



Video transcript

## Securing a better railway

The Office of Rail and Road's (ORR) Annual Safety and Economic review.

ORR's launch event for its Annual Assessment of Network Rail and Annual Health and Safety Report of Britain's Railways.

The event took place on 13 July with speakers including:

- John Larkinson, Chief Executive of ORR
- Huw Merriman MP for Battle and Bexhill and Chair of Transport Select Committee
- Ian Prosser CBE, Director of Railway Safety at ORR and HM Chief Inspector of Railways
- Sneha Patel, Head of Network Regulation

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### John Larkinson, Chief Executive of ORR

Hello, good morning, everybody, and welcome to our event on Securing a Better Railway.

This is ORR's annual safety and economic review.

My name's John Larkinson and I'm the Chief Executive here at ORR.

Many of you remember that we, each year we normally do an event to mark the publication of the Chief Inspector's annual report on health and safety.

But this year, we decided to combine it with the publication of our Annual Assessment of Network Rail.

So we're hoping that by bringing the two publications together, we'll give people a better overview of our work in general.

I little bit of housekeeping just to begin with.

If there are any technical issues or you're struggling with any technical problems, there should be some help at the bottom of your screen, which will hopefully direct you to the information you need.

I think it's fair to say we would love to have everyone in person here today, but that's not been possible.

But we'd like to welcome you virtually. All the presenters are going to be here in ORR in our Cabot Square office working a socially distance way.

So just to run through the agenda for the session, I'm going to take a few minutes just to set the context of the whole session.

And I want to connect it to some future work we're going to be doing on ORR's Periodic Review of Network Rail and also to rail reform just to set it in a bigger, more strategic context.

Then we've got Huw Merriman, MP, as many of you know, chairs the Transport Select Committee and he's going to talk more generally about state of play in the rail sector and also the role of the Transport Select Committee within that.

And we're then going to have two presentations.

First up we're going to have Ian, Ian Prosser CBE, Director of Railway Safety and Her Majesty's Chief Inspector of Railways.

And he's going to present his Chief Inspector's annual report.

Then we're going to ask Sneha Patel ORR's Head of Network Regulation and she will present the Network Rail Annual Assessment.

Then I'm going to hand over to our Director of Communications, Russell Grossman, who's going to host a Q&A with ORR speakers and then there'll be some closing remarks from myself, and that will complete the day.

So you can submit your questions for the Q&A towards the bottom of the page, you can submit your questions any time through the event.

We've got quite a bit of questions at the end, so we'll try and get through as many of these as we as we can.

So without any further ado, I just wanted to talk a little bit about all our annual reports.

So we've already published an Annual Consumer Report last week, and I'm going to spend a few minutes on that shortly.

We then got the two annual reports we're going to be talking about today the Chief Inspector's annual report and the Annual Assessment of Network Rail.

Later this week, on Thursday, we're going to publish on your assessment of Highways England.

Then later in the month, we've got our annual efficiency and finance assessment of Network Rail.

So just to connect these up, the Annual Assessment of Network Rail does talk about the financial position of Network Rail, but Network Rail is a big and complex company.

So we have a more detailed report on their efficiency and financial position particularly given the crucial importance of efficiency.

And then also later on in the month, we will produce our annual report on High Speed 1 for the previous year.

So just to say a few things about our Annual Consumer Report, which was published last week.

We worked really hard with industry over the last year to deliver improvements for passengers.

We've done a huge amount of work on accessibility.

And I'm really pleased about the progress that's been made on the commitment set out in our Assessable Travel Policy guidance.

So let me just take one stat. All train and station operators are on course to have 30,000 passenger facing staff trained in disability and equality awareness by the end of the year, which is really fantastic.

And I know that some operators are actually planning to roll out the course more generally to all their staff, not just passenger-facing staff.

We also set out plans for improvement to delay compensation it's another issue of huge importance to passengers.

We're going to look at requiring adherence to a code of practice including improving awareness and simplifying the claims process.

And by that I mean things like how much information do you actually have to provide in order to make a claim.

And then during the course of the year, at I think fair to say at fairly short notice we were given new powers to enforce COVID regulations.

So this was the regulations that came into effect for people entering the country where you would require a negative COVID test certificate.

And in our case, cases supplied on trains on the Eurostar and the Eurotunnel.

It was a new power to monitor what was happening and also to pay to make the operators pay penalty notices if they didn't comply with the legislation.

And I will say, again, that was hugely short notice.

An incredible amount of work was done by ourselves and Eurostar and Eurotunnel just to try and get that up and running on the day.

Looking ahead to this year, the year that we're in now, we will complete that work on improvements to delay compensation, but we're also going to do a review of complaint handling guidance.

It's been quite a long time since we've looked at this.

And one of the points that operators have made to us is that this is now a bit out of date.

Should we work more towards a code of practice where we're much clearer on minimum standards, much clearer on what good looks like.

So we'll look into that during the course of this year.

And we're also going to work with the operators on rolling out a new customer information measure.

We've done some trials with three operators.

And what this is about is.

In order to improve information, you need to have good processes.

Now, your processes could be ad hoc, they could be sporadic, or they could be more predictable and mature.

And this is basically looking at some of the techniques that have been used in things like the safety RM3 model to look at capability and improvements to capability.

So we intend to work on that with operators during the course of the year.

So as you'll hear from Ian and Sneha, there's a lot of positives from the Chief Inspector's annual report and the Network Rail Annual Assessment.

