Written evidence submitted by Great Western Railway (RRB0012)

I am Mark Hopwood CBE, Managing Director of Great Western Railway [GWR] since 2008 (with the exception of 2020 when I was asked to be interim MD of South Western Railway).

I joined British Rail in 1989 and have worked in operational roles for both train operator and track operator having spent some time working for Railtrack. I have therefore experience of working in a single integrated railway organisation, as well as working for individual track, and train operator – both at operational and senior level.

As well as the written submission below I would be very happy meet the committee at an oral evidence session.

I should start by including some information about our business. GWR is wholly owned by FirstGroup and contracted by the Department for Transport [DfT] to operate passenger services from London to the Thames Valley, West and South West of England, the Cotswolds, and South and West Wales. We also operate regional and local services to the South Coast and Dorset, as well as the areas above.

We run the Night Riviera Sleeper service from London Paddington to Penzance (one of only two in the UK), and also operate the Heathrow Express service under contract from Heathrow Airport Limited.

We have an alliance with Network Rail Western and took over from Vivarail when they went into administration and now lead on the Fast Charge battery train trials, underway on our Greenford branch, that could transform branch line diesel services.

Since June 2022 we have operated under a National Rail Contract [NRC] with the DfT, which requires us to work to a fixed annual budget within an Annual Business Plan [ABP] agreed with the DfT. This is on a 6-year contract with the option to terminate with 3 months' notice from June 2025. As part of the NRC, cost and revenue risk has been taken on by the Government and split between the DfT and Treasury respectively, with the primary focus on cost to reduce taxpayer subsidy.

Call for Evidence

The Integrated Rail Body

- If enacted, would the draft Bill provide the necessary legislative foundations for an integrated rail body with franchising powers (Great British Railways), as envisioned in the Plan for Rail?
- Will the integrated rail body (IRB), as proposed in the draft Bill, achieve the Government's aim of a 'guiding mind', providing: (i) better accountability, (ii) more reliable services, (iii) greater efficiency, and (iv) coordinated growth, across both passenger and freight sectors?
- Would the provisions of the draft Bill establish an IRB with the independence and accountability to achieve its aims? If not, what amendments would be needed?
- Are the arrangements set out for the granting and amendment of the IRB's licence and the inclusion of specific conditions within that licence appropriate?
- What will be the effect of the requirement on the IRB to prepare an annual report setting out what it has done to increase private sector involvement in the running of railway services?
- What arrangements should be put in place for scrutiny of the IRB's business plan?
- Are there further elements of the Government's aims for the IRB that should be given a statutory footing?

We broadly welcome the primary objective of the Bill in establishing a "guiding mind" to take on the powers currently held by the DfT in terms of franchising. This has been committed to by successive Secretaries of State, all three major political parties, and would move towards *"getting politics out of the railways… and building a truly commercially led industry"* as the current Secretary of State set out in his George Bradshaw address in February 2023.

We also welcome the focus on private sector operators and the role of private sector in delivering passenger operations across the UK. GWR, and FirstGroup, have established a record of delivery over the past decade and a half on infrastructure projects large and small delivered in partnership with Network Rail and local/national Government partners, as well as working with various public and private sector bodies to leverage millions of pounds of investment in transformational projects. The proposed annual report on private sector involvement is therefore welcomed, but this needs to be meaningful and should examine how the IRB has encouraged real engagement and partnership where public funds can be released to work with private sector funding allowing for growth and additional revenue back into rail.

The starting point for reform should be based on what that reform will deliver for passengers – both those using the railway today, and customers of the future too. The structure of the industry is vital, but it should not detract from what is and what isn't working in today's railway.

It's clear from both the Secretary of State's remarks and Andrew Haines' recent commentary that while Network Rail is the base organisation for the IRB, the current culture within Network Rail must continue to change if it is to become truly customer (ie passenger) focused and driven by putting those passengers first.

There is still too much silo-working – not because of the fault of individuals, but because the structure of Network Rail means this is difficult to overcome. Everyone understands the need for top quality track assets, but the focus to be on the needs of the customer, and not simply the needs of the assets.

British Rail through the 1960s, 70s and 80s was dominated by its engineering disciplines; this shifted in the years prior to privatisation and instead the organisation became commercially led with engineering departments taking a lesser role in setting BR's strategic direction. This undoubtedly helped in turning around declining passenger numbers which continued to rise from the initiation of privatisation until the pandemic.

