

ATOC and Network Rail at Transport Select Committee – 11 November 2009

Q171 Chairman: Mr Collins, it is not so long ago that Virgin was complaining to Network Rail because Virgin trains were late because of problems Network Rail had on maintenance on the West Coast Main Line. Are you now concerned that the proposed redundancies that we have all heard about are going to take us back to the same problem?

Mr Collins: Clearly I am concerned when a key supplier appears to be cutting back resources, but what we have experienced over the last few months is some really very good performance and formally, officially, thank you, Network Rail. We really do enjoy that.

Q172 Chairman: Yes, but what is going to happen now? We are told there are going to be large numbers of redundancies to meet the efficiency targets of ORR. Does this give you concern?

Mr Collins: It gives me concern, but on the basis it gives me concern we have had the conversations with Network Rail and we have agreed the performance targets for the next six months and all the evidence suggests that Network Rail can deliver those targets. I think, to be fair, it is not for me to determine their staffing levels. What is for me is to ensure that I have got the confidence they can deliver the output I am paying for. At the moment, all the evidence suggests they can do that.

Q173 Chairman: Does this mean - and perhaps I should go to Mr Roberts of ATOC - does this mean that ATOC has agreed with Network Rail the scale of redundancies or cutbacks to meet the targets? Have you been in discussions with them?

Mr Roberts: No. No, that is not what ATOC is here to do. Fundamentally the industry works through individual train operators agreeing with Network Rail performance goals. Those indeed are performance goals which are reviewed on a four weekly basis.

Q174 Chairman: Does that mean then that individual network operators have agreements with Network Rail that there will be reductions?

Mr Roberts: No. I will allow Mr Chivers to come in.

Q175 Chairman: Let me go back to Mr Collins. Mr Collins, you did say that you had had some discussions with Network Rail and you reached some agreements. What did you mean by that/?

Mr Collins: Yes, we have had discussions with Network Rail about the performance we want them to deliver to us and we have agreed a series of deliverables to make sure they deliver that performance. What we do not discuss with them is what head count they are going to use to drive that performance, that is for Network Rail to decide themselves, but the way we monitor and manage performance is we have both got commitments to perform and as long as they keep delivering those commitments then we will be happy about that.

Q176 Ms Smith: Can I come back on that, because Network Rail introduced 137 additional maintenance jobs onto the West Coast Main Line southern section in January of this year, so there is no doubt and no wonder there has been an improved performance, but under the proposed cuts 325 jobs on that same section are due to go, despite the fact that you do not discuss job numbers, surely that must be a cause for concern, given that the increase in numbers was related to poor performance, the engineering overrun at Rugby, and so on?

Mr Collins: No, because the commitment we got from Network Rail between now and March delivers the performance we want and those additional heads are still there in that target.

So, again, they are delivering the performance. If they were to take those heads away, or more heads and performance, the key priority versus performance then starts to fall and then we will start to challenge again and start complaining again.

Q177 Ms Smith: Surely it is time to challenge now, given that in the past under lower numbers performance suffered? Extra people have been put in place, performance improves. Surely now is the time to make the point that a reduction beyond what was originally in place at the beginning of this year would be the wrong thing to do?

Mr Collins: But we have made that challenge and we are confident that if they deliver the measures they are committing to do, then we will get the performance we expect.

Q178 Ms Smith: What has persuaded you that they can meet that challenge?

Mr Collins: Because for the last three months they have delivered, they have beaten their targets. This month they will beat their target again.

Q179 Ms Smith: But that is on increased job numbers. We are now talking about going back to a point that was lower than was the case at the beginning of the year?

Mr Collins: No, in terms of what they are delivering for the West Coast, to be fair, we do not have any understanding of how many people they have got, where they apply those people, but in terms of delivering the performance on the West Coast for Virgin Trains it is the commitment they have made to us, which is down in writing with the ORR, between now and March. They are honouring and delivering, so we have not got a concern that they are not going to deliver.

Q180 Ms Smith: And beyond March?

Mr Collins: We have not sat down yet. We are now in the process, as are all train operators, of starting to discuss the performance targets beyond March.

Q181 Ms Smith: Will you express concerns that drastic reductions in job numbers may impact on performance?

Mr Collins: If we believe by doing that it will affect performance then absolutely, yes, we will.

Q182 Ms Smith: You have suggested that train operators could save £500 million by undertaking some of the maintenance themselves. Could you explain that?