But there's also some challenges.

And I think one I just wanted to highlight was the risk to train service performance, because an awful lot of good work has been done during the course of this year.

So Network Rail's put a lot of work into using the data gleaned over the course this year to try and better understand

the trade-offs between capacity and performance.

Network Rail and the operators have worked together on improvements to performance strategies, joint performance strategies, including more use of peer review.

And there's been a lot of use of the performance maturity model, too.

But the question is, where does this leave us in terms of the year ahead as passenger numbers rise and potentially number of train services rise how well placed are we to try and maintain those train service performance gains, particularly as there's been very little change to the timetable overall.

Now, the topics covered in the two reports are going to be talking about today, which are basically safety, efficiency, asset management performance.

They're going to be at the heart of all the wider strategic challenges ahead.

And of course, sitting on top of that, we've got an overarching challenge around industry financial position.

One of the big strategic challenges, though, is around industry reform, the William-Shapps plan has been published.

It's a vision.

It's a direction of travel, it is not a detailed plan.

And so the industry, the government will be reaching stages where it's time to take decisions.

There'll be choices to make about where next on industry reform.

And there's also likely to be quite a long period of transition, especially given the need for legislation.

So what's going to happen during that period?

Well, the interim guiding mind will be established, and the aim is to try and get that running sometime in the autumn.

There will be preparations for legislation, a lot of work done there, a lot of choices around the form of legislation and also workforce reform.

And many of you will be aware of the enabling agreement that was recently signed between the operators and the unions on that.

Now, the William-Shapps White Paper said that there will be a Periodic Review carried out by the ORR and it would set the funding for the infrastructure manager for 2024 to 2029.

And that's the funding for the infrastructure manager.

Whatever the actual form that the infrastructure manager at that time, whether it's Great British Railways or still Network Rail and all those fundamental safety efficiency, asset management performance will be key importance to the Periodic Review and what we want to do in this Periodic Review is actually provide a really clear connection with the overall reform programme, with the government's white paper.

So, for example, we've got a launch document out now about the Periodic Review and the consultation document about performance incentives.

And one of the things we've done is to say, well, if there is going to be a Great British Railways in the future and a lot of operators are going to be within Great British Railways, is there going to be a need for performance incentives for those operators?

Do they want performance incentives?

But looking to it from a different perspective, if you're outside the Great British Railways tent, if you're a freight operator or an open access, maybe you still need performance incentives and you will want them.

So maybe we need to move to more hybrid models for some of the incentive structures put in place during a Periodic Review, and we're going to be looking at that quite carefully over the coming months.

Also this autumn is the Spending Review and Spending Review is significant, provides a linkage between some of the things we've been talking about.

It sets of funding for Network Rail for the first year of the control period.

So we have to connect up the Periodic Review with the Spending Review and we need to do that very carefully and we need to make a good case for the rail industry during this Spending Review.

And Network Rail is working on a plan now as an input to that review.

And then one more point I wanted to make on this.

The Williams-Shapps plan, the White Paper sets out a wider role for the ORR in the future and oversight assurance role across the whole of Great British Railways.

And we need to prepare for that.

We need to think about the capabilities we need, because to take an example, at the moment we focussed mainly on Network Rail's performance.

When we oversee Great British Railways, we're going to have to focus on the performance of the whole sector.

It's a different role, a wider role, and there'll be changes that will be needed over time within the ORR to prepare for that.

And we need to start work on that alongside work on the guiding mind.

I just wanted to end with a quick run through what I've called an indicative.

high-level timetable and I've used the word indicative quite carefully because it is indicative.

And so just the top row, we've got the Spending Review there as I've just mentioned.

But what that row shows is a run up to the government's eight HLOSs and SoFA's in the autumn.

So this is where the two governments for England and Wales and for Scotland set out what they want to buy from the railways and how much money they've got to purchase those outputs.

As a feed into that Network Rail will produce a set of business plans for CP7. Regional business plans, Bottom-Up Business Plans.

And we also provide advice to funders and that will culminate in the start of the next control period.

If you look at the next row down, what's another crucial building block of this?

Well, it's the changes to the franchise agreements, we've already got the new national rail contracts which are being put in place, but ultimately we will have the PSC's in the future.

Now, it's not yet known yet what format those PSC's will take, but there's a really fantastic opportunity for ourselves and the government to join up better on the outputs that have been set for Network Rail and the outputs that have been set for the franchises, because that's been an area of, I think, confusion, tension in the past in terms of what you might call mixed incentives to Network Rail and to the operators and going alongside all that, we've got the DFT development policy and legislation around the white paper and eventually an evolution into a new operating model, including Great British Railways, and alongside that, the need to work and complete legislation.

So hopefully that just helps try and tie things together, provide some context for the for the session.

Right.

Let's try and get the slide to change to the next one. At this point.

I'm actually planning to hand over to Huw Merriman.

Huw has been MP for Bexhill and Battle since the 2015 General Election.

He's in Chair of the Transport Select Committee since 2020, as I'm sure many of you know.

So, Huw, can you hear me?



And if you can, I'm going to hand over to yourself.

## **Huw Merriman, Chair of the Transport Select Committee**

Hi John, I can hear you loud and clear, and I hope you can hear me.

Thank you very much indeed for having me to speak again.

It's an absolute pleasure. As you say, I've been Chair of the Transport Select Committee since the beginning of 2020.

