



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Rural Economy and Connectivity Committee

**Wednesday 14 June 2017**

**Session 5**



The Scottish Parliament  
Pàrlamaid na h-Alba



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**Wednesday 14 June 2017**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>RAIL SERVICES.....</b>	<b>2</b>

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**RURAL ECONOMY AND CONNECTIVITY COMMITTEE**  
**20<sup>th</sup> Meeting 2017, Session 5**

**CONVENER**

\*Edward Mountain (Highlands and Islands) (Con)

**DEPUTY CONVENER**

Gail Ross (Caithness, Sutherland and Ross) (SNP)

**COMMITTEE MEMBERS**

\*Peter Chapman (North East Scotland) (Con)

\*John Finnie (Highlands and Islands) (Green)

Rhoda Grant (Highlands and Islands) (Lab)

\*Jamie Greene (West Scotland) (Con)

\*Richard Lyle (Uddingston and Bellshill) (SNP)

\*Fulton MacGregor (Coatbridge and Chryston) (SNP)

\*John Mason (Glasgow Shettleston) (SNP)

\*Mike Rumbles (North East Scotland) (LD)

\*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Mark Carne (Network Rail)

David Dickson (ScotRail Alliance)

Alex Hynes (ScotRail Alliance)

**CLERK TO THE COMMITTEE**

Steve Farrell

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



## Scottish Parliament

### Rural Economy and Connectivity Committee

Wednesday 14 June 2017

*[The Convener opened the meeting at 10:00]*

### Decision on Taking Business in Private

**The Convener (Edward Mountain):** Good morning, everyone. Welcome to the 20th meeting in 2017 of the Rural Economy and Connectivity Committee. I remind everyone to ensure that their phones are on silent. We have received apologies from Gail Ross and Rhoda Grant.

Agenda item 1 is to consider whether to take in private item 3, which is the committee's approach to scrutiny of the Islands (Scotland) Bill. Is the committee content to take item 3 in private?

**Members** *indicated agreement.*

## Rail Services

10:00

**The Convener:** Item 2 is an update from the ScotRail Alliance and Network Rail on rail services and the rail network in Scotland. I welcome Mark Carne, who is the chief executive of Network Rail, Alex Hynes, who is the new managing director of the ScotRail Alliance, and David Dickson, who is the infrastructure director of the ScotRail Alliance.

We last heard from the ScotRail Alliance on 18 January, when Mr Hynes's predecessor, Phil Verster, updated the committee on a number of rail projects and improvements. I invite Mark Carne to make a short opening statement, followed by Alex Hynes.

**Mark Carne (Network Rail):** Thank you, convener. Good morning, everyone. It is a great pleasure for me, as the chief executive of Network Rail, to be here. I am here for three main reasons: to talk about the ScotRail Alliance and pass on my observations on that groundbreaking partnership two years in; to introduce Alex Hynes, the new ScotRail Alliance managing director, who joined us fewer than two weeks ago to continue Phil Verster's excellent work leading on the formation of the alliance and helping with its initial creation; and to talk to the committee about the exciting plans for upgrading Scotland's railway. In the next couple of years, we will add 20 per cent more capacity and 100,000 more seats, which will transform Scotland's railway for our passengers.

I fundamentally believe that railways are best run when track and train work closely together, with the alignment of objectives, and of incentives, based on delighting passengers. Therefore, in Network Rail, we have driven devolution to local businesses which, in turn, work as closely as possible with train operators. That is why I have devolved decision making for Scotland's railway to the team that is based here in Scotland.

The devolution in Network Rail is leading to different forms of alliance—formal and informal—in different parts of the country, which is driving innovation and faster decision making. The ScotRail Alliance makes Scotland more ambitious and integrated than any other rail region. No other region has one person, as Alex Hynes is, who is personally accountable for the total performance of the whole railway.

The situation is helped in Scotland by our having a separate regulatory settlement for the railway infrastructure, and its own funding: operational targets and all investment priorities are set by the Scottish Government. Given that, I am in no doubt that we are accountable to the Scottish people for the success of their railway. The fact

that Alex Hynes, David Dickson and I are here today is an important part of that accountability.

I firmly believe that the ScotRail Alliance is the right model for Scotland. It allows us to deliver one of the biggest upgrades of the railway since Victorian times, while delivering improving performance every single day on a railway that has never been so busy.

In the rest of Britain, there is huge interest in the ScotRail Alliance—every part of the country is keen to learn from what is happening. Scotland is leading the way in improving collaboration and focusing on passengers.

I mentioned that we are delivering the biggest railway upgrade for generations. Network Rail has a fine track record of project delivery in Scotland over the past 10 years. We are improving your railways and building new ones that reconnect communities to each other and to jobs, housing and, thus, economic growth.

The new Borders railway was delivered on time and within budget, and we have had other notable successes, including the Airdrie to Bathgate rail link, the Glasgow to Kilmarnock route upgrade, the Paisley corridor route upgrade, the Paisley canal line electrification and many others. Those projects really matter. The upgrades that we are delivering and the new trains that they will enable will mean an increase of 100,000 seats every weekday by 2019. It represents a transformation of the railway.

One particularly challenging project has been—and still is—the massive Edinburgh to Glasgow improvement programme—EGIP. As the committee knows, it is far more than just an electrification programme; it is a comprehensive route upgrade. Although there have been significant successes in the project, including the groundbreaking work on the Queen Street tunnel and the Winchburgh tunnel, we have also faced significant challenges. However, I can assure the committee that the team here is working absolutely flat out and, as we sit here today, I can confirm that, as the Minister for Transport and the Islands said in his letter to the committee yesterday, we are on track to deliver what really matters to passengers, which is a railway that is able to deliver the improved December 2017 timetable, with full electrification and the introduction of the exciting new longer class 385 trains.

The railway is a highly complicated engineering marvel with an extraordinarily proud history. As engineers, railway people can get absorbed in the technical detail—we love it. However, I always remember that we exist for one reason, which is to improve the quality of life of the people who depend on us, because better railways drive

economic growth by creating jobs, housing and opportunities.

Last year, we enabled 96 million customer journeys to take place—the highest number ever—and we are set to increase that figure to 125 million by 2025. The railways are the economic arteries of Scotland's economy and bring people closer to new opportunities across the country, and we never forget whom we are ultimately accountable to.

**The Convener:** Thank you.

**Alex Hynes (ScotRail Alliance):** Good morning, everybody. I am delighted to introduce myself to the committee as the new managing director of the ScotRail Alliance. As Mark Carne said, the alliance is a unique and industry-leading partnership between Abellio ScotRail and Network Rail Scotland.

After nearly 20 years in the United Kingdom rail industry, I could not resist the opportunity to lead this Scotland-focused alliance at such an exciting time. I am in only day 10 in the job, but I am committed to continuing the practice of regularly appearing in front of the committee to update you on progress and to address any issues of moment.

As well as being a daily ScotRail commuter, I have been lucky enough to undertake lots of mystery shopping in advance of my start, and I have seen much, but not all, of our great network. We are all rightly proud of Scotland's railway already, which is a great credit to the people who work so hard on it. However, we know that it can—and will—be better.

My first priority is to review the performance of the ScotRail Alliance—to look at what is working, what is not working, and what needs to change—with the overriding objective of delivering for the customers of Scotland's railway: the fare-paying passengers, the taxpayers, the train operating companies and, of course, the freight operating companies and their customers.

We know that 2016 was sometimes a difficult year, so it is a key and urgent task to continue to improve performance and restore customers' trust in our service. Operating a safe, environmentally friendly, punctual and efficient service that delights customers through its great people, is business as usual for all railway companies. However, we are also delivering the Scottish Government's vision with a multibillion pound investment programme for Scotland's railway. It is not always an easy or elegant task to upgrade old infrastructure, often overnight, while delivering the essential daily service to customers, but it will be worth it.

Our objective is simple. We are going to give Scotland the best railway that it has ever had. We are going to deliver faster journeys, brand new

trains, more seats and more services. We are going to recreate a proper high-speed intercity network in Scotland that connects the seven great cities of our country. We will deliver fantastic stations, smart ticketing and outstanding customer service, thereby helping to drive the prosperity and quality of life of those of us who choose to live and work in Scotland. We will also provide improved services for tourists who visit Scotland.

