

**Transport Committee – 9 February 2016****Transcript of Agenda Item 6  
Rail Infrastructure in London (Network Rail)**

**Valerie Shawcross CBE AM (Chair):** Good morning. Welcome back, Sir Peter. Thank you for coming to see us today. We are extremely interested in the new life that you are leading at Network Rail and what your thoughts are and what wisdom you have learned in London that you are able to carry across to the national arena.

**Sir Peter Hendy CBE (Chair, Network Rail):** A retirement job!

**Valerie Shawcross CBE AM (Chair):** Let me just kick off, then. I would ask you just to lay out your stall a little bit for us, if you will. What do you see as the main priorities for improving London's rail infrastructure and has it changed at all since you have been at Network Rail?

**Sir Peter Hendy CBE (Chair, Network Rail):** Has it changed at all? No. I suppose the thing that I am a bit surprised about, which is not a surprise, is that the railway is growing quite fast. It is growing at about 4% or 5% a year and it has been growing for ten years.

That is a very familiar story to TfL where everything has been growing, but the national railway in the past has not made the most of that success story in terms of its approach to how it views the world. The railway is quite a complicated place because, at least at TfL, everything was under one control. Network Rail is the infrastructure provider and so it is terribly important but you have a host of other people as well. It is actually more of the same, really. The railway in the southeast of England, much like the railway in the rest of Britain, creates economic wealth, creates jobs and can build houses. That is a great story.

As to coping with growth, this current Government is putting in more money than any Government has ever put in before in real terms since the railways were nationalised in 1948. That is just as well because that growth is against a background of a railway that is increasingly full. This is the most crowded railway in Europe and so there is a lot that needs to be done with it, unfortunately. A lot of money is being spent. You will have seen that I spent the summer and autumn reviewing the investment programme for Control Period 5 (CP5) [Network Rail planning period 2014-19], not all of which was clear when the programme kicked off in 2014 and some of which has turned out to take longer than people thought and was a bit more expensive than anybody thought. However, the result of that, as you saw in the Chancellor's Budget announcement, was that the Government found some more money. We have found some more money in asset sales and we will do, very substantially, the CP5 programme.

That is all good stuff because that rate of growth is not slowing down. The railway needs more capacity. It needs it quite urgently and there is a big job to do.

**Valerie Shawcross CBE AM (Chair):** You fundamentally see the same priorities in London's rail infrastructure?

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes.

**Valerie Shawcross CBE AM (Chair):** We have just been talking about Crossrail 2. TfL is working very hard on that and it is great to see Michèle Dix [CBE, Managing Director, Crossrail 2, TfL] in charge there. What is the magic pathway? What needs to happen to ensure Crossrail 2 gets approval and goes ahead?

**Sir Peter Hendy CBE (Chair, Network Rail):** We have a number of people working on Crossrail 2 too because it connects two very important parts of the national railway network. The next step is for Andrew [Lord Adonis], whom you have just seen, and his Commission to, hopefully, recommend to the Government that it funds the next stage. I hope it does. We need to get on with it. Just like Crossrail 1, by the time Crossrail 2 gets anywhere near delivery, it will be quite apparent that nothing else will do instead of it and so we had better just get on with it.

**Valerie Shawcross CBE AM (Chair):** Can you see any sticking points or any problems we might need to get through?

**Sir Peter Hendy CBE (Chair, Network Rail):** It needs to be funded. Actually, I just came in at the end of Andrew [Lord Adonis] talking about the way in which Crossrail 1 is funded. It is very significant that in London as a whole there has been a huge willingness by individual businesses, by the community, by you and by the Mayor to recognise that these schemes are really expensive and to find innovative ways of funding them. I do not know if you recall the test that was set by the previous Chief Secretary to the Treasury. It was that London should find 50% of the cost of Crossrail 2. That might be a stretch but, as Michèle [Dix] and others will tell you, there are methods by which that can be achieved. I would have thought that that is a very substantial demonstration to the Government that - just like the funding of Crossrail 1 - it is really important, businesses believe in it, they are willing to pay for some of it and we should get on with it. These schemes do take a long time.

