

INNOVATION AND THE MODERN RAILWAY

‘An eagerly-sought objective’

Richard Price, Chief Executive, Office of Rail Regulation
Speech to the Modern Railways Railway Industry Innovation Awards Ceremony 2012,
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I'd like to start by offering my thanks to Modern Railways for hosting these awards and inviting me to talk to you today.

It's a big anniversary year: Modern Railways has been a champion of innovation for 50 years. Over that time a whole bunch of people writing for the magazine have made the link between new ideas and technologies coming through – in Britain and elsewhere – and the ways the railways can serve people better.

It's been quite an achievement to produce a publication which has resonance both with hardened rail professionals and with general interest readers. The magazine has managed to pull this off successfully. It has celebrated the new, building on the industry's remarkable legacy of Victorian innovation; the modernisation and sector management eras, great design, electrification, the huge investment in capacity we are now seeing and through to new things like mobile apps for customer information. Captain Deltic¹ here has kept readers abreast of what's at the cutting edge in technology – and the challenges and opportunities when technology, business and customers come together. Other columnists like Alan Williams have kept a weather eye on what all that innovation means where it really matters - for the customer, and the passenger experience.

With others in the railway press, Modern Railways has had a big role in raising the quality of debate on rail innovation and on policy. Sometimes that has meant challenging and giving people like me a hard time – and that's fine because robust and well-informed debate can get us all to a better outcome.

¹ Also known as Roger Ford, the magazine's Industry and Technology editor.

The exposure Modern Railways gives to innovation is all the more relevant now that the industry has moved out of the long phase of managed decline of the late 20th century and into a period of remarkable sustained growth not seen since Victorian times. Of course, some of that growth reflects road congestion; and yes, some is attributable to changing demographics, the structure of the economy and changing labour markets. But it also shows that people have confidence in the railways to deliver, and that by and large they like the product this industry has to offer. And with today's innovators in this room, remember that this is down to your predecessors – people coming up with innovative new ideas that make the railway better, safer more efficient, and attract customers.

There are big challenges in this industry, not least that the cost base is too high. If the industry is to retain the confidence of government and secure further investment, it has to reduce that cost base. Reading Roger Ford's articles in Modern Railways gives you a good sense of the analysis, debates and emerging solutions.² You'll not be surprised that that is where a lot of my focus is in my job, along with making sure the railway delivers commitments which have already been funded like punctuality.

But the risk is that people hear this and think of gloom and doom. That would be big mistake. In the last decade rail has become a remarkable success story in Britain. You all know the stats³ – passenger numbers up, Network Rail's like-for-like costs down 40 per cent in a decade,⁴ a transformation in freight productivity, satisfaction and punctuality levels at or near record highs. Without being complacent, the industry has a good recent safety record. This is a great success. It shows that rail is increasingly important to economic activity and the nation more generally, and it shows the rate of progress that can be achieved.

² See for example articles in Modern Railways, May 2012, pp20-21 and 24-25 which give a good overview of the issues facing us in the run-up to the Periodic Review.

³ Documented here – http://www.rail-reg.gov.uk/upload/pdf/rp-costs-customers-and-safety_280212.pdf
Richard Price (Feb 2012): Costs, customers and safety:How rail businesses can gain the confidence of customers and taxpayers; and how regulation can help

⁴ The cumulative reduction in operating, maintenance and renewals expenditure achieved during the 10 years of Network Rail's Control Periods 3 and 4, starting in 2003-04, is £15 billion. Network Rail's efficiency gains mean that annual operating, maintenance and renewals expenditure in 2013-14 is projected to be around 40 per cent lower than at the efficiency levels of 10 years earlier. Operating expenditure includes support costs and network operations costs.

On the back of that, we have sustained investment from Government. We are working now on our Periodic Review of Network Rail, but if you take existing commitments combined with additional planned investments in electrification and Crossrail, around £5 billion of enhancement is already committed for the five years of our Control Period 5 starting in 2014. Keith Brown, the Scottish Transport Minister, yesterday set out his ambitions for the railway to 2019, and Justine Greening will do the same next month. There is the real prospect of further substantial investment. And the £32 billion investment in HS2 is on top of that.