That is a big and important mission, and I look forward to working with the committee to deliver it.

**The Convener:** We will now drill down into some of the areas that are concerning the committee.

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** I start with my usual declarations: I am honorary president of the Scottish Association for Public Transport, and I am one of a large number of honorary vice-presidents of Railfuture UK. I have no executive position in either of those bodies, although I do get consulted about some of the things that they say.

I have just had a look at the numbers. Two minutes ago, the public performance measure for Scotland was 95 per cent; it is a pretty good day on the Great Britain network, it is fair to say. There have been significant improvements in the PPM for Scotland, although the annual figure is still carrying the overhang of a period of pretty poor performance.

Mr Carne, you specifically said that you have a fine track record of delivery over the past 10 years. We might take the view that it is a wee bit patchy than that. The Stirling-Alloa-Kincardine line came in at more than twice the budget. On the other hand, the small Paisley Canal project came in at under half the original budget. There is good news and bad news.

On today's news about EGIP, you have confirmed that we are going to be ready in December 2017. I think you would acknowledge, however, that the plan is now very tight, with no margin for further problems.

Before I complete the set of questions that I wish to ask, I want to understand what, technically, has been causing the problems on EGIP. Perhaps you would like to explain that—in layman's terms, obviously, although I am a member of the Institution of Engineering and Technology, so you can be a wee bit technical.

**The Convener:** But not too technical for me, please. Do you want to lead off on that, Mark, or do you want to start, Alex?

**Mark Carne:** In fact, I think that David Dickson will be able to furnish the committee with the details, but I will start at the higher level.

We do have a strong track record of delivery. Much has changed over the past few years in how Network Rail is structured and formed as a body, given the reclassification, and that has had a profound impact not just on Network Rail but on the regulatory and funding structure in the country as a whole. The first couple of years of this control period were very traumatic, particularly in England and Wales, and we had some major problems with bigger projects.

**Stewart Stevenson:** We are keeping an eye on what is happening on the great western railway.

**Mark Carne:** Indeed.

**Stewart Stevenson:** We have a vital interest in getting the rolling stock off there to augment our railway network.

**Mark Carne:** My point is that the first two years of this control period were very challenging, as we readjusted to the new set of circumstances as a reclassified body with no increase in debt limit and so on.

I am proud to say that, since resetting the great western programme in particular, we have hit every milestone. I was proud to be in Paddington yesterday, when the first intercity express programme—IEP—train came into the refurbished station with Her Majesty the Queen on board. We are now delivering across the board, and we have an improving track record.

Projects face challenges, but we are here to recognise and address those challenges. I am not happy with the way that the electrification part of the EGIP project has run. We have been drilling into it in some depth to turn it around and improve it, and I am encouraged by the progress that the team here in Scotland is making to turn it around.

I am sure that David Dickson can give examples of the things that are now happening that give us confidence that we will hit the December date.

10:15

**Stewart Stevenson:** Can I first hear about what the current problem is?

**David Dickson (ScotRail Alliance):** Since we were last before the committee, the completion date has gone back. We have experienced a number of issues during that time. You will be aware that a particular component has caused problems—

**Stewart Stevenson:** What is the component? I do not think that we know.

**David Dickson:** It is a connector for the electrical wires; in effect, it attaches them to the structure. The connectors have been installed for some time and were beginning to slip and fail.

That introduced a potential safety risk, which is of great concern to us.

**Stewart Stevenson:** Do forgive me—why is that happening? I understand that the kit is not new and is used elsewhere on the network. What is causing that to happen here? Who carries the can for that?

**David Dickson:** As far as we understand it, the specific piece of kit that we are talking about is used only on EGIP; it has not been used elsewhere. The issue is under investigation—components have gone off to be independently tested to find the exact cause, and we await the outcome. The important point is that we did not want to wait for that outcome, and the decision was made that we needed to change them. That is what we are doing.

**Stewart Stevenson:** How many of the components in question are there?

**David Dickson:** There are about 300 of them. We have built taking them out into the programme. We could not wait.

**Stewart Stevenson:** How long does it take to replace each one?

**David Dickson:** A team can do it in a shift. That does not sound like a lot, but the difficulty with working on night shifts, with the amount of work that is going on, is that we are down to an access time of one hour for work in some areas.

**Stewart Stevenson:** Are there 300 shifts between now and October?

**David Dickson:** Yes. Typically, we had about 43 gangs working overnight across the Edinburgh to Glasgow upgrade. We have upped that number to about 53. The figure will average out at just under 50 gangs an evening, taking into account leave and other reasons why some gangs cannot go out. We have built the replacement into the ongoing works instead of having a specific programme to change the component.

**Stewart Stevenson:** I return to my question about how long it would take. You said that you could replace one connector a shift. Is that one per gang per shift?

**David Dickson:** Yes.

**Stewart Stevenson:** So you can replace 53 connectors per shift.

**David Dickson:** No; it depends where people are working. To be efficient in changing the connectors, we wanted to build it into the remaining work instead of having a specific programme to replace them, which would be inefficient for us.

**Stewart Stevenson:** What does the one per shift mean?

**David Dickson:** It means that, in the past couple of weeks, we have changed about 90 of the 300 connectors.

**Stewart Stevenson:** Is that 90 in three weeks?

**David Dickson:** In less than two weeks.

**Stewart Stevenson:** Is that a reasonable template for how you might replace the remaining 210?

**David Dickson:** Yes, it is; the components are not universal throughout. There are different types of connectors and it depends where they are.

**Stewart Stevenson:** So we are not talking about the failure of a single type of connector.

**David Dickson:** Yes, we are, but there is more than one type of connector on the Edinburgh to Glasgow upgrade. The replacements are built into the programme and we have no concerns about getting them completed within the programme.

**Stewart Stevenson:** I am sorry—just to be clear, you said that there is more than one type, but that they are the same. Which is it?

**David Dickson:** There is more than one type of connector on the entire Edinburgh to Glasgow route. We are changing out only one type, and that is built into the programme. We are not concerned about our productivity when it comes to changing them out, because that is built into the broader programme of remaining works.

**Stewart Stevenson:** Okay. Who is going to pay?

**David Dickson:** That will be subject to what the cause is. At this point, we are not entirely sure what the cause is; it could be installation, the component or issues with the wire. That is why it is important that we understand what the issue is from the testing. However, as I said, we have not waited for that outcome. The important thing is that we have just got on with it.

**Stewart Stevenson:** Where does the risk stop? In other words, does that risk get transferred to the Scottish Government budget, or will Network Rail carry it? I understand that you will have arguments with your suppliers and contractors, but where does the money firewall come in?

**David Dickson:** It will depend on the outcome. It could end up as an insurance-type arrangement.

**Stewart Stevenson:** So depending on what you find to be the cause of the engineering problem, it might or might not be the Government that picks up the tab. Why is that?



**David Dickson:** It would depend on the nature of how it comes out and whether we end up having to pay to renew those components. At this stage, it is hard for me to say who would be liable.

**Stewart Stevenson:** Are you saying that even though the Government had no role in specifying the failing component, in how it would be installed or in hiring the people who were contracted to do it, you are expecting the Government to pay the bill, under some circumstances that you are not prepared to exclude?

**David Dickson:** Ultimately, Network Rail is funded via Government and if it ended up that Network Rail was liable, ultimately the Government would pay. However, if we found other culpability, the outcome would depend on what that was.

**Stewart Stevenson:** But the ownership of Network Rail is in the hands of the UK Government. I am being deliberately parochial. Why should we pick up the tab for something that is entirely your failing or that of your contractor?

**David Dickson:** That is the funding mechanism under which we operate.

**Stewart Stevenson:** Mr Carne, do you think that that is a satisfactory way for the funding to operate?

**Mark Carne:** The structure of Network Rail is a decision for the Government and not a decision for us. We operate within the framework that is set by the Government. Clearly, we will establish the cause of the failure, and if the cause is the result of failures elsewhere, we will ensure that the liabilities are shifted to those other bodies.

