

Passengers must come first

**Ideas for a new start after damaging
failures by Network Rail, South Western
Railway and Department for Transport**

**Report by Ed Davey MP on the poor performance on
the Wessex Region railway**

December 2018

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1. Key recommendations

- a. The Department of Transport (DfT) must act **now** on the failing Wessex Region railway – and not wait till the National Rail Review is completed next October
- b. **DfT must insist on early implementation of all the Holden Review’s 28 recommendations by both SWR (but see c.) and Network Rail (NR)**
- c. I reproduce Holden’s 28 recommendations in an appendix and refer readers to these and his report, as I found them compelling. Inevitably Holden did not range into areas of Departmental policy, so I recommend the DfT goes further.
- d. **DfT must *either* remove SWR’s franchise and replace with a public sector operator *or* impose a new performance-related contract, without negotiation**
- e. If DfT opt for a new contract, SWR must be required to hit demanding performance targets before any profit can be made, with penalties if performance drops below a reasonable minimum level (set significantly above current levels).
- f. **The new performance targets on SWR must include the existing “Public Performance Measures” improving to at least 90% on all routes by the end of 2019/20, but should also include a dramatic improvement in communications with passengers and a return to options for automatic compensation**
- g. Service recovery has been a particular failure since the franchise change, and **SWR and NR must urgently develop new capability and capacity to manage disruptions better**, and more broadly improve co-operation over performance and planning.
- h. **For Network Rail, DfT should support immediate additional funding for essential investment identified by Holden**, but not within current budgeted work plans – with an urgent focus to reduce the extraordinary high level of Emergency Speed Restrictions (ESRs) and Temporary Speed Restrictions (TSRs)
- i. NR must urgently reform its structure and culture, so local managers are both held accountable for performance and empowered to improve performance, especially on basic infrastructure maintenance. **I hope the new CEO at Network Rail, Andrew Haines, will lead such a reform, to increase accountability of managers.**
- j. **NR must be allowed more time to access safely the infrastructure to undertake basic maintenance and repairs**, with an immediate review of the timetable for the earliest and latest trains each day, on each route
- k. **DfT should agree to re-opening Waterloo’s International Terminal at the first opportunity after the completion of the re-platforming works**, to build in extra resilience, until longer term reviews are finished and without timetable changes
- l. **Within the ongoing National Rail Review, the DfT should ensure its own role in the awarding and monitoring of this franchise is independently assessed, as well as its**

own accountability for Network Rail's failures. DfT should not escape its own responsibility for this protracted, abysmal failure

2. Executive summary: the causes

- a. The evidence from major reviews by the Office of Road and Rail and by Sir Michael Holden points to **serious and sustained management failures** by South Western Railway and Network Rail, as well as failures by the Department of Transport and the previous franchisee, South West Trains.
- b. These failures are shocking yet are now embedded, as **South Western Railway management has become more focused on cost control than basic passenger services** and as a poor service culture and an over-centralised structure within Network Rail coupled with poor strategic decisions and inadequate financing have led to **Network Rail showing an alarming inability to grasp the problem.**
- c. However, recent reviews have not closely examined the role of the Department of Transport. Since DfT awarded SWR the franchise and Network Rail is nationalised, **DfT must also bear major responsibility for what has happened.**
- d. **As the failures have been so systemic, the financial, operational and technical causes of the failures are multiple.** From the damaging decision to relocate the Waterloo Control Centre to Basingstoke, to Network Rail's reduced "daily time window" for maintenance and repairs, from South Western Railway's apparent "under-bidding" to win the franchise leading to a failure to invest in basics to the lack of fully developed performance and operation control planning, the combination of mistakes has led to a perfect storm. Performance is abysmal.
- e. The detail of most of the causes can be found in the ORR and Holden reviews, which this report draw heavily on, without (hopefully) unnecessary repetition. **What is *not* in their reviews, perhaps inevitably, is our clear and stark statement that this is down to very poor management and significant underfunding,** due to a combination of underbidding by SWT for its last franchise period and more strikingly underbidding by SWR, as well as poor management at NR and inadequate NR investment from DfT.
- f. **Messages from the ORR and Holden that bear specific repetition include:**
 - **The deterioration in performance can be tracked back to 2011,** since when key performance measures such as PPM have trended down. This suggests longer term reasons have to be addressed, alongside the inevitable focus on who is reasonable for the current chaos. These long term issues will include money but also a failure of management focus.
 - **Nonetheless, the most significant trend has been the sharper deterioration since 2015/16 and then again during 2017/18** and beyond. Coinciding with the

failure of SWT to retain the franchise, and the arrival of SWR as the new franchisee, suggests attention should also be paid to the behaviour of SWT, SWR and DfT around the refranchising process.

