Speech: Keith Williams at Accelerate Rail 2019

Introduction

We are now at half time in the Rail Review and making good progress, but as those who follow rugby will know, half time isn't always a good determinant of where you will end up, so we have no opportunity to sit back.

There is nowhere better to speak about the next steps for the review than here at Accelerate Rail 2019 — the future of rail.

I hope we share a view that to build a successful rail sector we need not only to look to changes for today but also look to create the conditions that build a successful sector into the future. That is precisely what I hope to achieve when I hand the review over for an autumn white paper. Establish a blueprint for the future of rail.

In the course of the last 6 months we have met with more than 130 groups and had around 200 submissions; and it is apparent that we have to get on with things and start to make change happen.

My sense is that we need to bring forward real change for passengers early. I'm determined that when the review makes its recommendations we identify those changes that can be made quickly, making an important step towards winning back the hearts and minds of rail passengers. As many of the people I've spoken with have said, we need to get back to basics before we build for the future.

But it is equally apparent from the wide spectrum of opinions we have heard that the review is going to have to make some robust recommendations and accept that there will be difficult trade-offs in order to make the sector fit for the future. And we need to define how success should be judged — not only on short term measures but equally against how well we create the conditions for the long term change.

But on this I am realistic. Experience has taught me that business needs certainty to perform, and that change is best when well managed and planned. So, we will be considering recommendations that re-shape the sector more profoundly in the medium and long-term. We must be understanding that we will not achieve revolution in this industry quickly, but we must make early gains and set out a pathway to the future.

But I am jumping ahead. As I said, we are half way so I hope you are not expecting us to bring forward those recommendations today (19 March 2019).

There is still an awful lot to be played for.

Today I can talk to what we have found and heard so far and how we are using this to develop what we believe are the criteria on which we will base our future vision for Britain's railways.

I can also share views on some of the changes that I am considering to achieve this future vision.

What we have heard

Firstly, a recap on what we have heard.

There needs to be a much stronger focus on passengers. This has been common ground from everyone we have spoken with. Passengers must be at the heart of the future of the railway. And not just the passenger of today, but also the passengers of tomorrow, who will look at rail differently than we do today and hopefully, if we do our job right, as part of a more integrated transport network. One of the trade-offs we will need to consider is the balance between running the railway for the passenger of today and developing it for those of tomorrow.

Secondly, we need a railway that can work as a total operating system. All the evidence we have seen and heard over the past six months tells me that we have a railway that struggles to plan, invest and work as a system. We need a railway that can operate as a system, and also take account of local needs.

Thirdly, as Stephen Glaister highlighted, there is a gap in responsibility and accountability for managing systemic risks for major change programmes which deliver for passengers and freight customers. Despite growth for many years, that has been the envy of other countries, the sector lacks strategic direction and leadership. As a result, it struggles to deliver major projects and is unable to bring through system-wide responses to either strategic issues, like CO2 reduction, or technological change, like smart ticketing and digital connectivity.

These problems are well recognised; I've been impressed at the level of consensus I've found from all parts of the sector in drawing out these issues. But action to tackle them has been slow and hampered by the fact that leaders in the sector can't make the changes they need to because of the inability to control the levers necessary to make that change happen.

The levers to effect change do not come together coherently, and in too many instances only do so in the Department for Transport. A lesson we can learn from other countries is that some decisions are best taken by those closer to the detailed operations. More on this later.

It is right that government and ministers set the strategic direction for the railway and decide the overall level of public funding. And they are rightly accountable to Parliament for that. As we know, more of government's transport spending is on rail than on all other modes added together, and as an industry heavily subsidised by the taxpayer it is only right that these roles sit with government.

But the DfT has had to take on roles it never intended to perform, largely because of an absence of clear alternatives, filling a vacuum in the current structure that has not been fundamentally updated since privatisation, whilst the world has changed considerably around it. Did it ever really set out to specify which trains stop at which stations?

The Department for Transport's role and the role of other industry players, will have to change as we begin to realign the sector to focus on its customers. The Transport Secretary, Bernadette Kelly, the department's Permanent Secretary, and the directors general for rail are all in agreement with this this.

Customer focus

The industry has achieved enormous success over the past decades:

- doubling passenger numbers
- running more trains than at any time in the railway's history
- whilst delivering improvements in safety
- and seeing more money spent than ever on improving the railways

But it's fair to say that passengers have had a rough ride in recent years.

Let's start with some of the well-rehearsed key stats on passenger satisfaction Some key stats on satisfaction:

It's well known that satisfaction is the lowest in a decade. Nevertheless 8 out of 10 people are satisfied with their last journey. Satisfaction rates are lowest among commuters – only 70% of whom are satisfied with their journey – largely because they are using the network at the busiest time, and also because disruption has a greater impact on their home and professional life. Their priorities are reliability and punctuality.

Non-commuters are far more positive about rail because they have greater flexibility in when they can travel. Their priorities are cost and the ticketing system, which many find confusing.