Projects always have a range of possible outcomes. When you decide to procure a project and enter into it, you know that there are a range of potential outcomes associated with that project. That is the risk that you choose to take as funders when you choose to buy a project—you know that you will not get a precise number because a range of outcomes are possible, given that there is inevitable risk associated with the project. As the delivery agent for you, our job is to try to manage those risks as well as we can, using all the skills available to us across the industry, and that is what we are doing.

**Stewart Stevenson:** I will move on to other related matters. Before I do so, I make the observation that I spent three years lecturing postgraduates on project management, so I am watching with interest.

**The Convener:** I am delighted for you to move on as long as we stay on EGIP, because there are other members who want to come in on that.

**Stewart Stevenson:** I would be quite content if other members wanted to pursue the question of passenger interests, which is what I was going on to do.

**The Convener:** Please continue on EGIP and then I will bring in other members.

**Stewart Stevenson:** Mr Carne, we have heard you say that we will still be going in December, on schedule. Of course, that depends on ScotRail—the other half of the alliance—doing certain things. Perhaps Mr Hynes—new in post as he may be—can tell us whether that is possible, given the shortened timetable for training and so on.

**Alex Hynes:** You need only three things to operate a train service and a timetable, which, essentially, is our product: some track, some trains and some crew. One of my key priorities between now and the autumn is to ensure that the infrastructure project, the new trains project and the manpower planning in the train operating company come together to deliver a timetable for customers in December. It is not just the infrastructure that needs to be in place—the trains are also on the critical path.

Despite delays to the infrastructure, we think that we can compress some of the driver training programmes, which means that we can still hit the timetable introduction dates. The fact that we have integrated management is one of the benefits of the alliance, and it means that that will receive weekly focus between now and us introducing the electric service with brand new trains. It is probably my top priority in the job.

**Stewart Stevenson:** Let me conclude my questions by moving on to the Shotts electrification and the Stirling-Dunblane-Alloa electrification. Until the Stirling-Dunblane-Alloa electrification is complete, we cannot speed up the services between Edinburgh and Glasgow to the extent that we wish, so it is important for passengers and the overall success of the project. How are we placed on that part of the upgrade?

**Alex Hynes:** We still intend to deliver some journey time benefit for this December. The headline figure of 42 minutes between Edinburgh and Glasgow requires the other elements of the electrification to be delivered to enable us to retimetable the route. We are working with the project team to ensure that the right elements of the Stirling-Dunblane-Alloa programme are delivered, so that we can deliver the journey time benefit on the Edinburgh to Glasgow route. I remind members that that will be a 42-minute journey time on brand new trains that are eight cars long. It will transform the customer experience, and we are working to deliver that as best we can.

**Stewart Stevenson:** Are the issues that have been causing difficulty, particularly in the Stirling area, now resolved?

**Alex Hynes:** The production rates that we are seeing on the Stirling-Dunblane-Alloa electrification already far exceed those that we have delivered on EGIP, because we have learned the lessons from EGIP and are already applying them in real time to the next phases of the electrification programme.

**Jamie Greene (West Scotland) (Con):** Good morning, panel. My questions on EGIP are geared towards Network Rail. I can keep them short and sweet, but you might want to take a note of them as I run through them.

Yesterday, the Minister for Transport and the Islands said in Parliament:

"it is wholly unacceptable that Network Rail continues to say to me that it is unable to deliver the project despite our having provided the funding as the client".—[*Official Report*, 13 June 2017; c 9.]

Does Network Rail have any comment to make on the minister's words?

That is my first question. My second is—

**The Convener:** Let us deal with that point first. Mark Carne, do you want to lead on that?

**Mark Carne:** I agree with the minister. It is most regrettable that we are having those challenges and difficulties in the delivery of the project. However, I am pleased that we are in an alliance here in Scotland and that we are working collaboratively and collectively with our train operating partners to ensure, as best we possibly can, that we still achieve the benefits for passengers, which is what the project is really all about. There are some interim milestones along the way, which are moving, and that is regrettable, because some additional cost and difficulty will be incurred as a result, but we are sticking to our guns to deliver the December 2017 timetable change.

**Alex Hynes:** Sometimes projects do not work out as planned and we take corrective action to ensure that we still deliver the project outcomes, and that is what we are doing. Would we want to start from here? No. Are we fixing the problem? Yes.

**Jamie Greene:** For the benefit of the committee, given that we have witnesses from both Network Rail and the ScotRail Alliance here, does anyone know what the total cost of EGIP will be? I asked the transport minister yesterday and he was unable to tell me. I would like to think that we have the expertise around the table that will allow someone to flag up to the committee what on earth the total cost of the project is going to be.

**Mark Carne:** The issues that we face at the moment will clearly have a cost implication. It is a complicated programme with a number of different elements to it, including Queen Street station, which is an exciting development. We are constantly reviewing the costs, and some of those costs are commercially in dispute. We will inevitably have some debate with our contracting alliance partners about where those costs should fall, so there is some uncertainty about the total cost in that regard.

I do not want to give a number today. It would not be appropriate to give a precise number today, but when we have greater clarity on the overall programme and the Queen Street programme, it would be entirely appropriate for Alex Hynes to update the committee on the total cost picture.

**Jamie Greene:** Do you have a ballpark figure or a range?

**Mark Carne:** Yes, but, as I said, it would not be appropriate—partly because of the commercial complexities—to declare it at this point.

**Jamie Greene:** On a scale of one to 10, how confident are you that we will have electric trains on the Glasgow to Edinburgh line in October? Pardon me—I meant December.

10:30

**Mark Carne:** We will actually have electric trains in October as well. We are confident about that. However, all projects have risk associated with them. Am I 90 per cent confident? We are very confident, but it is not a cast-iron guarantee, and I do not think that you would expect that, because events might occur that we will then need to manage. However, we have a plan. Last night, I spoke to the chief executive of the major contractor on the project, and I am really encouraged by the difference in approach that we now have. One thing that I certainly find unacceptable—I am sure that you find it unacceptable, too—is that some of the problems that we identified on the project came very late, at the last minute, really. That suggested that some of our project management controls in the alliance were not as strong as they needed to be. When I spoke to the chief executive of the major contractor last night, I was very encouraged because our controls are clearly a lot stronger and we now really understand what it takes to deliver the programme. The improvement in resourcing that we have made is having an impact. Therefore, I feel an awful lot more confident about the programme today than I did a month ago.

**The Convener:** David Dickson wants to come in, but there are other questions on this issue. I will bring in John Finnie to build on that point.

**John Finnie (Highlands and Islands) (Green):**

Thank you, convener—I will be brief. My question is for Mr Hynes, who mentioned training. Clearly, there is a pivotal role for staff. In my opinion, your predecessor had a somewhat combative style with the trade unions. Can you assure me that you are fully engaged with the unions? At the end of the day, the staff are the people who will deliver the new service for the public.

**Alex Hynes:** I am absolutely passionate about workforce involvement. I believe that, if you want to create a great company, you have to involve your staff in the running of it, which is something that I did a lot of in my previous role. Clearly, our people have representatives, so working in partnership with the recognised trade unions is also very important. I will therefore be sitting down with the trade unions every six months to explain the business plan, what we are doing and why we are doing it. I have already spoken to one of the full-time trade union officers, and I have meetings in my diary with the full-time officers of all four trade unions. Working in partnership on change and improvement is absolutely critical, because our front-line workforce—the drivers, guards, maintainers and station staff—are the face of our railway. They deliver the daily service to customers, and it is important that they feel listened to and engaged and that we act on their feedback. I am absolutely passionate about that.

**John Finnie:** Thank you. That is very reassuring.

**Mike Rumbles (North East Scotland) (LD):** I want to follow up on Jamie Greene's question about the funding of the project. Yesterday in the chamber, Humza Yousaf, the transport minister, said in answer to Jamie Greene:

"We have a funding ceiling within which we must work, and I do not expect it to be breached."

We do not know what the funding ceiling is—I understand the issues of commercial confidentiality—but the minister does not "expect" it to be breached. In answer to Jamie's question, the minister said that

"the responsibility for delivery of the project is Network Rail's"

and that the Scottish Government is

"the client and the funder."—[*Official Report*, 13 June 2017; c 8.]

If the ceiling is breached, who pays? Will you just go back to the Scottish taxpayer to say, "We need more money"?