It's been fair to say that the plan that we put in place has been somewhat altered due to the last 18 months or so.

And I just want to say a big thank you, my recognition to you in the ORR and the entire industry for what you have done over an incredibly challenging almost year and a half where you have had to ensure that the railways continue to be safe, to continue to be well regulated over what has been an incredibly challenging time.

And I think if we focus on perhaps one positive of the last 18 months is that everyone in the industry has really pulled together to deliver rail for the essential workers and for everyone that's had to continue using it.

And that includes me because I've continued to come up to Parliament to chair the select committee.

I'm going to talk about a few things in the 10 minutes I've got, that you've sort of asked me to touch on.

The first is going to be the current view of the industry following the pandemic and the challenges that have to be addressed as we move forward.

The second is an assessment of the William-Shapps Plan for Rail and the proposed structure of the future rail system.

And the final is the role of regulation and accountability in the new rail structure that we are looking at and the assessment of the ORR's place within that system.

So delighted to speak about these things.

And obviously, if you don't mind, I'll drop in the odd report check where we have been looking at and give you some of our views as well.

So, look, first of all, the current view of the industry following the pandemic, well, as we know, a huge challenge.

Obviously, the rail passenger numbers absolutely collapsed.

It required the Treasury to put 10 billion pounds' worth of funding in place.

I was always really proud of the rail sector.

I know we talked about the problems of franchising, meeting its natural end and the need to change.

But let's look at this.

It's a green, clean alternative to car.

And we've managed to double passenger numbers over the last 20 years.

That is a huge success and something that we should be really proud of and also use as a benchmark for how we go again, which is what we've got to do.

We still we've seen rail passenger numbers increase, which is welcome.

But the fact is that we're still looking at sort of half the numbers that we have looked at pre the pandemic.

And I think the issue is recognised in the white paper was that the rise of homeworking, online shopping because of COVID-19 means that two thirds of the railway passengers that we would be used to, now face what's defined as potentially permanent change.

And the White Paper ominously adds that commuting and business travel may never be quite the same again.

And obviously in the next few months, we'll start to see to what extent homeworking becomes a permanent feature for many people and therefore the extent to which the rail market and the biggest market for rail being commuting is likely to be structurally different.

I think it's going to require the rail industry to look at leisure as an alternative and really sort of make the rail experience an attractive one for people to travel to rather than their car.

Or indeed air and I'll talk a little bit about that in a short while. But I think again, the sort of key part to me is setting out the message that rail is safe.

I think one of the things we learn from one of our select committee reports into public transport post, the pandemic was from the Singaporean Transport Authority, where they had really made a deliberate decision not to say at the very start of the pandemic, don't use rail because there may be issues around safety.

I know the government will say that they didn't say that about the public transport system in this country.

But effectively, the messaging meant that that was what was taken away by commuters.

And I think it's essential to say and explain that you are very unlikely to pick up COVID on public transport.

Public transport is cleaned.

It's safe and it's there for you to use and it's a safer alternative than using the car.

And I think we're going to have to show the statistics about.

The dangers of the car, not just to peoples own individual safety with regards to collisions, but also the congestion, the air pollution that it creates and the blockage that it adds to our requirements to deliver net zero by 2050.

So I think we have to really start, you know, really selling rail and actually sort of demonising the car, but highlighting a few home truths about what what the car does in terms of safety.

The other thing which I've been really pushing on, and I'm glad that there has been some movement, albeit question exactly how effective this is going to be.

This is the introduction of flexible tickets.

We have been banging on about this for some time.

Finally, we have got something.

But what I have said is that the discounts look rather unattractive, shall I say.

And in the event that it is clear that this is not changing the market and that we are not responding to the fact that people may be only willing to travel, say, three days a week, but they don't really have to.

So therefore, you've got to price them into getting onto the train and using it.

Then I think the Treasury has got to invest more.

It has got to give more discounts so that people do use the trains because it's not just a question of rail passenger numbers and the revenue that the Treasury needs from those rail passenger numbers.

It's also what those passengers then go and spend in the accommodations, in the centres and the bars, restaurants and shopping facilities that need that spend as well.

So I think, you know, the Treasury should look at this as an investment in terms of their return.

I certainly would note that our sister committee, the Public Accounts Committee, who I'm off on a trip with later on today and for tomorrow, recently reported that the Department lacks a convincing and timely plan for encouraging passengers back to the railways as part of the COVID-19 recovery and risk an increase in car use.

I think that the government is going to have to be right at the centre and heart of the message that people should use their rail services.

My concern is that if people don't use rail services, the Treasury will not continue to invest the subsidies as it does right now.

And it means we could then see reductions in the timetable.

If we see reductions in the timetable then we only have to look at the bus market.

If you haven't got decent enough services, people just desert it altogether.

So I actually want to see, as well as a commitment to continue the investment, a really good, positive message that travelling on public transport is safe and it's the right thing to do.

Get back on the railways. It's our heritage.

It's it needs your support and patronage.

And to that end, I know there's been a number of debates about whether we should have face coverings on public transport.

Some people say to me they won't come back on public transport unless there is the face coverings there.

Other people say that they will not use it because it's just too uncomfortable and they'd rather sit in their car.

I think those arguments are finely balanced.

But what I would say is that if we are to say face coverings on the trains, but not in the shops, not in the bars, not in the concerts, then we are sending out a message that actually there's something underlying unsafe about public transport.