- **The loss of timetable resilience** – i.e., the ability to run consistently high performing services – is a long term trend with multiple causes – though each cause could have been tackled by more focussed management.
- **The much greater delays in service recovery** (after major disruptions) is a relatively new development and appears to be down to poor management decisions by both SWR and National Rail – on issues such as location of operational control, driving training and rostering. ORR’s statement that Network Rail’s *“contingency plans have not been updated since 2011”* I found particularly alarming, alongside their conclusion that *“we have not been able to conclude whether [NR’s performance and operational control] plans are sustainable, as they have not been fully developed.”*
- **An inadequate understanding by SWR, NR and DfT of the incompatibility of using the network more intensively, whilst simultaneously failing to invest in or facilitate sufficient maintenance and renewal of an ageing infrastructure.** The desire for eye-catching service improvements, e.g., earlier first trains and later last trains, longer trains, etc has been put ahead of cold analysis of whether they made sense in terms of common sense railway engineering.
- **The demise of the much-heralded “alliance” of train operator and NR, and the continuing failure of SWR and NR to work together effectively**

g. Specific mistakes the APPG wish to draw people’s attention to include:

- The NR decision several years ago to move its Waterloo operational control centre to Basingstoke has caused significant managerial problems, especially for SWR. The impact of this only crystallised in 2017 as the franchise changed: it led to many experienced SWT/SWR staff leaving the service, with the network thereby losing decades of knowledge, and to a separation of train crew management from operational control, creating extra problems in a crisis
- The failure of many of SWT senior managers to transfer to SWR, as originally envisaged, resulting in a woefully inexperienced new SWR management team with respect to this particular railway
- The information I have picked up from press reports (and confirmed in confidence) is that SWR’s franchise bid was unrealistically low. Having underbid, SWR is now caught in a trap of having to put a floor under investor losses whilst needing funds to tackle basic investment needs. This is totally unsustainable. Passengers must now come first.

3. Options for reform

A. SWR

Ministers have 2 basic choices for SWR.

Either they must decide to replace SWR, with a new operator. This would, at least initially, have to be a government-controlled company, before deciding on any future re-franchising.

Or they must impose a new contract on SWR, preferably performance-related, where SWR take a significant financial hit and can only begin to earn profits, once performance for passengers has improved.

The status quo is simply not acceptable: passengers have lost trust in the current franchise and the current management to deliver.

Which of these 2 changes Ministers ultimately opt for will no doubt depend on legal advice and deliverability, but I am clear on 3 things:

- i. SWR must not be rewarded for its manifest failures
- ii. The new operator or contract must be incentivised to put passengers first, before shareholders. Profits should only come once stretching performance targets are met.
- iii. Required early improvements must include a coherent and funded plan for significant performance improvement, more trained drivers, better communication and options for automatic compensation

B. Network Rail

I give a cautious welcome to Andrew Haines as the new CEO of Network Rail, as he is remembered as having been a good CEO for SWT, albeit some time ago. I hope he can therefore give some informed leadership to tackling both Network Rail and SWR.

However, I expect Mr Haines to produce and implement the necessary reforms, from NR's side, urgently. This must include more focused and more accountable local NR managers, who must be empowered to act, with reasonable budgets to act.

I expect NR to focus on a proper service culture, where they see their role to serve passengers and the train operating company, and not just the regulator or some far away Network Rail HQ. NR must find ways to show they are making themselves more accountable to passengers and their representatives, something which has been sorely lacking recently.

C. Department of Transport

The lack of attention given to the DfT's role and responsibility in the reports on litany of failures on the Wessex Region is understandable, but a major omission. Given DfT's role in the recent award of the franchise and their decisions over NR funding, this needs correction.

I have not seen enough evidence to develop any consensus conclusions, but I call on Ministers to ensure the National Rail Review allows for an independent assessment of DfT's own performance with respect to all decisions affecting the Wessex Region service.

Appendices

Reports

1. Office of Rail and Road (ORR)

- Review of Network Rail's performance delivery to South Western Railway services July 2018
- <https://bit.ly/2r5jiYV>

2. Sir Michael Holden

- South Western Railway – Performance Review
- <https://bit.ly/2QjNAFl>