every seasonal event, with the train operators working closely with Network Rail, whether it is the very short term—what happened last week, or may happen in the autumn—or the medium term where, through the control period, each train operator will come to Network Rail with its ambition and targets for the performance it would like to see from its railway on behalf of its passengers.

Beyond that, there will now be longer-term plans for reliability and performance. They link to investment. The very things that are likely to lead long term to improvements in performance or reliability will themselves link to the improvement schemes that can be carried out on a route. The operator will be urging those very things on Network Rail in a way that will be listened to more than before. It is fair to say that it is a balance between capacity and performance. If you talk to many passengers today, they are as concerned about capacity and crowding as they are about performance. It would be wrong to give the impression that it is all about a direction of travel in terms of increasing performance. Many passengers today would very much welcome an extra train being squeezed in and that not being jeopardised simply by seeking greater performance. It is a balance, but those balances—those trade-offs—are the very things, whether they are urged on their

behalf by their local politicians or their local LEP, on which good operators themselves are now in much closer dialogue with Network Rail.

Nigel Jones: From the freight customer perspective, we changed the regulatory metric for Network Rail for CP5. We have a different metric from the one in CP4. It is much more meaningful to us as freight operators, and for our customers it is closer to what they would expect to see from other logistics providers, such as road hauliers and so on. As part of that process, we have completely overhauled the way in which we collectively manage freight performance on the network. We have come together under an RDG banner in a way that would have been inconceivable as competing freight operators three or four years ago. Working together with Network Rail, we have driven some big improvements in performance. Network Rail are currently achieving the CP5 freight delivery metric.

Q100 Chair: You expect those improvements to continue or increase.

Nigel Jones: We will be working very hard with Network Rail to try to secure further improvements.

Q101 Graham Stringer: Isn't the implication of the Government's decarbonisation targets for 2050 that the whole of the rail network will be electrified by then?

Chair: Who can answer that? Ms Moriarty, do you know the answer?

Clare Moriarty: I cannot answer that off the top of my head.

Q102 Graham Stringer: If you don't know, you don't know. It is interesting that the Government say they are going to reduce the amount of carbon used in the country by 80% against what happened in 1990, by 2050. Basically, that means electrification of the whole of the road network and must imply electrification of the rail network, but you do not seem to have talked to the Department of Energy and Climate Change about it.

Roger Jones: Going back to some of the comments we made earlier, changes in the technology of electric trains may mean that that objective effectively can be achieved by other forms of power sources on trains as well—stored energy—rather than by electrifying every last line of the network.

Q103 Graham Stringer: It means getting rid of diesel, doesn't it?

Roger Jones: Yes.

Clare Moriarty: There may well be continuation of self-powered trains, but they will be different from the present generation.

Q104 Graham Stringer: Mr Carne told us three weeks ago that it was his objective to get the time of trains to Stansted down to 30 minutes. When is that going to happen?

Paul Plummer: I think there was a clarification after the meeting to say that there was certainly an aspiration locally. We are working to get it down as far as possible, but I do not think we can get it down as far as that.

Chair: There was no date on it.

Q105 Graham Stringer: I have not seen the clarification. Is there a date on that? Mr Carne said it would be within five years; I think I have the quote here, if you want it.

Paul Plummer: I believe there was subsequent correspondence, but I can check that with you.

Q106 Graham Stringer: He did say it was the objective to get it down to 30 minutes within, I think, five years. I just wondered when that was going to happen.

Paul Plummer: I believe there was separate correspondence, and I will send it on if it did not get through.

Q107 Graham Stringer: Can you tell me now?

Paul Plummer: I do not believe it can be limited to 30 minutes.

Q108 Graham Stringer: You do not believe it can ever be down to 30 minutes.

Paul Plummer: From what we have seen so far, that is correct.

Q109 Graham Stringer: What would be the objective to reduce it? To what time?

Paul Plummer: I do not have a number I can give you at the moment. We are working to get that down as far as is sensible and looking at the business case for that.

Q110 Graham Stringer: When can we have a number?

Paul Plummer: I couldn't give you an update on that. I do not have a date.

Chair: Thank you very much. We have had a very informative session.