**Mark Carne:** I want to contrast what is happening in England and Wales with what is happening in Scotland, because the circumstances are very different. I am pleased to say that, here in Scotland, we are in a much

healthier position. We have a commitment to deliver a portfolio of projects over a five-year period, and the Government provides a funding envelope to deliver that portfolio of projects. The minister was saying that, despite the challenges that we have with the project, overall, we will still be within the funding limit. We have a buffer, if you like, that allows us to manage the portfolio appropriately.

That contrasts starkly with the situation in which we found ourselves in England and Wales, where the scale of the ambition in the portfolio and the immaturity of the projects in terms of their scope, definition and specification meant that, as they matured, the costs became much higher and significantly more than the loan agreement ceiling. That led to a decision by the UK Government not to provide more funds, so the Government had to make decisions about which programmes to prioritise in order to ensure that it could live within the available means, which led to the high-profile decisions a couple of years ago on the shifting of programmes out of the current control period.

I am pleased to say that, since then, we are living within the loan limit in England and Wales as well, but it is a constant challenge. It is much tougher than it is in Scotland because the buffer is smaller and it is an even bigger programme of work.

**Mike Rumbles:** Are you saying that you are confident that, with the portfolio that you have, you will not need to go back to the Scottish taxpayer for more money?

**Mark Carne:** Absolutely. I am confident of that. We have a really good handle on the portfolio projects now and have already delivered some really big successes in the current control period. Yes, we have some difficulties here and there. We are all cross about why we are in the situation that we are in and we need to address it, which we will do. However, we will live within the overall funding limit.

**The Convener:** Last year, Phil Verster indicated that there were some problems in project management. Decisions should have been taken earlier and were not taken in time to allow projects to develop, which held everything up. You indicated to us that the project management is more robust, as did Alex Hynes. Do the contractors know what they are doing and can they get instant responses? If we are not in that position, they will presumably come back to you and tell you that you failed to make a decision on time and that, therefore, they want more money. Perhaps David Dickson can clarify that.

**David Dickson:** We talked earlier about lessons being learned. There is a difference between the project management, monitoring and decision

making for EGIP and for the SDA line. The overall governance of the enhancement programme has moved on significantly. Since the EY report was done, we have put a different structure in place. There is a project level of governance, which would be EGIP electrification, the SDA line and so on. That then builds up into programme boards—so there is an electrification programme board and a Highland enhancements programme board—which feed up to an overall portfolio.

The clarity that runs through everything is much greater than it was previously, right up from the contractors through Network Rail and ScotRail to Transport Scotland as the funder, which is involved in all of those forums as well. At a project level, there is far better control of systems and how we are operating. There is now a maturity in the alliances that have been set up. We had too many systems running around, so we did not have clarity across everything that was being monitored and delivered. Network Rail has taken complete control of the SDA line. That means that there is single reporting and single tracking. Many of the issues from which we suffered a bit earlier on in the EGIP programme have been fixed. The greater clarity allows people to make the decisions that they need to make at an earlier stage to ensure that we can address issues more flexibly.

A lot has been learned from some of the mistakes that we made earlier in the EGIP project and those lessons have been acted on, to the benefit of other projects. If you look at the programme, you will find that we are working to programme on the SDA line and the Shotts line, for instance. Many lessons have been learned and the outcome is that we are now delivering to programme.

**The Convener:** As I understand it, the project governance was poor to start with—

**David Dickson:** It was not good enough.

**The Convener:** What percentage of the overrun of time and cost would you put down to the project governance at the start of the project? Can you give a ballpark figure?

**David Dickson:** It is hard to put a figure on that.

**The Convener:** Would it be a good proportion?

**David Dickson:** It would be a proportion. That was important because of what it fed into. If we do not have enough visibility, we cannot take the actions to address things. For instance, at a high level, things would have looked okay with the Edinburgh to Glasgow project, as certain delivery rates were fine. What we could not identify was that a lot of the easier stuff was being knocked off, which kept rates up. We could not see below that to a better level of detail in order to realise that, in terms of production, we were actually behind

where we needed to be, so decisions were not made to address that.

As you can see, we now have higher numbers of gangs than we had before. We did not have enough visibility early on to see that we were dropping back. It is hard to say specifically, by percentage—

**The Convener:** But it would be a good proportion.

**David Dickson:** Yes.

**Richard Lyle (Uddingston and Bellshill) (SNP):** Two reviews were published on 25 November 2015. My questions are on the Bowe review. Dame Colette Bowe argued that the Government needed to clarify the “organisational responsibilities” of the Department for Transport, Network Rail and the Office of Rail and Road; ensure

“significantly more robust programme governance”;

incorporate

“the views and needs of end users”;

and put much more

“focus on deliverability, including the implications ... for the supply chain”.

What impact, if any, have the recommendations in the Bowe report had on Network Rail operations in Scotland?

**The Convener:** That sounds like a question for you, Mark.

**Mark Carne:** Absolutely. The Bowe review was really important. When we were reclassified as a Government body and the funding mechanism for Network Rail changed, the industry was caught out, in a sense. The Bowe review concentrated on England and Wales, but the lessons apply just as much to Scotland. Essentially, the industry was caught out with a huge portfolio of projects, mainly in England and Wales, that were immature and poorly thought through, because it relied on a regulatory structure that allowed Network Rail to manage the risk by borrowing more money off the Government balance sheet. Once that avenue of risk management was closed off, the immaturity of those projects was suddenly exposed.

Basically, the Bowe review said—this is a lesson that many major infrastructure industries learn—that it is necessary to spend more time specifying exactly what is needed up front, thinking through the scope and doing the up-front design, and then defining the contracting structure, making sure that the right cost estimates and so on are in place, and only at that point making the final investment decision to proceed with the project. That is just good practice, and it is exactly the way that capital-intensive industries ought to

operate. We have fundamentally changed the way that we work—not just within Network Rail, but within the regulator, the department and here in Scotland—so that we put an awful lot more effort into the up-front design and scope definition before we make promises to passengers.

However, I also ask politicians to play their part, because politicians who give indications to the travelling public about the cost of projects at a time when the projects are very immature in their formulation can raise expectations unfairly. We all need to work more closely to understand the uncertainties that are associated with projects and to come together and make investment decisions at the right moment when we are confident about how and when they can be delivered.

**Richard Lyle:** I would be very surprised if any politician admitted that they were immature, but—

**Mark Carne:** Not the politicians—the cost estimates.

**Richard Lyle:** I am quite impressed by the word that you are using: “immature”. So, basically, prior to this, the contracts were not really being thought out.

10:45

**Mark Carne:** No, that is not it. I could take a number of examples from around the country of the way that it used to work. At the beginning of a five-year control period, funders would say, “I want these projects,” and we would say, “Okay, we think that they will cost roughly this, but we don’t know exactly how much.”

**Richard Lyle:** Take the first number that you think of and double it.

**Mark Carne:** The Aberdeen to Inverness project is a good case in point. At the earliest stages of the control period, we thought that it would cost £171 million, but there was no real definition of exactly what the project would involve. Now that we have done the work and understand exactly what will be needed, we are in a much better position to give a detailed cost estimate, which is higher than £171 million.

The right way to approach it is to do the work, allow funders to make the choice about whether they want to buy the product and, if they want to buy it, deliver it with confidence. We have a very good track record of delivering at the cost that we have defined once we have reached a level of definition about what a project involves.

**Richard Lyle:** So you are no longer immature.

**Mark Carne:** If you look at our portfolio as a whole, the cost of delivering it relative to the costs that we estimated at a final investment decision point is within 2 per cent—it is very close. It is a bit

like saying to somebody, “I would like you to build me a four-bedroom house. What is the price?” and later saying, “I want it in the centre of Edinburgh,” or, “I want it in the Highlands.” The price changes as the specification is defined. You cannot create a lump-sum price until enough work has been done.

**Richard Lyle:** I am getting something done in my house next week. The chap came in, he showed me a plan of what he will do and he gave me a cost. Actually, I beat him down by a few quid, because I had a particular figure in my head. I worked for a bank for 10 years and you have to negotiate. You decide a price and you do not pay it until the work has been delivered to the quality and specification that you agreed.

