

## **IMECHE Rail Division Luncheon 2 February 2018**

### **Stephen Glaister speech**

#### **INTRO**

Thank you for inviting me to speak to you today.

I am Stephen Glaister, Chair of the Office of Rail and Road.

The ORR is the economic and safety regulator for the railway. We also monitor Highways England which is responsible for the Strategic Road Network.

We are independent: answerable to the courts and to Parliament, not to government.

Our role is to protect the interests of those using the railway and strategic road networks, now and in the future and to ensure fair treatment of investors.

The UK's railways are in a very different place than they were at the time of privatisation.

- They're much busier.
- We're one of the safest railways in Europe
- The infrastructure is in state ownership, not a share-holder company
- The Government is bringing forward a new strategy for rail, alongside high-profile major projects.

Increasing use is a considerable success for the railways but it gives rise to obvious tensions between

- a. the demands of maintaining and renewing the network and
- b. maintaining service reliability.

And passengers are – quite rightly – demanding better service. By which they mean reliability and punctuality.

Of course, health and safety of users and the work force remains crucial. We are engaged in responding to the recommendations of the Rail Accident and Investigation Board report into the tragic Croydon tram accident.

For the future we are clear there is much more to do on the physical and mental welfare of those who work in the industry.

#### **HLOS and SOFA**

Now, something that may seem like a truism, but needs to be said.

The challenges cannot be addressed without solid planning across the industry as a whole.

And that planning needs to be based on a clear strategic direction, not just *ad hoc* operational delivery. The system of 5-yearly Periodic Reviews reflects that need.

The Government's recent High Level Output Statement (HLOS) and Statement of Funds Available (SoFA) for 2019 to 2024 were announced by the Secretary of State last year following advice from the ORR, that "There needs to be a significant increase in the volume

of renewals undertaken in CP6, to reverse the impact of the deferrals that have taken place in CP5, meet the pressures of growing traffic and address the condition of long-lived assets.”

So the HLOS and SoFA set a clear priority and planning foundation for Network Rail, and it shows a strategic shift in focus onto maintenance and renewals

But at one stage around a year ago, it seemed possible that we might not get a clear HLOS and SoFA. We contend that it remains essential that the return to government ownership of Network Rail does not result in a return to year-by-year funding settlements, with the short-termism and uncertainty that would build into the system.

Network Rail and the industry need that five-year control period perspective to balance priorities and manage their business. It allows government to understand what their priorities will really cost to deliver.

Also, any move away from the control period process would be bad for investors, who would lose the certainty that the funding period provides, and would be bad for the supply chain.

Longer than five years might or might not be better, but a return to annual settlements is a thing to avoid.

These announcements – both the focus on maintenance and renewals and the continuing five-year cycle - are good news.

## **PR18**

Now that the funding is secured, attention shifts to how the funds will translate into delivery.

This year we conclude our periodic review of Network Rail, setting out what the company must deliver between 2019 and 2024 in using the £48bn the Government has made available and doing that more efficiently. Our draft determination will be published in June.

In preparation for that, we are currently scrutinizing Network Rail's Route Strategic Business Plans, which were published in February.

These are the culmination of Network Rail's transformation plan pushed forward by their Board under the leadership of CEO, Mark Carne and Chair, Sir Peter Hendy, resulting in the creation of eight geographical routes and the central System Operator.

That means that over time, customers and stakeholders can and should play a much more significant role in working closely with Network Rail – both at route and system operator level - to agree priorities and challenge performance.

Devolution to routes also means that routes will have a visible financial bottom line and a competitive incentive to excel, driving best practice and performance.

The ORR is fully supportive of route devolution. But for this to even begin to have some effect, it must be the case that each route has control over its own destiny—the freedom for managers to manage and be accountable. This is what will re-create incentives to be efficient.

Each route needs its own funding settlement and its own bottom line. It must also be allowed to do things differently.

The route Strategic Business Plans are a crucial step in this process. They clearly show variety, which is promising.

But ORR also believes that there must be an independent, authoritative and transparent system operator to ensure that a whole-network perspective is represented, short term and long term.

And overall, Network Rail must maintain focus on efficiency, both financial and in phasing of work, including on the big step changes such as digital railways.

We are looking to create a deliverable profile of work over the five years for the benefit of the supply chain and its efficiency.

Importantly more effective procurement will play a crucial part in network Rail's plans, both centrally and at a devolved level.

## **CONSUMER PROTECTION**

We continue to work to protect the consumer. We intend to make it compulsory for train operating companies to sign up to the new rail ombudsman, to give passengers the assurance that if they are not satisfied with how their complaint is handled, they can refer the issue to an independent arbiter for a binding resolution.

On accessibility, we have recently conducted comprehensive research on the experience of people with disabilities in using train services. This found some satisfactory experience and some areas for significant improvement. We recognise the progress that has been made in helping make the railways usable by all passengers, but we have not fully achieved this goal.

## **OUTRO**

In conclusion I return to the basic public and industry interest in having a good plan, getting industry commitment and sticking to it.

And this is the fundamental priority for ORR as the regulator – the whole point is to protect the interests of the end user of the railway. At the beginning, middle and end, it's about the passenger and the freight customer.

The industry is at a turning point: the funding settlement, the devolution of power to the routes. ORR has supported the industry in securing those from government, and remain clear on the value both those can bring.

We, as independent regulator will report transparently on how the industry is delivering for customers.

But we must always remember that ORR doesn't run the railways. The Department for Transport doesn't run the railways.

The operators and Network Rail – and the rest of the industry - run the railways.

It is up to us to create an environment in which the industry can, and will deliver.

The reason we are all here is to get better results for the consumer. We've come a long way, but there more to do. The membership of the Railway Division of the Institution of Mechanical Engineers will continue to be important in our future success.