These are serious amounts of public money. And at a time when fiscal consolidation means that public spending is under massive pressure across all budgets, Government's commitment to rail is rising, not falling. I am a hardened public spending watcher and controller. I can tell you I find this level of commitment genuinely remarkable. Politicians are now convinced that the railways have a big contribution to make to economic growth and social wellbeing, and they are backing that conviction with cash. A key question, and one highlighted by McNulty, is whether this level of public subsidy is sustainable and whether future governments will continue to invest in rail infrastructure. That is why value for money really matters. Value for money is the industry's license to grow.

So all of you in this room should look at the challenges:

- tackling the value for money challenge
- getting more out of the railway's capacity,
- enhancing the network without unnecessarily inconveniencing today's customers;
- meeting rising expectations on the quality of the passenger experience and better information; and better accessibility;
- serving the changing demands of freight to help the economy to grow;
- improving the reliability of assets so that customers experience better reliability;
- raising rail's environmental performance;
- looking to the next steps on improving safety.

As a regulator I have to focus on these big challenges which require real drive and ambition from all of us. What I'm saying is that there is no reason to be pessimistic about this. On the contrary, what rail is achieving and the support it's getting should leave us all feeling upbeat about moving to the next levels of customer service and value for money.

You should look at those challenges and have confidence that you are a big part of the solution to a set of problems which this industry is very lucky to have. You are the people with the ideas, and you have the determination and the skill to see them through to deliver things that genuinely benefit customers and make rail better value for money.

As a customer myself, I experience that. And as always it's a mix of genuinely new ideas, and sometimes applying established ideas in a new context. Think of the scale of the electrification programme now coming forward – how can that be done in a way that really shows value for money and makes the case for further investment. Think of how important ERTMS and other new signalling technologies are going to be in the next couple of decades in getting the most out of the railway's capacity, and reducing the costs of operation. Think of the potential for using state of the art IT in running the railway, managing its assets and meeting the needs of users better.

Making existing technology work in a new context and on a complex railway configured in the 19th century is a huge challenge, it is game-changing and will need massive innovation right across the industry.

And let's not forget that innovation comes in many forms beyond technology – creating new products and services which make customers' lives better; configuring services to meet changing demand; skilling up staff to be more confident in problem-solving and to be sensitive to customers' needs. And of course policy and regulatory innovation, with the opportunity to look across the system as a whole – this is a small plug, but you should consider spending time with the ORR as part of your careers. We would welcome more interchange of that kind with the industry.

As a regulator, we can play our part too. There are still a number of barriers to innovation which we are working with the industry to resolve. For what it's worth I think that the

industry can be very risk averse - where type approvals and changes to standards can sometimes be a drawn out process; and archaic work practices can stifle innovation.

We will keep pushing for more transparency about cost data, better asset knowledge, management and whole-life costings, and better smarter procurement and relationships with the supply chain. Where there are counterproductive barriers in place in procurement, I want to understand that better, and I will be meeting people from across the industry to see what we can do through the Periodic Review and beyond.

And of course we want to free the industry's leaders and innovators from the constraints of excessive involvement in the detail and micro-specification from government and regulators. Where we have a direct role on regulating standards we need to make sure our own approach doesn't form a barrier to innovation and making things better.

Much of this innovation will require people to work across the industry boundaries. Our push for greater efficiency and for a whole-system approach will help to create the environment in which people will look to innovators like you to see how to push those boundaries. We are consulting on the idea of an innovation fund across the industry; and the Periodic Review will look in substance to the next steps on rolling out innovation in areas like signalling, passenger information, and asset knowledge and management. More and more the industry will need to increase its efficiency, to find new and better ways of doing things. And you will need to develop new products that will satisfy the demand for higher standards and lower costs.

The conventional wisdom for decades has said that Britain has fallen behind in the innovation race. What I see in rail – not just new ideas but real delivery on the ground – makes me optimistic. And my role is to help to create the environment in which innovation can thrive and make a big difference for the better.

In a job like mine, you have to be careful about being seen to agree with Dr Richard Beeching on anything. So let me take my career – and possibly my life – in my hands now,

because he was prescient on some things. Writing on the launch of the merged magazine in 1962, Beeching said:

“[In Modern Railways], what is merely a new name for you is an eagerly-sought objective for us”⁵.

That may have been true in a contracting railway. It is more true than ever on a growing railway. And it’s the people in this room who will make that modern railway a reality.

RICHARD PRICE

Chief Executive, Office of Rail Regulation

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⁵ Dr Richard Beeching, Chairman of the British Transport Commission, writing in *Modern Railways*, January 1962, page 2.