**Mark Carne:** Exactly.

**Richard Lyle:** I now know that that is the route that you are going down. Thank you very much.

**John Finnie:** I want to ask Mr Carne about another review. What are the implications of the Hendy review for Network Rail operations in Scotland?

**Mark Carne:** The first thing to say is that the Hendy review did not cover Scotland. As I said earlier, Network Rail’s major funding problems occurred in the England and Wales portfolio. In Scotland, we knew that we were within our loan agreement so we did not have to make significant changes to the portfolio. In England and Wales, we did not have enough money to deliver all the programmes that the Government wanted, so decisions had to be taken with Government about which programmes to shift.

However, just as with the Bowe review, the Hendy review shone a light on many project practices in the industry as a whole, and we have learnt a lot and delivered a lot of improvements. We initiated an enhancement improvement plan to ensure that we would deliver enhancements better. Those lessons have been applied in Scotland and I am confident that, as a result of the improvements, our ability as an organisation to deliver major programmes is better now than it has ever been. There is still more to do, but we are in better shape because of it.

**John Finnie:** That leads on to a further question. There was a suggestion of a requirement to sell £1.8 billion of non-core assets, including property, spare capacity in your telecoms system, and depots, which went in line with an increase in your borrowing limit. Does Network Rail have any plans to dispose of assets in Scotland?

**Mark Carne:** We would need to agree that with the Scottish Government and the regulator and I am not aware of any specific plans to do that. It is

a separate conversation that we have not yet had. The £1.8 billion in property sales was to help to bridge the gap in the England and Wales portfolio. That was the focus of our efforts. In the very early days, I think that we looked at our overall property portfolio and we probably considered some asset sales within the Scottish portfolio, but I do not think that that is the case now.

**John Finnie:** Okay, but I was going to ask about the potential implications of the disposal of assets for any future rail enhancements. Indeed, I asked a parliamentary question about that fairly recently. What liaison would Network Rail carry out in Scotland on that, particularly with local authorities? I know that we have talked a lot about passengers, but moving goods from road to rail could be inhibited if there is not the potential to maintain some of the lines and expand them.

**Mark Carne:** Thank you—that is a really important point and I would like to address it on a couple of fronts. First, clearly we cannot just sell assets that could have a long-term future in the railway. There are regulatory constraints and we have to consult with the industry and the regulator to get agreement to sell those assets. We have to prove that there is no long-term alternative use for them within the railway.

The last thing I want to do is sterilise the growth of the railway—it is quite the opposite. I want to grow the railway. Indeed, that is part of the reason why I want to sell some assets in our commercial estate, for example. We have a huge commercial estate of businesses in the railway arches, mostly made up of restaurants and coffee shops along with all sorts of different kinds of tenants. I want to sell such assets and reinvest the money in railway projects that will improve the passenger experience. Far from this strategy destroying the capability of the railway, it is enhancing the capability of the railway by recycling funds into better investments for the railway.

**John Finnie:** Do the receipts that are realised as a result of the disposals have a UK-wide implication or is it simply about England and Wales?

**Mark Carne:** The major conversations are about England and Wales. It is about how we address the funding gap within the England and Wales portfolio and the property sales are focused on the England and Wales portfolio.

**John Finnie:** Okay. Thank you very much indeed.

**Peter Chapman (North East Scotland) (Con):** Good morning, gentlemen. There seems to be a plethora of reviews and reports. We have heard about the Bowe review and the Hendy report but there is another one. Transport Scotland commissioned Ernst & Young to undertake a

review, which was called the “Commercial Assurance Review of the Rail Major Projects Portfolio”, which is a catchy title if ever I heard one.

Much of the review reports issues that we have heard about already. Cost estimates in the development stage have been unreliable and there has been inconsistent governance between Network Rail and Transport Scotland. I am particularly interested in one point, which is that Transport Scotland lacks the commercial leverage to reward or penalise Network Rail to drive performance. Those are just a few of the issues that were highlighted. How has the review influenced the delivery of the on-going Aberdeen to Inverness project and the Highland main line project in particular?

**Alex Hynes:** The first thing to note is that the EY report recommendations are being acted upon. In fact, yesterday I attended a meeting where Network Rail, the Alliance and Transport Scotland got together to review the portfolio of major rail projects. One of the items on the agenda was to look at where we are with implementing the recommendations.

As I have said, many of the recommendations have already been implemented and we are generating evidence that shows that they are working so I have confidence that future projects in the rest of the portfolio will go rather better than perhaps EGIP has, which is one reason why we are confident about remaining within our headroom.

**Peter Chapman:** That is a comfort. We have drilled down pretty severely into the management structure, and basically you are saying that procedures are now sufficiently robust to ensure that decision makers have access to accurate information during the scoping of projects, and that development and delivery will take place on time and to budget. You are telling us that you have processes in place and you are confident that we are going to get better at doing what we have not done quite so well in the past.

**David Dickson:** Things have improved massively. As I said in relation to the meeting that has been referred to, the governance process is much more open to all parties, so the visibility and ability to make decisions are much enhanced. That is a significant element of what came out of the EY report.

Going back to the point about it being too early in the process, other reviews are taking place. The ORR is looking at the electrification portfolio. It acknowledges that it looked at that too early, when it was at an undeveloped stage, so it is looking at it again. A few things tie in with the EY report and they are progressing quite significantly.

**The Convener:** We will move on to the next question, which is about yet another report.

**John Mason (Glasgow Shettleston) (SNP):** Another review—the Shaw review—came up with such stunning recommendations as to

“Place the needs of passengers and freight shippers at the heart of rail infrastructure management”.

I would have thought that that would be assumed. It also said that Network Rail should

“Focus on the customer”.

There is a good idea.

I understand that Network Rail responded to the Shaw review with a transformation plan. Is that correct? Do you have any comments on how, in practice, that has made any difference in Scotland?

**Mark Carne:** The interesting thing about the Shaw review, which was thoughtful and detailed, is that it largely supported Network Rail's transformation programme. As I alluded to in my opening remarks, I fundamentally believe that Network Rail must be closer to customers. For us, the customers are the train operating companies, the freight operating companies and, ultimately, the passengers. That is at the heart of our strategy to devolve power to route-based businesses, and Nicola Shaw supported and agreed with that approach.

We now have eight devolved businesses in Britain, of which Scotland has one, and they are accountable for delivering for their local customers. We have different alliances in different parts of the country, and different businesses are operating in different ways to suit the needs of those customers. We are innovating in various ways to meet customers' needs.

Network Rail used to be very much a central, command-and-control organisation, but it is not like that any more. Decision making is now devolved to the route businesses so that they can work more closely with the train operating companies and deliver for passengers.

Some profound and important changes have occurred in the past couple of years. For example, whereas the train performance targets that Network Rail operates to used to be set by the regulator, they are now agreed with the train operating companies, which are our customers. That means that they and Network Rail are pulling in the same direction to achieve the same outcomes, which are based on what passengers tell us they really want. We are bringing track and train much closer together to deliver a better service for customers.

I am excited about what we are doing in Scotland because, as I said, we have gone further

here than we have gone anywhere else by having track and train—that is our mantra—brought together under the leadership of one person.

**John Mason:** I accept that you have gone further in Scotland. You have said before that you see Scotland as an example, and the transformation plan uses ScotRail as a case study.

**Mark Carne:** Yes—absolutely.

**John Mason:** It says that EGIP

“has resulted in reduced costs and helped us achieve key milestones”.

Was it unwise to include that as an example?

**Mark Carne:** With the benefit of hindsight, I would probably agree with you.

**John Mason:** Okay. We have given that fair coverage, so we will not go on about it.

In the Shaw report, there was a suggestion of somehow bringing in more private finance or concessions and

“local sources of funding and financing”.

Has anything happened there?

11:00

**Mark Carne:** Let me tell you a little about what we are doing in Network Rail. Network Rail's strategy is based on three critical ingredients. First, it is about customers. I want the organisation to behave like a private sector businesses in being passionate about delivering for customers. As we have said, that involves devolution and the alignment of Network Rail's objectives with those of the train operating companies.