The one thing you can say about Crossrail 1 in comparison to some of the other things that I looked at in CP5 is that by the time it was funded everybody was very clear on what it was, how much it was going to cost and how long it was going to take. So far in execution it looks as though it is going to meet all of those things. The work that Michèle [Dix] is doing with some of the people from Network Rail is really important because you want Crossrail 2 to be in a similar situation. We need to be absolutely clear on what it does, how much it is going to cost and how long it is going to take. Meanwhile, we would like Andrew's Commission to recommend to the Chancellor that enough funding is available for a long enough period to do that as fast as possible.

**Valerie Shawcross CBE AM (Chair):** Would you share our optimism, then, that this is achievable?

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes. Of course, yes, it is achievable.

**Valerie Shawcross CBE AM (Chair):** Good. I just wanted it for the record.

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes, absolutely.

**Valerie Shawcross CBE AM (Chair):** I agree with you. Crossrail 1's shark-like focus on delivering has been absolutely fantastic.

We just had a quick chat with Andrew [Lord Adonis] about surface transport access to airports. Of course, there has been a longstanding aspiration in London to see better contact with Stansted Airport and four-tracking of the route up to Stansted. Can you confirm whether or not Network Rail will go ahead with the four-tracking up to Stansted?

**Sir Peter Hendy CBE (Chair, Network Rail):** Four-tracking for Stansted is substantially not in CP5. It could be in Control Period 6 (CP6). The difficulty with four-tracking to Stansted to maximise the capacity that you would release is that you do in fact need Crossrail 2 to take some of the trains out nearer central London. It is not a bad thing to do, but its impact will be limited so long as there are limited paths into Liverpool Street. You could make some improvements; you can get more trains to Stratford.

Actually, four-tracking on the West Anglia Main Line will be at the front of many people's thoughts about CP6, which is 2019-2024. It is certainly in the front of the minds of the people at Stansted because they are coming to see me at 1.00pm and I am going to say the same thing to them. Of course, if they would like to choose to contribute in some way to it, I suspect that it will all get there quicker. That, too, is a feature of transport infrastructure construction in London, which is not yet widely mirrored outside of London, which is the willingness of people to put some money in in order to get the scheme to the top of the pile. However, in the end, to make the most of four-tracking to Stansted you need Crossrail 2.

**Valerie Shawcross CBE AM (Chair):** All right. It is partially dependent on that decision as well, then?

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes.

**Darren Johnson AM:** I think we all welcomed your appointment, Peter. I could not think of anyone better placed to help to knock Network Rail into shape.

We are aware that in terms of your review you have recommended delaying some schemes. What are the implications of these delays for London?

**Sir Peter Hendy CBE (Chair, Network Rail):** As it goes, the projected impact of my review was thought by many people to be going to be a lot worse than it actually was. In a number of cases, it has moved schemes out of CP5. In some cases it has moved them because they simply could not be done in time. The largest and most difficult project, at least in the south of England, is the Great Western electrification where the project was not fully developed and neither was it fully costed. It is being done. It will be later than people would have liked, although the trains will arrive anyway and it does not impact Crossrail. I do not think it has been half the impact that people thought.

**Darren Johnson AM:** Is the overall approach about trying to do a smaller number of things well rather than trying to do everything badly?

**Sir Peter Hendy CBE (Chair, Network Rail):** No, the overall approach was to try to get everything done if we could within CP5, but it simply was not possible to achieve it. One of the lessons is that some of these bigger schemes take a long time to work out what they are and how they should be done. If you announce them too quickly or project to finish them too quickly, you just will not be able to do it. However, the vast majority of things in CP5 will be done in CP5. Compared, as I said, with the predictions of disaster, having to shift a small amount of stuff into CP6 has been a pretty good achievement.

The Government was very supportive. It was supportive of us finding £1.8 billion of asset sales and, indeed, the Chancellor found £700 million himself, which in a difficult Spending Review was really quite helpful.

**Darren Johnson AM:** A relatively small number of projects for London have been moved into CP6. Does that then have a knock-on impact for London in terms of what has been scheduled for CP6?

**Sir Peter Hendy CBE (Chair, Network Rail):** We do not know yet. I did not bring the report because it is a bit heavy to lug around, but I do not think there is a massive impact in London. Actually, a lot of the controversy was about some of the schemes in the north of England where the aspiration was to have them rather quicker than they could be delivered.