Mr Roberts: I think what you are referring to is our view that if train companies were given a greater role, for example in delivering improvements of stations and taking forward other improvements such as the depots, that we could do that not only more quickly but cheaper than Network Rail can and that that could release savings of up to £500 million over the current investment period, but that is quite specific about stations and depots.

Q183 Ms Smith: Well, it did say "rail lines" in the public reporting of your statement. It did mention railway lines as well.

Mr Roberts: To be very clear, that is the difference between public reporting and actually reading the report.

Ms Smith: Right. Well, we have got that on the record.

Chairman: Thank you all very much for coming and answering our questions.

Witnesses: Mr Iain Coucher, Chief Executive, Mr Paul Plummer, Director of Planning and Regulation, Mr Ed Wilson, Head of Public Affairs, Network Rail, gave evidence.

Q203 Chairman: Good afternoon, gentlemen. Could you identify yourselves, please, for our records?

Mr Plummer: My name is Paul Plummer, Director of Planning and Regulation, Network Rail.

Mr Coucher: Iain Coucher, Chief Executive, Network Rail.

Mr Wilson: Ed Wilson, Head of Public Affairs, Network Rail.

Q204 Chairman: What do you consider to be your main challenges for this Control Period?

Mr Coucher: We have a range of challenges. We have got to drive punctuality to levels which have never been seen before on the British rail network. We have got to drive out cost, we are facing massive cost, and we have got to continue our investment programme which is very significant. So doing all those three simultaneously whilst keeping the railways running remains a big challenge for us.

Q205 Chairman: How are you setting about driving down costs?

Mr Coucher: We have got a comprehensive change programme that will deliver around about £4.2 billion worth of savings over the next five years and that is the result of changing our work practices, finding better and more innovative ways of doing our work and removing waste from our processes.

Q206 Chairman: I understand that in the Liverpool and North Wales area 27 out of 36 welders have been told they are to be made redundant. Is that correct?

Mr Coucher: I do not know. I will confirm off-line.

Q207 Chairman: Are you concerned about redundancies that you are reported to be making?

Mr Coucher: Well, I think we have a duty to the taxpayer and the fare-payer to make the railways as low cost and efficient as possible. That means that over the next five years we will be taking out heads where we can do so. We have introduced new techniques and whilst I do not know the specifics about Liverpool and North Wales on the welders, we have introduced a new welding process which means we can do the same welding in a fraction of the time and it is that type of innovation which will lead to a lower cost railway, but the consequence is of course that we will lose people from our company.

Q208 Chairman: And how are you looking at safety issues as you reduce the numbers of employees?

Mr Coucher: Well, we have a very robust safety change process. You would expect that of us. We are, of course, overseen by the safety inspector, HMRI, now the ORI Inspectorate, and any time we make a material change in what we do we must satisfy them that we are doing it safely, but it is absolutely my number one priority and I can assure you, the travelling public and everybody in the country that I will do everything to retain the good levels of safety performance on the railway.

Q209 Ms Smith: Do you agree with the Northern Way that more power should be devolved to the regions when it comes to making rail investment?

Mr Coucher: Certainly we will look at working with local authorities on driving their priorities. We took responsibility for planning the development of the network when the SRA was dissolved in 2005, so those properties were transferred to Network Rail. We do a lot of work in ensuring we get the buying of the RDAs, the PTEs where they exist and PTAs and make sure that our plans that we then publish, although they have to be bought into by Government, take on board their comments.

Q210 Ms Smith: But that is what you do now. Do you think that more power should be devolved to the Regional Development Agencies and indeed to integrated transport authorities when it comes to rail investment?

Mr Coucher: I do not quite understand the meaning of the word "devolved" in this context. There are parts of our operation which has got devolved power. Scotland, for example, has got a great deal of power in setting what they want to buy for the railway, the same with Mersey Travel, they have got devolved power for that, but we have to remember that whilst it is very important we represent the views of the local communities in developing the rail service, the rail network is a network and decisions we take, for example, in say the North West sometimes has a bearing elsewhere in the country, so we have to get the balance right.

Q211 Ms Smith: Let me put it another way. There is a strong feeling that the North of the country has suffered in terms of rail investment because of the tendency on the part of the DfT to pay for investment in particularly London and the South East. Do you feel that devolution will be one potential answer to that problem?

Mr Coucher: Personally, no. What I will say is that we tend to invest where investment is needed. Up until now we have been able to meet capacity demands or growth demands to bring more people onto the network through putting additional trains on, making longer trains and putting more frequent services on at Bank Holiday and weekends. We can only do that for a certain period of time and there are parts of the South East of England where they are physically constrained and we need to spend a lot more money. Having said that we know that places like Manchester, Liverpool, Leeds, they are fast coming up on the railings, as it were, and we will need to make the same type of intervention in the next few years, so the need has not been quite there yet but it is coming up.