The Bill should therefore include changed incentives to encourage this cultural shift, which is imperative to make the IRB a success. Of course, safety is paramount, and engineering must have a loud and strong voice, but customer and community priorities must also be heard. Rail needs to have a commercial edge so that its services are valued and grow, and that makes addressing the cost and revenue split for passenger operators imperative. There must be space for innovation and for investment with medium and long term returns on growth.

Provisions should be made in the Bill to encourage private, or indeed public sector investment for growth. The focus cannot be simply on reducing spend if the railway is to grow and ultimately reduce taxpayer subsidy to the industry. It is vital that this aspect of the National Rail Contract does not become part of the IRB's approach to franchising or to the new Passenger Service Contracts as proposed by Government.

The costs of infrastructure side of the IRB will far outweigh the passenger operator side. Appropriate demarcation between these two functions of the IRB would ensure that investment and funding designed for passenger improvements is not deprioritised to subsidise infrastructure spend. Similarly, it would seem appropriate to have demarcation between the functions of the IRB that are setting contracts and specifying services, and those that are managing the infrastructure. A perception of "poacher and gamekeeper" should be avoided, and commercial decisions must be made with the customer as the priority. This need to have a "client" relationship, that allows "feet to be held to the fire", is something that the Strategic Rail Authority felt was important to success.

Critically, there needs to be a mechanism that allows for the IRB to be positively challenged to ask whether its operations in terms of infrastructure are delivering for passengers both now and in the future. The Committee may wish to consider if the Bill needs further development on this; the Bill and the wider review of the industry is a great opportunity to not just reform the structure of the industry, but also to embed the passenger at the heart of everything the railway does.

Other provisions

- Are the interests of passengers and freight users sufficiently promoted by the provisions of the draft Bill?
- Does the draft Bill make effective provision for the role of the Office of Rail and Road?
- What assessment should be made of the draft Bill's provision that the Scottish and Welsh governments may arrange for the IRB to exercise their devolved franchising powers?
- What will be the effect of the implementation in UK law of the Luxembourg Rail Protocol? Is the range of powers granted to the Secretary of State in clause 15 necessary to achieve the aims of the Protocol?

There is potential for a conflict of interest between the IRB, which will have the responsibility for setting targets and specifying services for passenger operators, as well as being responsible for managing the infrastructure. Put simply, operators could be set targets and objectives that they are unable to meet because of the IRB's ability to deliver working infrastructure; or targets/services for passenger operators could be reduced to levels that would be unacceptable for customers, in order to stay within the ability of the IRB to meet infrastructure challenges.

To give some context, currently Network Rail are responsible for around 2/3rds of all delay minutes on GWR services in our Western region. This could mean a worsening in service, but an improvement in meeting targets and does need careful consideration either as part of the legislation or within the structure of the IRB.

It's unclear how the ORR will manage this under the structure proposed in the Bill. It's crucial there is no double jeopardy for passenger operators or for customers – it would seem perfectly feasible under the current proposals that passenger operators could be set targets and managed by an organisation that is also responsible for the majority of the failure to meet those targets.

Further, as it stands, the ORR regulates passenger operators on consumer matters but not on delivery of services; their role could stand to be made more explicit in the Bill.

Looking historically, the Strategic Rail Authority outlined what the industry had to deliver, and the ORR then ensured that Railtrack/Network Rail delivered on its part of the bargain. Under the current proposal the IRB will both specify and deliver, with the ORR's role being one more of assessment. There needs to be overview of the specification both to be fair to passenger operators, to avoid being set targets they cannot meet, but also to be fair to customers who need to be confident that targets are not set to levels that work for the infrastructure, instead that the infrastructure is improved to meet the levels of service customers should expect.

While the Bill makes provisions for devolution, more could be done to establish how the devolved nations or local authorities (inc combined authorities) can continue to invest in rail infrastructure or services without being exposed to high levels of risk for instance from an expectation of ongoing revenue support. In GWR's experience, devolved bodies absolutely see the value of investing in rail – both in terms of economic growth, and decarbonisation – but increasingly in recent years can be deterred by the lack of clarity over who pays for what, especially when it comes to ongoing operational costs. The Bill and resulting IRB need to provide this clarity so – as has been the case across the GWR network – passenger operators can continue working with local authorities to invest in rail. This could perhaps be an extension of the annual report on private sector involvement.