Perhaps more worrying than satisfaction are levels are levels of trust. Distrust now stands at 37%, 13 percentage points higher than 3 years ago Which?'s consumer insights tracker found only second-hand car dealers are more distrusted by consumers.

We have been doing our own passenger perceptions research into the factors that build up or undermine trust in the railway. The headline finding is that passengers do not feel that the current system is customer-centric in any way, shape or form. This is critically undermining trust.

Our research found that 2 key criteria explain trust in railways: perceptions about competence and about motivation.

The passengers we spoke to felt that not only is the industry not competent to run a quality service, but that it is not motivated to. Put plainly, they

feel that those leading the railway do not want to run a quality service, preferring to prioritise making money over the experience and service they give to passengers.

Poor communication is another grievance. When things go wrong they feel they are not given information that allows them to make informed choices about their onward travel or the cause of the problem. We live in an information age where people rightly expect communication to be quick and accurate.

Let's be clear — such negative perceptions about the sector and those working in it are sometimes unfair. I know this from my own experience of airlines. When things went wrong and things do go wrong in all modes of transport, dealing with large volumes of customers can quickly lead to meltdown with backlogs of thousands of passengers and journeys delayed, resulting in poor passenger outcomes and negative headlines. I have seen this close at hand in my airline days experiencing anything from repeated systems failures, to weather delays and of course the opening of Terminal 5 at Heathrow.

Negative events and perceptions do not reflect the actual experience of many passengers — nor the service provided by many who work on the railway day in day out. It is not borne out in the data. It is certainly not reflected in the meetings I've had with many passionate people who are working on the railway. But it is sometimes how passengers feel and must be turned around for the railway to have a bright and successful future.

So how do we do that? We asked passengers if changes to industry structure would allay their concerns. Many of those we spoke to, unsurprisingly, said they have little interest in how the industry is structured, other than they would like to see more leadership. We asked passengers if changes to ownership would help. There was no clear consensus that public ownership would solve their concerns, primarily because there is little or no confidence that the system would be any better and, some concern that it would be worse.

Fundamentally, what the research tells me is that the only way we can rebuild public trust in the railway is by putting the customer at the centre of reform — that is my mission for this Review.

Future

A customer first mind-set means the railway must also be cognisant not just of the customer of today but also the customer of tomorrow. This is a particularly salient subject given we are here at Accelerate. And it is perhaps surprisingly a topic that hasn't come up as much as I would have thought in conversations I have had so far.

I am firmly of the view that short-term performance or commercial issues should not distract us from the opportunities and challenges we have coming towards us. We need a sector which is incentivised and has the right structures and models to think about and prepare for the future.

Significant changes in socio-demographics, the economy, clean growth and

technology are changing the ways in which we live, work and travel. Although it's impossible to predict the future with any great certainty, these trends will influence the market for rail both directly and indirectly. While it's clear that rail is likely to remain a competitive mode for intercity travel and the most efficient mode for Monday-Friday commuter travel into large cities – there is going to be significant changes to demand patterns and passenger expectations.

Innovations such as enhanced automation, open data and new transport models could also be serious disrupters in the travel market, further impacting future demand for rail.

The sector has so far shown limited ability to adapt to these trends and harness the opportunities they create.

While I have no crystal ball, one thing the sector certainly needs to be ready for is the move towards more integrated transport networks, with modes working together to provide a seamless journey.

We are already seeing a shift to this – Transport for West Midlands are working in partnership with DfT and local authorities to run the rail services in the area and integrate them with bus, tram, and cycling and walking options. Again, in the Midlands, tech firm Whim is working with local transport providers to offer a service where customers can plan and pay for journeys by a range of transport modes, all through a single subscription service. In London, CityMapper Pass offers users unlimited Underground, Overground, bus, bike and shared cab services through one integrated card and app.

The integration of modes could deliver massive benefits to passengers and taxpayers. Doing it successfully will rely on the sector's ability to innovate and collaborate. Increasing the digitisation of ticketing is an obvious place to start – this would support integration, could deliver major benefits for passengers and costs savings for the industry. But rail is a long way behind.

Just look at e-ticketing. My old industry – the airline industry- looked at e-ticketing in 1994 (yes 1994). By 2008 it was mandatory for all two hundred and fifty or so of its member airlines to move to e-ticketing. This covered airlines from Aeroflot to Yemenia airlines. It was part of a programme of simplification which reduced costs to the industry by over 2 billion pounds.

But it was not only a cost saver, it also brought in several other customer benefits such as self service check in, self service printing of boarding passes, delivery of boarding passes by SMS or email.

At my old airline British Airways we replaced banks and banks of customer service agents firstly with self-service kiosks and then brought in mobile phone check in. I don't have recent data but when I left the airline a few years ago more than 40% of customers were using mobile check in. It was a win win – easier for them and the cheapest of channels for the airline.