Q212 Ms Smith: I think some would dispute that, they clearly would, but the point being in the next spending period we are going to see a huge commitment to Thameslink and to Crossrail and in that context investment in the North could suffer. What would be the view of Network Rail on that situation? What would be your response?

Mr Coucher: We think both should be done. We absolutely believe that we should be investing in the Northern hub project that we are sponsoring and working on because there is an absolute demand/capacity problem in those areas. So I do not think it is a choice of either/or, both communities deserve improved rail services.

Q213 Ms Smith: You are proposing to cut in the region of 1500 directly employed Network Rail staff but the former Secretary of State for Transport told the Union, the RMT, in a letter of 24 February this year that Network Rail had no plans to make staff cuts. What has changed your mind?

Mr Coucher: I am not party to what the Secretary of State writes, but what we have made quite clear is if we want to reduce the running of the railway, which we do, we will have to

let people go. I have said publicly we will try and minimise the amount of compulsory redundancies through redeployment, retraining and voluntary redundancies but there are parts of the country where that simply will not be possible.

Q214 Ms Smith: The Secretary of State cannot just have plucked that commitment out of the air; it must have been based on some response from Network Rail to the DfT?

Mr Coucher: Our position is, to the DfT and to anybody, that we have to take heads at our organisation to meet the efficiency challenge. We think that is right. It is how we are going to reduce the cost of running the railways. We cannot guarantee no job losses, we simply have to take them out.

Q215 Ms Smith: We understand that of the job cuts over 600 will be on the entire stretch of the West Coast Main Line, where there have been numerous problems. Is that figure correct?

Mr Coucher: It is about 600, but I think we need to just bear in mind that on what we call the West Coast is the railway which goes from Euston right the way into Birmingham, Northampton, Rugby, into North Wales, Liverpool, Manchester, so that is about 4,000-odd miles. The Virgin West Coast upgrade we did only represents about a quarter of that, so it is looking at other parts of the network. Let me give you some kind of examples about the head cuts that we are taking out. There are parts of our operation around the country where the task is done by two people. In other parts of the country it is done by three people. We know it can be done safely with two, so we intend to adopt best practice and roll it across. Another example might be that I have maintenance gangs which sit by waiting for faults in King's Cross Station, St Pancras Station and Euston Station. I think those can be served by one gang doing all three stations. It is saving heads.

Q216 Ms Smith: Prime Minister's Questions: in January 2009 Network Rail introduced 137 additional maintenance jobs onto the West Coast Main Line southern section because the business case had been made for the posts. My understanding now is that you are planning to cut that capacity beyond the original figure by 325, which takes you to a position that was lower than the one you had at the beginning of the year. Can you justify that?

Mr Coucher: Because we had to make additional investment and support to get the West Coast up and operational, so we knew we had to bring more people in to do that to get the train performance running.

Q217 Ms Smith: I am talking about maintenance jobs.

Mr Coucher: Yes.

Q218 Ms Smith: You are now saying you do not need these people and over and above that you need less people than you needed at the beginning of the year?

Mr Coucher: We need less people now because we are introducing new methods of taking people out, which we were not able to do last year.

Q219 Chairman: So you are bringing new methods into play now?

Mr Coucher: Yes.

Q220 Ms Smith: Can you say what they are?

Mr Coucher: A simple example might be that in parts of the country where we do the same task with two people, it is currently done with three people. If we introduce the same

processes on parts of the West Coast we do not need that extra person. It is things like that.

Q221 Chairman: Is this to do with new equipment?

Mr Coucher: I was going to give you another example. We have got new technology these days we have introduced which means we can do inspections by trains rather than getting people walking the network. Those are new techniques coming in and that means they are more reliable and can be done without disrupting passenger journeys.

Q222 Ms Smith: Have these techniques been tried and tested?

Mr Coucher: Yes.

Q223 Chairman: Does this mean that the seven day a week railway that we were promised without closures is actually coming nearer?

Mr Coucher: It is coming closer. We have looked at our works processes and we have agreed a new method of allocating routes so the primary routes, of which Virgin West Coast or the West Coast ones, the East Coast and Great Western, we will do our very best to keep trains running on those networks. Clearly, it is uneconomic to avoid closures on all the little tiny rural routes, but on the major routes and the major stations we will do our very best to avoid that.