It is not clear whether the devolution envisaged under the IRB will come with financial devolution as well as the powers mentioned in the Bill. This is something the Welsh Affairs Select Committee has called for in relation to devolving all rail powers to the Welsh Government, as in the case in Scotland. This could also pose the question as to whether the Welsh Government – which owns and operates Transport for Wales – could contract UK Government passenger operators to run services in parts of Wales, with the aim of increasing patronage, revenue growth, and delivering a better experience for customers.

For example, in May 2023 we introduced 65 new direct services each week between London and Carmarthen by extending a number of our Swansea services; this has resulted in a growth in passenger numbers, increasing revenue and helping reduce UK taxpayer subsidy.

Elsewhere, we've worked with the West of England Combined Authority to fund new services from Bristol to Severn Beach, Gloucester, and Westbury and a decade ago Wiltshire Council funded the uplift in services on the TransWilts line. We've worked extensively with Cornwall Council including on the refurbishment of our Sleeper carriages and funding the Sleeper/First Class lounges at Truro and Penzance, and in the last year we've opened three new stations, each funded by local authorities (Bristol City, Reading Borough and Devon County). Prior to this Worcestershire County Council funded a new station, Worcestershire Parkway. This follows from the incredibly successful reopening of the Dartmoor Line to Okehampton in November 2021, made possible by a partnership between GWR, Network Rail, the DfT and Devon County Council. We are now working with Cornwall Council on the Mid Cornwall Metro, a Levelling Up project, and with Devon County and Plymouth City on re-opening the Tavistock line.

Devolution of course has also shown the role for private sector businesses operating under a public sector brand, be that the London Overground, the

Elizabeth Line, London buses, the Bee Network, or Metrolink in Greater Manchester. The committee may wish to consider how the legislation can make provision for this, particularly as it would mean the industry could retain the expertise of transport operators in running the operational side of the railway. As Rail Partners' "Manifesto for Rail" sets out, passengers and the general public want a railway that is functional, not one based on ideology one way or the other. The model set out above allows passenger operators to focus on delivering growth, reducing the revenue gap, and the subsidy required from central Government.

There is also a need to be mindful of the public sector's ability to manage medium and large projects within the additional boundaries of public sector finance and control. The flexibility and speed of private sector operations means that passenger operators step in to lead and deliver projects faster and cheaper than Network Rail, be that station improvements, or building new depots such as those we have built in Exeter and Penzance. We've also been able to secure better commercial deals than the public sector, for example FirstGroup's procurement of the Class 802 Intercity Express Train fleet is proving to provide better value for the money the original Class 800 IET contract as procured by Government.

It's vital that the role of the private sector is retained to help set up the railway for commercial and sustainable growth, be that under a public sector brand or otherwise. The expertise of the private sector in innovation can be harnessed to reduce subsidy, allowing Government to focus public money on other priorities.

General

- Are the delegated powers envisaged by the draft Bill necessary and sufficient to meet its aims?
- What lessons should be learned from previous legislative changes to the institutional architecture of the rail sector?
- Are there further provisions within the draft Bill that the Committee should focus its scrutiny on?

As established at the outset, we broadly welcome the aims of the draft Bill, and it seems clear that a large proportion of its content could command cross-party support.

There are however several aspects of the proposed IRB that require careful consideration, and we would welcome further examination of this by the committee, particularly on embedding a new culture, ensuring investment for passenger operations is protected, and that the passenger needs and aspirations – and not infrastructure – is put first.

Moreover, the Bill could do more to spell out exactly how both the DfT and IRB will – to use the Secretary of State's words – "let managing directors of train operating companies actually manage and direct their operations".

I believe we are right to be cautious in believing that what has been set out in the draft Bill so far will enable this, particularly with a lack of clarity over reuniting cost and revenue risk regardless of ownership model for passenger operators.

Failing to act decisively on the Secretary of State's words after waiting for this legislation to finally come forward would be a squandered opportunity to enable the rail industry to do what it does best – innovate, drive growth, and serve communities the length and breadth of the country.

I hope this submission proves helpful in your deliberations and again I would be very happy to provide oral evidence as part of your examination of the draft Bill.

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