I recognise that progress is being made on smart ticketing and acknowledge that it is easier in the airline industry to do this because of better data collection. Equally I know that the byzantine nature of rail fares, already acknowledged by the industry and made clear by the RDG, and the lack of incentive for TOCs to invest heavily in technological change, especially at a system-wide level, make this difficult.

But this, to my mind, ignores the reality that at some stage in the future the industry will have to serve its customers almost wholly if not totally in a digital way.

The bottom line is that all the evidence is telling us that sector needs to be more adaptable to change, and part of the solution is creating the conditions that enhance its ability to innovate.

There are plenty of examples showing excellent and innovative work — for instance HS2 plans to fit trains with real time monitoring equipment that will assess the condition of the rails, signals and overhead power cables as they travel, collecting data that will enable engineers to plan and carry out maintenance before a fault affects service reliability or ride quality.

We need much more of this and the review will seek to create conditions that enable the sector to innovate, respond to changing conditions and become pioneers once again.

International

Something I have been asked repeatedly over the past 6 months is whether I'm looking at what the UK can learn from other countries and the answer is yes. And you learn some surprising things. Things I'm not sure I'd always recognise them from media coverage.

What you can see when you compare the UK to other countries is that since 1997 the UK network has undergone a period of staggering growth, in terms of the number of trains being run and number of passengers using the network.

Needless to say, this has resulted in increasing pressure on the UK's rail system and its performance. The UK has responded by investing even more — we currently invest more than any other EU country in our rail network, with flag ship schemes such as Thameslink, Crossrail and HS2 all requiring vast amounts of investment.

Ultimately many of the performance challenges the network is now facing are the results of success — more investment, more trains, more passengers, and expanded and enhanced network.

Performance challenges are not unique to the UK, though. In Germany, relatively low levels of historic maintenance and renewals spend over recent years, has resulted in dipping performance levels and led this year to a new 'Five-point plan for 2019' to increase capacity and punctuality.

The UK's satisfaction rates are among the highest of the larger European

nations. The EU's Eurobarometer on Europeans' satisfaction with passenger rail services 2018 (so, with data that predates last year's timetabling issues) placed the UK in the top quartile along with Austria, Ireland, Luxembourg, Portugal and Slovakia. We also have a world leading safety record.

Nevertheless, while we compare relatively well with other railways, there are clear lessons to be learned.

Close working between the infrastructure and operations is essential in increasingly busy networks, Japan being the best example of this. Japan's track and train operations are combined into single railway companies, with an overall profit and loss account for those companies and single responsibility. This means that the company incentives are aligned across the business as a whole and, with single responsibility, decisions can be made more quickly.

In many of the cases regional devolution appears to have had a positive effect on the provision of rail services. However, strong coordination between regions is required to ensure the system works as a whole. A strong national body is required to champion this – the role of DB Netze in Germany is a good example where it responsible for the construction of timetables, and the regulation of traffic.

All the systems we've looked at across the world contain a mixture of public and private involvement.

Private sector involvement, bringing a level of competition and expert skills, is widely considered to deliver greater efficiency. There's not an obvious optimal blend of public / private sector involvement. What is important is that value from private sector input should be maximised for the benefit of passengers and freight to minimise burden on the taxpayer.

One thing that is clear – all the systems that we have looked at have had to take tough strategic decisions that set priorities for the type of rail service they will deliver. We will also have to do this as we move forward.

Assessment criteria

Now, as I said earlier, we are roughly at half time and there's still lots to play for, and we're now at the point where the goal we're aiming for can be better defined.

Any future operating model for the railway will need balance competing objectives.

To assist our thinking, today we have published some draft assessment criteria. The review will use these to develop its recommended model for the railway – if you like, they are the first step towards our blueprint for the railway of the future.

They describe the outcomes we want to achieve for passengers on performance,

value for money, accessibility and trust. For taxpayers on affordability and financial sustainability. For Freight, for the environment, the workforce, and, of course, safety and security.

What they absolutely must help us deliver is the following.

Improved focus on customers – the railway must adopt a fully customer-centric view as the basis for decision-making at every level.

Clearer accountability and leadership – A reformed system must make it clear who is taking the decisions that affect passengers and freight customers, so people understand who is in charge.

I want the review to enable more opportunities for collaboration, bringing together skills and resources from across the industry to plan, deliver and improve rail services more effectively, with everyone focused on delivering for the customer.

Greater innovation and long-term thinking will be crucial, particularly in the context of a rapidly transforming public expectations about how journeys are planned and made.

Finally the, industry must have access to the full range of project management, engineering, train planning and operational skills needed to ensure delivery of major new initiatives on time and to budget

Moving to a customer focused railway won't be easy and I want to make it absolutely clear that trade-offs will be unavoidable when I come to make my recommendations – for example, between a systems that delivers a national network and is responsive to local interests.

For me success is defined by our ability to design a system that can make choices and trade-offs. Moving to this system must involve everybody in this room here today.

Thank you.