We stigmatise public transport.

And no doubt the psyche of people is that Oh there must be something wrong with it's unusual.

I'm not going to use it.

So I think it's one of those where we've got to get off the fence of it.

And I think it's fair to say where any enclosed space is crowded, then use your face covering that should apply to all.

But I don't want to single out public transport as anything different to that.

So in my view, I think of the fewer restrictions, the better for the recovery of the rail market.

I also want to touch on industry costs.

Undoubtedly this is going to have to be looked at because of the amounts the Treasury is putting in.

I think it's absolutely essential that the industry looks at reform but doesn't sort of throw the baby out with the bathwater.

This is a safe industry and that's reputationally sound for us to rebuild it.

I think it is right that we look at Cost though and I think, again, the Public Accounts Committee said now is the time to make radical, effective reform in the rail system.

And aspirations and intentions need to be turned into concrete actions that deliver meaningful change.

That takes me onto an assessment of the Williams-Shapps Plan for Rail and the proposed structure of the future rail system, because it was notable that not really contained in great detail was there anything about cost reductions.

But it did say that there would need to be a separate stream that deals with that.

I think that's probably the right way to do this.

If it looks as if the reform for rail is all about saving money, then we will not have the confidence to take the industry and indeed the passengers through what is a pretty revolutionary reform in the shape of the William-Shapps Plan for Rail, the rail white paper.

But we know separate to that, there will be a requirement to put cost savings in place.

The challenge there is that in the economic climate we have here is a danger that changes, which may be good for the passenger, may be good also for safety, we see industrial action on the grounds that it makes things unsafe.

We have seen before and the ORR and certainly Ian Prosser will be well aware of the situation with regard to drivers opening doors.

I'm well aware of that as a Southern rail MP.

And the biggest tragedy for me in that situation was that it was safe.

It was demonstrated to be safe because we've been using that technology since the early 80s.

And indeed, I had the tragedy of looking at the cameras from the front of a southern train and the driver telling me that as he moves along the platform, he would turn the monitors off because he would then be held responsible in the event someone was trapped.

Well, that actually meant that something that could have been even safer was less safe because of the employee responsibility in terms of the legal system.

And I just feel that there is an opportunity to use technology harness it to make the rail experience even safer.

And I know that sometimes that can mean efficiencies in terms of the numbers of people required to do a job.

But we should put safety at the heart of the rail system and not existing practises.

So I would certainly welcome change delivered on that particular front.

But we have to reassure people that we're doing it because it's making the rail experience better for the passenger and even safer for the passenger and not about cutting costs.

I just want to talk briefly about the role of the private sector.

I think in my view, it's important that we look at what the private sector has done in terms of growing the railway over the last 20 odd years.

They've managed to deliver that.

And it's essential, in my view, that they're in the room able to deliver again.

And I think that that provides an interesting scenario as to the structure of the Williams-Shapps reform or suggested reforms to actually have the almost replicating the TfL structure.

But it's an old one in the sense because we have Great British Railways, which will effectively eventually be Network Rail commissioning off the private train operators to run the rail, but also obviously to a service and commissioning of itself in terms of the maintenance of the asset.

And I think that that is the sort of fundamental contradiction of what you would normally expect.

If you look at the TfL model, that's obviously very different.

But I think it can be exciting.

And I think that what I will say about Network Rail is that whilst there are reforms required to turn it from perhaps an engineering facing structure towards a customer service and passenger focussed structure in Peter Hendy and Andrew Haines, I think we've got two brilliant leaders who really get that and I think can really transform and turn it.

One of the issues, of course, is timescales.

There aren't really timescales in the white paper its incredibly ambitious.

There is a touch of the land of milk and honey about it and a lack of real detail.

I am keen that we actually get to that promised land, but I do think it will require a lot of holding to account and driving.

And I can tell you that the committee later this year will be looking at rail reform in great detail.

And we'll have a lot to say on that front.

And I hope that the ORR will play its part.

Very finally and briefly, because I think I'm almost at my 10 minutes.

The role of regulation and accountability in the new rail structure and the assessment of the ORR's place within the new railway system.

I think this is an incredibly exciting opportunity for the ORR.

We talk about the change that will take place, the delivery of Great British Railways, the change to the Network Rail in terms of the way it operates, the change for private train operators who will now just be paid a fee for running the service rather than taking the risk and reward.

But actually the one organisation that doesn't necessarily change from that entire set up is the ORR.

It offers a point of continuity when a lot of the other parts of the industry are going to change and therefore you could say it would be in flux.

I think the ORR needs to make sure the industry, but especially in Network Rail, continues to deliver at a time when the sector has to reform.

The ORR will undoubtedly need to adapt to regulate Great British Railways.

But I think that that is a fantastic opportunity.

And one of the other parts I would say with the ORR and I've really taken this opportunity myself to use it, it has been the way that you are looking to ensure that the delivery plans in terms of infrastructure also have your eye over it as well.

And I think there is a role for you as a body to look at Network Rail and look at how it delivers its projects and look at the value for money aspects of it, as well as just the regulatory parts.

I think there's so much money being spent by Network Rail that Network Rail should welcome that oversight and advice and certainly when we did our big infrastructure inquiry which we will shortly report on, we deliberately chose to have the ORR rather than Network Rail come and speak to us about what's needed to run big projects.



And I think that shows you in a very good light in terms of your expertise.

So I think I'd like to see more of that.