Secondly, private sector companies care massively about cost competitiveness—they constantly ask how they can be more cost competitive and how they can deliver a better and lower-cost service. As a natural monopoly, we have to instil that competitiveness in our company in different ways, and we are doing that partly through devolution. I now have eight different businesses, the performances of which I can compare and contrast. I can see what is working in one bit of the organisation and say to another bit of the organisation, “Why don't you do it in the same way?” In that way, we start to get innovation and creativity.

**John Mason:** Do you also compare your costs with those of the Dutch railway or the German railway?

**Mark Carne:** Absolutely. We benchmark across the different entities. We benchmark against European railways in a number of areas, and we perform very well in comparison with European railways in a number of areas. We have the safest

railway in Europe; we are investing more in our railway than any other country in Europe is doing; our railway is the fastest-growing railway in Europe; and we have the second-lowest subsidy of any railway in Europe. Those are remarkable achievements. They are a testament to the success of Britain's railways, and we do not recognise and celebrate them often enough.

You asked about third-party funding and finance, which is the third element of our strategy. I believe that railways drive economic growth—they create jobs, business and housing opportunities—so it is far better for improvements to railways to be partly funded or even financed by those people who will derive economic benefit from them. Across the country, we are working to find ways in which third-party funding can be provided to the railway by local transport authorities, local enterprise partnerships, councils or private enterprises that will benefit from improved railway connectivity. We now have stations and rail connections to freight terminals that have been paid for by private companies, and I want more of that. Why should the taxpayer pay for all those developments when private enterprises benefit directly from them?

The more contentious issue is private finance, because a return is required on the investment. That is a more challenging set of circumstances, as a higher rate of return is sought than would be obtained by borrowing from the Government. Those developments need to demonstrate the ability to perform at a higher level to ensure that higher rate of return, and we have seen in many places that it is very challenging for them to achieve that.

**Jamie Greene:** I apologise to Mr Hynes for not congratulating him on his appointment and welcome him to his role. I am sure that we will see a lot of him over the years to come.

Given that Network Rail has been the subject of a series of reports and reviews—a review is taking place at the moment—do you anticipate any structural changes being made to Network Rail? I appreciate that political decisions might be taken by the Government of the day, but do you foresee any major structural changes in the organisation that might affect how it manages and delivers infrastructure projects? What implications might such changes have for Scotland?

**Mark Carne:** No. I have made the structural changes that I wanted to make in Network Rail, and I now have an organisational structure that is strong, fit for purpose and based on the best practice of the major infrastructure organisations that I have worked in elsewhere.

Scotland now gets the best of both worlds in that it has devolved leadership that is focused on

the Scottish priorities but it can also harness the purchasing power of a national organisation, the common standards that we apply across the network as a whole and the lateral learning and benchmarking that take place across different parts of the railway. Those all deliver real benefits for the Scottish railway while still allowing decision making to be focused on what you need here in Scotland. The model provides the best of both worlds.

Performance is turning around. This is a supertanker—it is a huge industry and, when you change strategy, it takes time to start to see the benefits. You have to be determined and resolute. I am really encouraged to see the improvements in performance, not just in Scotland, but in many other places in the network. Those green shoots are really encouraging.

**The Convener:** Mr Hynes, do you agree with Mark Carne or do you have something different to say?

**Alex Hynes:** I agree with Mark Carne. It is all about devolution and getting on top of the projects. We are right to focus on what is not going to plan, but we must never forget all the successes that we are delivering. Scotland has happier customers on its railway than most of the rest of Britain. Scotland's railway also performs at a higher level than most of the rest of Britain, and we should be proud of that. In addition, we have a multibillion-pound improvement programme to make it even better.

I have absolute confidence that the issues that we faced last year are now well behind us. Not only are we going to give Scotland the best railway that it has ever had, but it is going to be one of the best railways in the world. That is the level of our ambition, and it is for us to deliver it.

**Jamie Greene:** That leads nicely into my next question. In the committee and in Parliament, we often hear calls for further devolution—either partial or complete—of Network Rail in Scotland. Indeed, yesterday, the transport minister reiterated his view, saying:

"It is not acceptable that we, as the client, fund major projects for which Network Rail—which is responsible for delivery—is not accountable to this Government or this Parliament."—[*Official Report*, 13 June 2017; c 8.]

We often hear that from the Scottish transport minister. Do you have any views on that? Why do you think that the current model is the best one?

**Mark Carne:** In my view, we are absolutely accountable to the Scottish Government. The Scottish Government decides what the priorities are for investment in Scotland, what the performance targets should be, what the franchise should be and so on. We are very accountable to the Scottish Government in that sense.



As I said, the organisation of Network Rail now gives you the best of both worlds. It enables us to create something like the ScotRail Alliance. If I did not have a devolved organisational structure in Network Rail, we could not create the alliance in Scotland. It is because of devolution in Network Rail that we can even have this conversation with Alex Hynes. That is an important point.

In the context of devolution, you need to harness the capacity of a national company for your benefit. For example, there is enormous benefit in being part of a major projects portfolio and having real skills and expertise behind the delivery of major projects as a result of being part of that national portfolio.

You will be familiar with Lord John Browne, the former chief executive of BP, who carried out a review of the delivery of major projects for the Government three or four years ago. He said:

"It is very striking that all the organisations I consulted as part of this review have created central project authorities to manage the portfolio of major projects to a common set of objectives, standards and processes."

That is what we have done in Network Rail. We manage our project portfolio to a set of common standards, processes and objectives while ensuring that the projects are defined and delivered through our devolved organisations.

**The Convener:** Alex Hynes is not catching my eye, so I assume that he agrees.

**Alex Hynes:** I was just going to say—

**The Convener:** I will give you a chance to come in, but, first, John Finnie has a supplementary question.

**John Finnie:** I ask this question as someone who supports the devolution of Network Rail and thinks that it should be entirely in the charge of the Scottish Government.

Mr Carne, you used the term "national". I presume that you meant "UK".

**Mark Carne:** Yes.

**John Finnie:** What are the implications of the alliance for the sleeper and rail freight companies? Mr Verster referred to a "deep alliance", but not all the train operating companies and freight operating companies in Scotland are part of the alliance. There must be implications in that.

**Alex Hynes:** There are. Our customers are all the train operating companies and freight operating companies in Scotland. The largest customer of Network Rail in Scotland is ScotRail. Abellio ScotRail and Network Rail Scotland are in a partnership with one another.

My job is not just to run the alliance but to ensure that Network Rail Scotland is delivering for its other customers.

**John Finnie:** By nature, do you not get first shout on some things?

**Alex Hynes:** No, because there are regulatory protections in place, which means that timetabling, the way in which we signal trains and the way in which we grant access to the network are all regulated. All the other train operating companies and freight operating companies in Scotland can sleep easily at night in the knowledge that ScotRail will not get preferential treatment.

Nevertheless, the alliance allows us to work more effectively and in a more agile way for ScotRail's customers. I will give you an example of that. Last week, we were discussing our plans for the Edinburgh festival. The festival is a global cultural event. It is a biggie for us, and we need to get it right. David Dickson is a member of my team, and we are discussing the management of major stations, track, train and timetable as team Scotland for the benefit of Scotland's railway. That is in a really different place from what exists elsewhere. I think it is good and exciting.

It is the job of me and my team to focus on delivering for customers within the existing structure. I have been in the industry for 20 years, and the structure is always under debate. That will always be the case. However, we are going to deliver the best railway that Scotland has ever had, with new trains, faster journeys, more seats and more services. It will be transformational for customers and it is really exciting. That is the focus for me and my team.

**John Finnie:** To push the point, has there never been a conflict of interest with the alliance? For instance, during the closure of the Winchburgh tunnel, who had priority?

**Mark Carne:** So, maybe—

**John Finnie:** Please let me finish the question—and it is directed to Mr Hynes.

Who had priority? Was it the Caledonian sleeper that was running late or was it the commuter train from Perth?

**Alex Hynes:** I have no idea, as I was not here. If, at any point, we thought that a conflict of interest would arise, we would take that decision outside the alliance.

Ours is a highly regulated industry and all users of the railway have strong regulatory protections to ensure that everybody gets treated fairly on the network.