Q224 Chairman: You have deferred a lot of your renewals and maintenance work from the first part of the Control Period to the second part, is that right?

Mr Coucher: No, it is not quite right. We have got a big renewals programme for track renewals. When we looked at the prices for doing those renewals jobs we found it more economic to do more maintenance and defer the renewals until later on because the maintenance could be done a lot more effectively. So whilst we deferred some track renewals, not a great deal, we increase maintenance spending on those areas where we had done deferred track renewals, increased inspections, increased maintenance. A sort of simple analogy of this would be rather than replacing a whole car because it is a bit old, we have replaced the engine, so we have done a smaller renewal rather than a whole renewal, and those are the bits that we deferred.

Q234 Mr Martlew: I want to just touch briefly on the job losses. Is it not a fact that the Office of the Rail Regulator thinks that Network Rail is not very efficient and they are actually cutting your money and that is the reason some of these redundancies are taking place?

Mr Coucher: The Regulator sets us an efficiency target. We have never disagreed with the amount of cost to be coming out of the railways. The disagreement we had with the Regulator is the speed at which it can come out. There are people around the world who do the same bits of work on a like for like basis a lot better. They tend to be smaller countries and they tend to be where there has been a sustained level of investment from government for many decades, so we have got a period of time to catch up. Our argument was not how we can save money but how quickly it can come out, but we simply do not need all the people we have got. In 2002 when we took over Railtrack we inherited a 4,000 mile backlog in track renewals so for the last five years we have been removing that backlog. That has now gone, so we do not have the same level of work that we need to be getting on with.

Q235 Mr Martlew: We can take it from that that what you are really saying is that the redundancies are being made over a shorter time than you would like, the Office of the Rail Regulator is insisting on that?

Mr Coucher: No.

Q236 Mr Martlew: Are they supporting you then?

Mr Coucher: No, at the end of the day we accepted the periodic determination. If we genuinely believed that we could not do what was expected of us safely and reliably, we would have rejected the determination by the Regulator, but we were satisfied that we could meet everything that was required of us in terms of building a bigger, better, high-performing railway for the amount of money we have got.

Q239 Mr Leech: Sorry, I would like to bring you back to job losses as well, I am afraid. It has been suggested in the past that overruns on work has sometimes been due to a lack of available staff with the necessary skills to do the jobs. Is there a danger that there will be some jobs that are going to disappear which will also lead to a skills loss which in the long-term may actually prove quite detrimental to Network Rail?

Mr Coucher: That is a very good question. In 2008 we appeared before the Select Committee and were given a hard time about our overruns at Rugby, where there was a shortage of resource that we could not fill at short notice and since then we have changed what we do and how we do it and we meticulously plan the manpower requirements and since then we have delivered several billion pounds of investment without the overruns we experienced in those areas. So when we look forward to the resource requirements we need not just for maintaining the railway but building it, we think long and hard. Let me give you an example. At the end of the West Coast programme we finished last year we had a gang of people who are capable of doing electrified railways. We have held onto those people in the full expectation we have got a programme of electrification which we will need those people for, so we do look long-term into the future as to what we need. But we are taking some heads out, but I want to be quite clear, this is roughly 10 or 15% of the people, it is not massive in the totality of our workforce. I understand if you are one of the 1500 people it is going to be painful and it is difficult, and we will try and redeploy you. What we would really like to get people to do is no longer to do the maintenance, where we can find efficiencies, but take those people and do some of this expanding work like Thameslink, like electrification. So we do plan very carefully and we are acutely aware of the skills loss to which you refer.

Q240 Mr Leech: How many of the job losses will actually be due to different maintenance practices or improvements in the process that do not require the same number of people? What proportion are actually going to be just literally job cuts, that you just cannot afford any more?

Mr Coucher: The jobs we are taking out of the organisation, the posts we are taking out are the result of improved efficiencies. We are not cutting back on the work volumes, we are using technology to do tasks which in the past have been done labour-intensively, so we are

introducing new technology to do the same work. We are just doing the same amount of work with less people, so we are not cutting back on what we do, it is just efficiencies in what we are doing. We will create a pool of people. We will try to find work to put them on where it is about building new railways, but we have to be slightly careful about that because a lot of our growth, notwithstanding Angela's question about priorities in the South, a lot of our investment work is in the South of England and at the moment we have got surplus people elsewhere in the country. So we are trying to find a match there, but the direct answer to your question is that all the jobs we are losing is as a result of the efficiencies and not work being cut back