So I think there's more that can be added.

I would also add that I think there's more the ORR can do when it comes to roads.

If you did roads what you've done to rail in terms of safety, then I think we'd all be in a better place.

So I'm a real advocate for more role from the ORR.

Always struck me as odd that the train operating side of things was never within your capability, whereas Network Rail was.

I think there's a role for the regulator going across the entire rail industry to continue to ensure that it's safe, but also that we can build on that, but also make sure that when the network is reformed, the network is expanded in terms of growth.

And the reason I'm off with the Public Accounts Committee later today is because we're going out to Birmingham, where I'm meeting HS2's chief exec and the Mayor of Birmingham Andy Street to continue to scrutinise HS2.

So I look forward to continuing to partner with the ORR.

I welcome the body of work and let us continue to work together to make sure that we scrutinise, build the railway in the way that needs to be built and also that we really get those passenger numbers back and sell the safety of rail.

Thank you.

## **John Larkinson, Chief Executive of ORR**

Thank you, Huw. I mean, there are all points really well made and particularly the points about the need to promote the railway to encourage passengers back on the railway and increase revenue and keep costs under control at the same time.

And I can assure you that we certainly do intend to play our full part in rail reform and no doubt look forward to it appearing in front of your committee at some point in the near future.

So thanks very much indeed for taking the time to talk to us today.

So I now want to hand over to Ian Prosser and Ian is going to talk about his Chief Inspector's Annual Health and Safety Report. Ian over to you.

## **Ian Prosser CBE, Director of Railway Safety at ORR and HM Chief Inspector of Railways**

Thank you, John, and good morning, everyone.

Last year was the most difficult year in living memory.

Things moved very, very quickly.

Drop in passenger numbers.

Frequent changes in timetables.

And introduction of face coverings, social distancing and enhanced cleaning, all these things created a huge challenge not just for the mainline railway, but also TfL, the heritage sector and the trams.

However, the collaboration has been strong and the industry has and continues to respond to COVID protecting passengers and the workforce.

Very sadly, we lost members of the railway family and our thoughts are with their families and friends.

And I also would like to say a very big thank you to all those frontline workers who continue to keep the railway going.

That was very important, as Huw said, for transporting goods, but also critical workers and those that needed to go to work and could not work from home.

On health and safety performance, we've seen somewhat of a mixed picture.

Sadly, three people lost their lives, at Carmont that was the first main line rail accident involving a passenger fatality since Grayrigg in over 13 years.

And we need to learn the lessons from that and I'll talk a bit more about that later.

And there were three other workforce fatalities.

Our thoughts are with their families and friends and our investigation, obviously into Carmont continues, as does the RAIB investigation.

However, asset performance has been strong and good.

However, we do have concerns and obviously this was shown at Carmont about structures, earthworks and drainage and these in particular remain and the assets that are particularly at risk from climate change.

And as I warned last year, we need to really focus on these.

And Network Rail is responding to these challenges.

And some of those details are contained within our report.

But I'm sure it's going to remain a key focus for us.

And I expect that for some time.

And it obviously will be a key focus for the industry and us during PR23.

Management of the platform train interface also remains a priority.

We've seen that the DfT are looking to actually speed up the introduction of tactile strips and I'd also would challenge the industry to maintain their yellow lines.

We do see varied performance in this, but it's something that is picked up by the public, passengers and politicians.

The National Freight Safety Group has done some really good work, collaborative work, however, we are focussed and they are on the condition of freight vehicles, which we see as a key issue going forward and an important focus as we move forward.

To improve further the safety of rail freight and the condition and eliminate some of those derailments that we've seen in recent years.

The Light Rail Standards Board, which came out of the RAIB report into Sandilands and as we speak here today, the Sandilands inquest continues, but they have got themselves up and running well, they have issued new guidance and we see an organisation that is actually adding value to that sector as it goes forward.

And I think there's been significant improvements in that sector in the last few years.

Another important milestone for us was our level crossing guidance has just been launched.

This was a big change in this guidance to make it much more focussed on managing risk rather than be too prescriptive.

And we have engaged actively with the sector and got some very good feedback to enable us to produce what I believe is a very good document and should help the industry going forward in the future.

However, what do I see as the challenges ahead?

And obviously, this has been talked about already this morning.

We need to rebuild passenger numbers through enhanced experience and build their confidence.

This is important if we are to have regain what Huw said about the fact that rail is safe and gain those passengers back onto the railway, they are increasing numbers week by week, but it's still important that we focus on that going forward.

Very important is track worker and depot worker safety.

We have seen the tragedy of the fatalities on Network Rail in recent years, and we saw two last year in that area as well, and that is something that Network Rail is extremely focussed on after our improvement notices of 18 months ago.

And we need to support that change fundamentally.

And I'll talk a bit more about that later.

We have an ageing infrastructure as the climate changes around us.

We saw some extreme weather even yesterday in London, but those extreme weather events do put a challenge to that infrastructure.

And that's obviously something that we saw in Carmont and we need and seen elsewhere.

And we need to really focus on that challenge.

So they're what I feel are.

The challenges ahead that we face from particularly from a health and safety point of view.

So rebuilding passenger confidence in numbers.

What's really important is that we maintain both the safety and performance of the railway.

We have seen a very strong performance of the railway during the pandemic, and it's important in gaining confidence of people that we maintain that safety and performance.