**Mark Carne:** You raise an important point, Mr Finnie. In Network Rail as a whole, we have devolved to eight different businesses and the

freight community and the national passenger lines, such as CrossCountry and the Caledonian sleeper, are rightly asking, “Hang on—how does that work for us?” as they run right across Britain’s network.

That is why, within Network Rail, we have a function called the system operator, which runs across all the different routes. The system operator has the role of managing the capacity of the network as a whole for long-term investment. It asks how the capacity of the network as a whole can best be improved, how we can timetable the network as a whole to meet the needs of all its different users fairly and how we can best meet the needs of freight trains, directly operated services, sleeper services and alliances.

It is very important that that function is outside the alliance. You are quite right: if it was within the alliance, other users would say, “Hang on a minute—how can I be sure I’m getting treated fairly?” That is why that function is outside the alliance.

11:15

**John Finnie:** Is that live decision making, Mr Carne?

**Mark Carne:** No, it is not. Live decision making on which train gets moved at a time of perturbation is in the hands of the route control teams, who think about how they can do the most good for passengers. I have watched them do that. They look at the train services and say, “That’s a really busy train full of lots of people. Let’s move the freight train out of the way and let it through.” They are not thinking about the commercial gaming within the industry; rather, they are thinking about the passengers and how they can restore the service in the best interests of passengers—which is what we would all want them to do.

**The Convener:** One of the committee’s submissions was from the Office of Rail and Road. There seems to be a dispute between ScotRail and Network Rail over the changes to the timetable due to be introduced in December. Why has that reached the stage where the ORR is considering an appeal? You are saying that it all works smoothly, but it does not appear to be working as smoothly as is possible.

**Alex Hynes:** In any organisation or organisations, there are tensions between the results that people are trying to deliver. Are we trying to deliver faster journey times at the expense of performance? Are we trying to deliver higher performance at the expense of journey time? We need to get that balance right, and there are trade-offs to be made. It just so happens that in this case the train operating company and Network Rail have not yet reached agreement and

they are using the established industry processes to resolve the dispute.

Those situations even arise within organisations—the tension between the sellers and the marketeers who want faster journey times and the production parts of the organisation that want to deliver a reliable railway. That is a difficult balance to get right and there is a trade-off to be made, but we will resolve the matter.

**The Convener:** Are you saying that the process is perfectly natural and that the matter will be resolved to the benefit of all at the end of the day?

**Alex Hynes:** There are established industry processes for dealing with exactly these situations. A dispute between a train operating company and Network Rail is not a big disaster. That happens regularly, and there is custom and practice to deal with the issue and resolve it to the satisfaction of the railway.

**Fulton MacGregor (Coatbridge and Chryston) (SNP):** I thank the witnesses for their evidence so far. My questions are mainly for Network Rail. First, will you set out the key elements of the Network Rail delivery plan as they apply to the Scotland route? Secondly, how is Network Rail preparing for the development of its control period 6 business plan for Scotland, which will start in March 2019, particularly in the light of failures in the previous periodic review process?

**David Dickson:** We are going through the process now. There are two elements to it, the first of which is putting forward what is essentially a series of developed choices on the enhancement portfolio. That portfolio has been developed and is sitting with Transport Scotland and the Scottish Government to make a decision on what they would like to proceed with. We expect a high-level statement in July on the funds that are available, with a high-level decision taken on what the Scottish Government would like to be delivered in control period 6.

That is one element of how we will develop the railways. That choice has to be made and until we see that in mid-July—that timeframe ties in across the UK—we will not know exactly what the priorities are for the Scottish Government. As I said, a number of developed choices have been put to it and those choices have been worked up to a degree to allow that choice to be made.

Secondly, on our next strategic business plan, we are going through the review process on the remainder of this control period and for the following five years for CP6. That covers all our operations, maintenance and renewals in Scotland; it will be subject to understanding how much funding is available and it will go through a process that takes us through to December. Again, we have put together what we believe we

need to do to properly sustain and develop the railway in Scotland through the five years that follow.

It depends on what funds come through in the process, but those are the two timelines—July for the high-level output of what the Scottish Government would like to see in the CP6, plus the process for our on-going operation, maintenance and renewal of the network through the next control period.

**Fulton MacGregor:** If the convener will indulge me, I would also like to ask about the Cutty Sark railway bridge replacement, which is in my constituency and borders that of John Mason, I believe.

**John Mason:** That is correct.

**Richard Lyle:** And mine.

**Fulton MacGregor:** Yours as well? We have got everybody here.

**The Convener:** Try not to make it too constituency specific.

**Fulton MacGregor:** I would be happy to get the answer after the meeting, but I wanted to raise the fact that the bridge works have been delayed at least twice. Local residents have been notified of the delays, but I wonder whether elected members, rather than finding out about a delay at the same time as they are getting email or Twitter messages about it, could get a more detailed response on why those delays have happened—more detailed than just, “It’s delayed”.

As I said, given the nature of the committee, I would be happy to have an email response after the meeting.

**David Dickson:** I can come back to you with that detail.

**The Convener:** If you ensure that the response is sent to the clerks, it can be sent to all members.

**David Dickson:** I will do that.

**John Mason:** We have spent most of our time so far on the Network Rail side, but I am interested in the actual trains and the staff, which Mr Hynes might not have spent so much time on. I realise that you are quite new to this, so we look forward to getting to know you better.

Can you give us your first impressions of ScotRail and what you see happening in the next year or so? What are your hopes and plans?

**Alex Hynes:** I have been really impressed by ScotRail and by Scotland’s railway in general. I had a bit of time between jobs before arriving, and I spent a lot of time travelling on the network as a customer without anyone knowing who I was. The frequencies, the journey times, the quality of the

rolling stock, the investment programme, the staff, the catering and the first class all benchmark really well against what we see elsewhere in the country.

Last year we had some operational issues, which we have now fixed. One of the key things that I will be looking for is whether we can evidence through the national rail passenger survey that customers are getting again the service that they deserve. We have a very solid base on which to build.

When are we going to transform the company? I have worked in a number of places where we have introduced new trains, and the impact on customer satisfaction is transformational. That is what we are about to do here. We have talked today about all the hard work—the heavy lifting of getting the infrastructure and the trains built—but we are on the cusp of delivering the customer benefit. That will massively enhance the experience of customers across the Scottish network.

We are going to do that because we want happy customers and we want more of them. We want to drive the patronage of our railway to improve the economics of ScotRail. As you know, we are in receipt of subsidies, so the more we can drive the revenue line and improve our product, the more funds we will have to continually invest in the network.

One thing that has impressed me, compared with other places that I have worked, is the Scottish Government’s commitment to a rolling programme of enhancements—it is almost business as usual. We already have a list of the projects that we would like to see delivered in the next control period from 2019.

I am super impressed. It is a great business and we are going to make it even better. There is a bright future for ScotRail.

**John Mason:** Do you anticipate a conflict of interest, as has been mentioned? As I understand it, you are paid and appointed by Network Rail, so if there is a dispute on timetabling, for example, how do you personally handle that?

**Alex Hynes:** At the start of this committee meeting, people expressed their interests. If at any point there were a conflict of interest, we would have to take the decision making outside the alliance. I am trusted by Abellio and Network Rail to be accountable for the delivery of Network Rail’s outputs in Scotland and the benefits that are being delivered through the franchise. If that was ever in doubt, I would make sure that we never got into that situation.

**John Mason:** When you talk about taking something outside the alliance, does that mean that you personally would not be involved and that

somebody else in ScotRail and somebody else in Network Rail would end up disputing?

**Alex Hynes:** Clearly, Abellio ScotRail is part of the Abellio group, and Network Rail Scotland is part of Network Rail. If a conflict of interest was ever to arise—there has not been one yet, albeit that I am only 10 days in—one possibility would be to elevate the decision outside the alliance. The arrangements are not unusual in partnerships or joint ventures elsewhere.

**The Convener:** Before I pass on to Richard Lyle, I have to ask whether you got up to Wick and Thurso.

**Alex Hynes:** Sadly, I only made it as far as Inverness, but—

**The Convener:** I will pass on to Richard Lyle, because I will get into awful trouble for asking a constituency question. However, you might want to go there.