I think an important area that's going to impact that is clean trains and stations with the industries focussed a lot on that during the pandemic and passenger flows managed.

So that we are concerned and one of the things we found in some of the work that we did before the pandemic was it started about the public's perception of risk in terms of safety, was that their health and well-being was at the top of their agenda even before the pandemic.

They took a safety as a given.

So we need to focus on that, know the stress of disruption, etcetera, was something that concerned our customers.

And that's so important that we then build up, build trust.

So that we actually can see that people can see that we're making real efforts to care about them.

Track and depot worker safety.

We are supporting and will support continuously the Network Rail taskforce, but it's so important that we actually see improvements in the front line safety culture, which Network Rail is working on, but also in the depots, in train operating companies and in fleet.

We see incidents there.

And so level one assurance is so important and that's management by working, walking about.

And I think the pandemic has had a detrimental impact potentially on that.

So we do need to strengthen our resolve and efforts to improve that level one assurance.

And one of the ways I think we can show to the front line and to all our staff throughout the organisations that we care is through health management, some real progress has been made in terms of the Rail Wellbeing Alliance, which had this inaugural event in November, which was so well attended.

But we need to move further and accelerate that as we go forward.

Because health has cost this industry a great deal of money, ill health, both physical and mental health and mental health in particular, we've seen to improve, but we've got a long way to go.

An ageing infrastructure and the climate change that is happening around us.

Drainage is a really critical asset.

We've left it, I think, as an industry behind in years gone by, there has been some improvements in recent years, but we need to accelerate that.

And the taskforce that Network Rail set off after Carmont have identified some real improvements that could be made to that critical asset.

Technology for weather prediction, some of that is already starting to be put in place so that we actually really take the opportunity of that technology to make the changes when bad weather is predicted in a local area so that they don't disturb the whole network.

And then we improve operational response and using that approach of improved weather prediction to make the right decisions at the right time to actually maintain safety for the passengers and for the workforce.

So a really important challenge ahead.

Moving on.

So I believe that we can meet these challenges by focussing on some on the following three themes.

Going forward.

Managing for the future.

As I mentioned, we need a strong, visible leadership as we face the changes that we've been talked about already this morning.

It's going to be a period of challenge as we come out of the pandemic, which we are still in.

And that is going to mean that we need to have strong, visible leadership throughout organisations and very strong communications throughout the organisation so that people understand what's happening.

We also need to focus on safety and health by design which is I've mentioned for many years now, is so important and it removes gold plating and it makes sure that we do projects fast and effective and efficiency, safety and good business go hand in hand.

I've said that year on year and safety by design, health and safety by design is a key example of that which we are continuing to promote and want to see better across the sector.

The second one is supporting people.

This is probably the most important.

Well, it is the most important and it's so important more than ever before as we rebuild, we have been through a very difficult time together.

And to support each other going forward is going to be important.

Things are not going to return to normal just like that.

There's going to be a lot of change and a lot of readjustment.

So we need to be there to support each other.

And therefore, the well-being agenda and the mental health in particular is going to be vital.

We continue to work with the Samaritans.

I will continue to promote the Million Hour Challenge, which is a way in which by volunteering for the Samaritans, we can improve our own health and wellbeing.

These sort of initiatives are growing in this sector, which is very pleasing.

But we need to accelerate and move forward and bear in mind that the change and challenges that we face are going to be significant.

Track workers and supporting them through this change so that the changes that are taking place through the safety task force that Network Rail set up, they will they need supporting as things will be different.

But as I've said many times, we need to remove and I'll come on to this in a minute, some of the practises that we've had over years.

And some of the myths and anecdotes that exist, which are not actually factually correct, so we give confidence that we can improve that safety culture where it really counts at the front facing activities in the sector.

Technology.

As Huw has already said, technology, gives us real, potentially improving benefits for improving both safety and efficiency and passenger experience in this sector.

Areas like inspection, earthworks inspection, drainage inspection, weather prediction, these areas like driver-controlled operation, the use of cameras, all these things actually gave us real potential to actually improve health and safety and efficiency hand in hand.

And I think we need to accelerate in this sector, the implementation of which we bring in new technology.

We can take people away from risk and improve things significantly.

But we do need to remember the importance of human factors, taking our people with us, involving them in the change and actually making sure we do real quality risk assessments as we implement these technologies.

Now, the technology is starting to be implemented through the safety taskforce, and I've often said and people have heard me say this.

I want to see the end of flags, whistles, detonators and horns in this sector, which relate back to the 19th century rather than the twenty first century before I retire.

So it's very important that we embrace this technology, but take people with us because it will enable us to have a safer, more efficient and better railway that will be there for passengers as they come back to the railway.

And we work very hard to make them feel comfortable and importantly, that they feel safe because the railway is a safe form of transport.

It has been safe during COVID, and I thank everyone who's made that happen in the sector, but we need to actually get that message across going forward.

So these are my key points from my report and thanks for listening.

I will now hand over back to John.



## **John Larkinson, Chief Executive of ORR**

Thank you very much Ian.

And don't forget, if you've got any questions about what Ian's just been discussing or you've got any comments, do please send them in.

Submit them.

And we can hopefully talk about them shortly.

But for now, I'm going to hand over to Sneha. Sneha leads a team that put together the Network Rail Annual Assessment. Over to you Sneha.

## **Sneha Patel, Head of Network Regulation**

Thank you, John. So good morning.

My name is Sneha Patel and I head up the Network Regulation team at ORR.

So this morning we published our Annual Assessment of Network Rail of 2020-21.

And I want to spend some time this morning talking through some of the key messages that have come through our publication this year.

So for anyone that's not familiar with our annual assessment, or if you've not had a chance to look at the document in detail just yet, our annual assessment is one of our key end of year reporting documents.

It provides a snapshot of how we've monitored and held Network Rail to account with regard to its performance and delivery across a range of different disciplines.

The document looks back over the last year, but throughout the document and also within our day to day monitoring, we take a forward look.

So we look at where there are particular concerns or risks that will impact future performance or delivery.

So as part of the structure of our report and also as part of our day to day monitoring and holding to account, we focus on four key areas of Network Rail's delivery.

So we look at Network Rail's performance.

We look at the passenger and freight levels of performance.

We look at the different activities and plans that Network Rail has in place to try and improve train service performance.

We look at Network Rail's asset management, so we look at whether assets on the network are reliable, whether these are being maintained and that they're sustainable in the long term to support performance across the network.

We also look at safety, so looking at whether the assets across the network are safe and also ensuring that the workforce across the network is safe.

And lastly, we look at finance and efficiency, so we look at Network Rail's management of its costs and we also look at ensuring that work is delivered efficiently.

So as I run through the key messages from this year's annual assessment I'll frame it around these four key areas.

So before I start to talk about the key messages, I just wanted to touch on the impact of COVID.

So over the last year, the rail industry has had quite a difficult and challenging year, largely due to the impact of the pandemic.

And Network Rail is no exception to this.

So all areas of Network Rail's business and its delivery have been impacted.

But overall, during the year we found that Network Rail responded well to the impact of the pandemic.

It's adapted its ways of working, as we've seen with the system operator adopting a more agile and frequent approach to timetabling to respond to the changing environment.

Network Rail's continued to ensure that essential maintenance, engineering work and enhancements are carried out across the network.

And this is often with frontline staff working in quite challenging conditions and adhering to government guidelines.

And lastly, through the pandemic, Network Rail's continued to provide a safe and operational railway for those that need it.

So, as I mentioned, the pandemic has impacted all areas of our growth, delivery and performance is one of those key areas.

So over the last year due to the pandemic, there's been a significant reduction in passenger numbers and services.

But this in turn has led to exceptional levels of performance, with many of the key performance metrics ending the year better than or exceeding target and showing an improvement on the previous year.

So, for example, the on time performance metric, we've seen a significant improvement in this during the last year.

The percentage of trains arriving on time has increased from 64.8 percent to 79.7 percent.

Freight performance during the pandemic has also been very strong.

So looking at one of our key regulatory measures, the freight delivery metric during the pandemic, this reached a high of 95.2 percent.

And this is the highest level that we've also seen since the time series began in 2012/13.

So given these record levels of performance during the year, we've taken a more qualitative assessment of Network Rail's performance.

So really looking at the different analysis and plans it has in place and focussing on how it will try and retain some of the performance improvements that we've seen during the pandemic.

So over the year, we've seen greater evidence of Network Rail engaging very closely with the stakeholders, in particular train and freight operators.

And we've seen this come through in our review of performance strategies.

So we've seen greater collaboration between our and its stakeholders and also the quality of performance strategies improving.

And also, as John mentioned earlier, there's been an annual review of performance strategies as well, with members across the industry coming together to review performance strategies, looking at the strengths and weaknesses of the documents.

Alongside this, we've also seen specific industry wide activities to improve train service performance across the regions.

So looking at the different tools, policies, governance and sharing of industry best practice to try and support improved performance improvements and also through

the year Network Rail, in particular, the system operator has undertaken analysis to look at the relationship between network usage, capacity and performance.

So through this, we've seen analysis of station dwell times and also small scale timetable changes.

So, for example, in August of last year in Scotland, there were a series of 30 timetable changes looking at improving station dwell times and crew change times.

So as I mentioned, during the pandemic, we've had very high levels of performance and this has largely been due to a significant reduction in passenger numbers and services.

But as passenger numbers and services begin to increase, as we're starting to see there's a real risk that performance will decline, which early statistics are indicating.

So over this coming year, we want to see evidence from Network Rail that the activities and work that it is undertaking is actually starting to deliver performance improvements in the long term.

We also want to see evidence of Network Rail working closely with stakeholders and funders across the industry to do all it can to influence a high performing timetable.

So ensuring that it delivers a robust and resilient timetable and managing and mitigating risks where possible.

As part of this will also be looking at Network Rail's performance modelling.

With a changing environment due to the pandemic last year.

It's made it more, even more difficult to model performance in the future.

So as we see network usage stabilise, we'll be looking at Network Rail developing, stretching it realistic performance targets which we'll monitor their performance against.

Moving on to asset management.

So over the last year, asset performance has been very good.

We've seen a 13 percent reduction in service affecting failures across the network, and this is largely due to the fewer services on the network and less wear and tear of infrastructure.

Over the year, Network Rail also largely delivered its planned maintenance, engineering and enhancements work.

And this is despite the pandemic and the challenging conditions that has presented.

Also, delivery of asset renewals has been good or higher than expected in some regions, although in some cases specific asset categories.

And in some regions we have seen that some work has been moved to later in the control period, for example, signalling and telecoms.

While Network Rail remains confident on its ability to deliver these re-planned renewals.