**Richard Lyle:** John Mason's question fits nicely with what I want to ask about, which is ScotRail performance. As a customer, I think that your trains are excellent, and I look forward to going on them. However, I want a seat. I know that you have many more trains or carriages coming, but you need to increase the number of carriages in particular areas. I also want to arrive on time, and I do not want the train to station skip, or hop or whatever you call it.

There are a number of measures, such as the public performance measure, cancellations and significant lateness and the moving annual average, which is a new one on me. Those are all for ScotRail. However, I have a question for Mark Carne, and he is not going to be too chuffed with it—I am sorry. We have a table that shows that Network Rail was responsible for over half of all ScotRail delay minutes during the previous period. Do you agree? My view is that you have the track and Alex Hynes has the trains and, if Alex cannot use the rail, he cannot move his trains.

**Mark Carne:** I will address that issue very directly, and I am sure that Alex Hynes will want to add to what I say. You used the word "responsible", but the correct term is "attributed". The delays are attributed to Network Rail rather than to the train operating company. For example, all delays that are associated with bad weather are attributed to Network Rail; all delays that are associated with trespass—people choosing to walk on the railway and stop trains—are attributed to Network Rail; and all delays that are associated with the tragic fatalities when people choose to take their lives on our railways are attributed to Network Rail. Therefore, the number of delays that are caused by a direct failing of Network Rail's infrastructure are actually about 20 per cent of the total.

That does not mean that we do not have to do more as a company to reduce the incidence of those other forms of delays, because we can do that. For example, on fatalities, which are some of the most tragic situations on our railway that our amazing staff have to deal with, across the UK as a whole, we have reduced the incidence of railway suicides by 16 per cent in the past two years, against a rising tide of suicides in the country as a whole. We can do things to improve train performance in areas where our influence is somewhat more remote, and we take those very seriously.

**Richard Lyle:** I take that on board, but the PPM MAA is 90.3 per cent, which is just above the level that would trigger another improvement plan. What are you both going to do to ensure that performance does not drop below that level again?

**Alex Hynes:** There is a bit of misunderstanding about the alliance structure. It is not the case that I have the trains and Mark Carne has the track. I have the trains and the track, and we manage it as that—

**Richard Lyle:** So you play together.

11:30

**Alex Hynes:** In a traditional train operating company structure, the managing director of the train operating company would worry about his or her targets and delays, and Network Rail would be separate. In our structure, David Dickson is in my team, so we manage all the delays to customers irrespective of where they happen. To be frank, customers do not care what causes delays—they just want trains to run on time.

I am pleased to say that the moving annual average—we measure train service performance using an annual average, because train service performance is seasonal—is now at 90.4 per cent. We are where we need to be according to our improvement plan. In answer to your question, we are going to make things better by having improvement plans that cover all parts of our business: fleet, operations, stations and infrastructure, and suicide and trespass. We attack every bit of the pie.

You talked about seats. We are working with the engineers to ensure that we have the right number of trains each day; that is a critical task. My train home usually has six cars, but last night it had three. That ruined my journey home, and I personally feel that—

**Richard Lyle:** Would you put in a complaint? [Laughter.]

**Alex Hynes:** We are aware not only at a corporate level. Essentially, our customers' requirements are quite simple: they just want their

train to work. They want to know whether the train is clean and on time and whether they can have a seat. Those things will be transformed in the next few months and years. On the Edinburgh to Glasgow line, we are currently operating six-car diesel trains; those will become eight-car brand-new electric trains.

You talked about skip-stopping. A railway will always use skip-stopping in order to bring the service back to timetable, otherwise it runs late all day. The question is, are we using it in the right places at the right times and frequencies? That relates to the policies that Mark Carne set out, which are control centre works too.

I agree with you—I think that the service is excellent, and it is going to get better.

**Richard Lyle:** Yes, I think that it will. I am excited, as you are, about what you are doing, but again I come back—I am sorry; this is not a criticism—to the figures. ScotRail's right time MAA is 8.6 per cent below the GB average, and it comes 18th out of 24 operators. Why is that?

**Alex Hynes:** One of the reasons for that is that the measure in the contract, which is our focus, is based around PPM failures. That is our overriding objective from a punctuality perspective. It means that trains should be no later than five minutes, and the train should run. That is our total laser-beam focus.

In Northern Rail, where I used to work, we focused heavily on time, to great effect. Once we have some confidence around our ability to deliver the contractual commitment that we have made to the Scottish Government on PPM failures, we can see whether we can plan and operate the timetable to a higher level of precision, this time to the nearest minute. Right now, however, PPM failures are our focus, because that is the area in which we are contractually obliged to deliver.

**Richard Lyle:** I thank you, and I look forward to working with you.

**Alex Hynes:** Thank you.

**The Convener:** Mike Rumbles has a supplementary.

**Mike Rumbles:** I am interested in Mark Carne's response to the question about delays being attributed to Network Rail. The transport minister tells us that the reason why he wants to take control of Network Rail in Scotland is that he feels that he can do something about that. However, Mr Carne said that the delays can be attributed to things such as bad weather and other issues, so that cannot be the reason why the minister wants to take control of Network Rail's responsibilities north of the border.

**Mark Carne:** I am not able to speak for the minister; I am just trying to ensure that you understand the facts—

**Mike Rumbles:** That is why I was asking.

**Mark Carne:** There is a difference between attribution and real responsibility. By the way, the clear reason why we choose to take that approach is that one would not want the train operating companies, as private companies, to take risks on their balance sheet that they cannot really manage. They cannot really manage weather, suicide and trespass risk. If you ask them to take that risk, they will take it, but you will pay for it. That is why the risk is carried by the national part of the railway.

**Mike Rumbles:** I understand that entirely—your answer is very helpful in making the situation clear. My last question—

**The Convener:** Hold on, Mike. Peter Chapman wants to come in very briefly, and then you will get the last question.

**Peter Chapman:** We have heard about how you are attempting to do the job as well as you possibly can, and that is for sure. However, the headline on the front page of *The Press and Journal* from Monday 12 June says that half of north-east trains are running late. I accept that the target is particularly tough, because it requires trains to arrive within a minute of when they are supposed to arrive but, according to that measure, only 50 per cent of trains are arriving on time at Dyce, Inverurie and Stonehaven.

On the PPM, performance is a bit better, but it is still poor. The numbers for PPM are only 88 per cent of trains arriving on time at Dyce, 87 per cent at Inverurie, 85 per cent at Stonehaven and 86.8 per cent at Aberdeen. That is below where we expect to be. I would welcome your comments on how we can improve those figures.

**The Convener:** I will allow Alex Hynes a very brief answer, but we are trying to look at the global picture rather than going too local.

**Alex Hynes:** On performance improvement, we want there to be a rising tide. We need to get better everywhere. We track performance by route and look at the worst-performing trains to ensure that we give our customers a good service across the network.

There are structural reasons that make it difficult to deliver very high levels of punctuality on more remote parts of the network—for example, in single-line sections. That is why the improvement programme is so important, because we can address some of those inherent characteristics that make running a railway difficult and we can deliver a modern, rather than a Victorian, railway.

**The Convener:** I will allow Mike Rumbles the final question.

**Mike Rumbles:** The committee is interested in finding out what proportion of season-ticket holders have taken advantage of the free week of travel. What has the take-up been? Depending on your answer, what are you doing to increase take-up if it is not at the level that we thought that it might be at?

**Alex Hynes:** I do not have the latest statistics to hand, but the uptake has been very good. We are promoting the scheme across the network on trains and in stations, and we are using it as an opportunity to promote the smart card. We have talked a lot about steel and metal and trains today, but we are one of the only networks in Britain that will have its own smart card. That is fantastic for customers—it means that tickets work through barriers. We can start to provide products that are relevant to today's travelling public, such as working mothers who work three or four times a week rather than every day. We are now providing flexipasses that deliver modern fares and ticketing products that relate to how our customers want to use our networks. I am happy to provide the committee with an update on the latest data after this session.

**The Convener:** Thank you—that would be helpful.

That concludes our session. I thank Mark Carne for coming up to Edinburgh. It has been an interesting session; I suspect that we will see more of Alex Hynes and David Dickson during this session of Parliament. I thank you all for giving evidence to the committee—it has been helpful.

11:38

*Meeting continued in private until 12:05.*

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