We require further assurance, and later this year we'll be undertaking a focus review to look at Network Rail's delivery deliverability of this work.

So, as I mentioned, overall asset performance has been very good.

But through the year we have identified some areas of concern and this largely relates to Network Rail's knowledge and maintenance of assets.

There are three areas I wanted to touch on here.

So firstly, structures examinations.

So it's really important that Network Rail identifies and assesses its structure is following the right process.

So over the year and through our ongoing assurance activities, we identified that a large number of structures examinations remain incomplete across the network.

It varies across the regions, but there is a backlog in each region.

So over the coming year we'll be looking for Network Rail to provide visibility of a clear plan that shows how each region is addressing or making adequate progress in relation to the backlog.

This is an area that we're going to be closely monitoring and will also be commissioning jointly with Network Rail an independent reporter to look at the position across the regions in more detail.

Maintenance volumes data is another area.

So it's really important. The Network Rail has accurate data that allows it to manage its assets effectively, both now and in this control period.

And also as we move into the next control period in CP7.

Maintenance volumes data is an area that we highlighted in our 2019-20 Annual Assessment.

And while we have seen some improvements from Network Rail so for example, the introduction of a new quarterly reporting template and improved data validation checks at data entry, there's still more that needs to be done over this coming year to improve the reporting and capture of data.

And the last area I wanted to mention was drainage asset knowledge.

So, again, it's very important that Network Rail that identifies and maintains its assets, in particular its drainage assets.

And the recent events at Carmont which Ian touched on as well, really highlights the importance of drainage assets.

So each region, is currently in the process of undertaking surveys to locate, inspect and assess all of its drainage assets.

And we'll be holding each region to account to deliver this within this control period.

Again, it's a very important activity that needs to be conducted in this control period and will also feed into activities for the next control period in CP7.

So talking about safety now.

So I think the key messages that come through in our annual report also came through in the Chief Inspector's annual report that Ian spoke about.

So I wouldn't touch on it too much now.

But I think just our report highlights the importance of mitigating the impact of climate change and extreme weather and ensuring the infrastructure is resilient.

And also there needs to be continued focus on workforce safety.

So ensuring that there is continued improvements in the way the work is planned and delivered across the network.

And lastly, moving on to finance and efficiency.

So during the pandemic, as I said, there's been changes in passenger demand and services and this in turn has led to a significant decline in industry revenues.

It's put more emphasis on Network Rail working with individuals across the industry, including stakeholders and funders to try and attract passengers back and increase revenue.

This is also highlighted the importance of Network Rail ensuring that its efficient in its operations.

So in terms of Network Rail's efficiencies over the last year, Network Rail delivered £710 million pounds' efficiency savings against a target of £570 million.

All regions met or exceeded their targets through a range of national, regional and local activities.

We've also seen progress across four regions Eastern, Southern, North West and Central, and Wales and Western in terms of their preparedness to deliver future efficiencies.

So focus on focussing on improvements in planning and assurance processes to deliver future efficiencies.

However, we still do have concerns over Scotland's readiness to deliver its efficiencies.

We've highlighted these concerns and stepped up our monitoring of this area.

We've currently seen a response already in terms of Scotland producing a new reporting template to help address our concerns.

So overall, we've seen good progress that Network Rail has made so far in terms of its efficiency savings and it's on track to deliver the £3.5 billion of efficiency savings that we committed to at the start of the control period.

And alongside this Network Rail has also committed to an additional £500 million pounds of efficiency savings during the control period.

So while we have seen good progress, there are still risks that remain in this control period, particularly as the efficiency challenge increases as we move to the later years of this control period.

This is an area that we will be closely monitoring and as part of this will also be looking at our wider leading indicators to look at Network Rail's delivery of future efficiencies.

So, as I mentioned, that the pandemic has impacted all areas of Network Rail's business.

And as part of this is also increased costs and disruption.

At the start of this control period, we allocated Network Rail a risk fund.

So a pot of money to use as a provision for any unforeseen risks or challenges that arise during the control period.

And the pandemic is one of those circumstances.

So as a result of using the risk fund for the pandemic, risk funds are now lower than may be necessary to meet future financial risks.

The position does vary across the regions but the position in Scotland is the most challenging.

Over the coming year, we'll be seeking some assurance from Network Rail and how it will manage this and any future financial risks that may materialise.

Again, this is an area that we will be closely monitoring.

And lastly, just to conclude my presentation, I just wanted to give a quick summary of the key messages from this year's report.

So over the last year, a trade performance has been very high, and that's largely due to fewer passengers and services across the network.

And over the coming year, Network Rail needs to work across the industry to ensure that it can deliver performance improvements in the long term and work to influence a high performing timetable.

Over last year, in terms of asset management Network Rail has largely delivered its planned maintenance, enhancements and engineering work often in difficult conditions.

And there are areas that we have of concern which Network Rail needs to focus on over the coming year in terms of safety, as mentioned in the Chief Inspectors annual report as well, there needs to be a continued focus on mitigating the impacts of extreme weather and climate change.



Ensuring infrastructure is resilient.

There also needs to be a continued focus on workforce safety.

So ensuring that we embed better ways of planning and delivering work across the network and lastly, in terms of finance and efficiencies. Network Rail is on track to meet its efficiencies for this control period but there are still financial risks that remain and that Network Rail needs to manage carefully.

That concludes my overview of the messages from this year's Annual Assessment.

Thank you very much for listening. And I'll hand back over to John.



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