**Darren Johnson AM:** Do they need their own transport authority to get things moving?

**Sir Peter Hendy CBE (Chair, Network Rail):** They have one.

**Valerie Shawcross CBE AM (Chair):** They have one now.

**Sir Peter Hendy CBE (Chair, Network Rail):** Curiously, I sit on it, actually.

**Valerie Shawcross CBE AM (Chair):** Do you?

**Sir Peter Hendy CBE (Chair, Network Rail):** That is interesting. It is a bit of experience from the south of England. The shape of CP6 is yet to be determined. The Government was quite clear that it did not want anything abandoned and so it wanted everything that could not be done in CP5 to be moved to CP6. That will have an effect on the total cost of CP6.

There will be two real challenges in CP6, just like CP5. One of them will be a delivery challenge, which is the ability of the railway to absorb all of this work being done.

The other will be a financial challenge because one of the real reasons why CP5 had to be reviewed was that the whole basis of funding the railway changed the day that Network Rail came back into public ownership. It exchanged the virtually unlimited access to cheap Government-backed borrowing off the Government's books with a fixed Treasury limit. That was a really severe change not just for Network Rail but for the whole of the industry. I do not think you could make any predictions about permanent 'latening' of work in CP6. The big challenge in CP6 will be to get it all funded, frankly.

**Darren Johnson AM:** The challenge is on the funding side rather than the project management side?

**Sir Peter Hendy CBE (Chair, Network Rail):** Probably, except that some of these things are large, complicated projects and, whilst you would like to do them quickly because you would like to see the effects of them, actually doing them on a railway that is as crowded as the one that we have is quite difficult to achieve. Whilst you were not looking, since the work over the road at London Bridge was even started, the growth has gone up by 35% to 40%. Some of the techniques that you are going to use to do this stuff are much more difficult than they were because you have much less time for track access. That is a practical limit because there is no doubt that you could do some of these big schemes better if you were willing to close the railway completely for lengths of time, but that seems to me to be totally impractical.

**Tom Copley AM:** I want to turn to the issue of funding. What is your overall assessment of the level of funding that Network Rail receives from the Government?

**Sir Peter Hendy CBE (Chair, Network Rail):** As I have said, if you look on a historical basis - and I had somebody to go back to the start of the railway nationalisation in 1948 - the level of money that is currently going into railway investment in Britain is higher in real terms than it has ever been before. That is really quite helpful, actually, and it is very significantly - nearly all - Government money.

**Tom Copley AM:** Do you see that continuing?

**Sir Peter Hendy CBE (Chair, Network Rail):** Somehow, we have to continue to pay for growth. Otherwise, you will not be able to absorb it. The truth is that in quite a lot of London and the southeast of England, without doing things to the infrastructure, simply, you will not be able to get on a train. There is a very powerful incentive to keep going.

What I do think, informed by my experience at TfL, is that into CP6 we are going to have to see more third-party contributions to some of these costs than anybody has seen so far, considering that if you look at TfL's capital budget currently many of the projects have some third-party funding from some source, people who benefit from the economic growth created, people who benefit from the jobs being created, people who benefit from the housing being created. That currently is not replicated in railway funding across the rest of the country, but my prediction is that it will have to be. I had a queue of people around my office coming to tell me why their project was really important for CP5 and I asked some of them where their contribution is and they looked very surprised, but they are going to be less surprised with CP6 because I do not see how else we are going to get all of the money that is needed.

**Tom Copley AM:** Absolutely. I hope that Stansted is willing to open its wallet or whatever when you see them this afternoon. Do you get a sense in general that organisations and companies like that would be willing? Given that you have had success with that with TfL, do you think there would be willingness?

**Sir Peter Hendy CBE (Chair, Network Rail):** Of course there is a precedent. I heard Murad [Qureshi AM] referring to the tunnel at Heathrow, which was built for and paid for by Heathrow Airport Ltd. There must be - that is all that I can say - because it seems to me to be quite implausible. Now that Network Rail is back on the Government's books, the Government, not surprisingly, is going to have to have some sort of fixed cap. You cannot just expand spending money in the way that the railway was happily doing. Actually, I would have thought that having third-party contributions from the people who benefit from the contribution that the railway makes is a really obvious thing to do. The more we say it, the more obvious it seems to me.

The only corollary from the railway point of view is that we have to be clearer - and we were in London and it became generally accepted - that transport is the means by which you create economic growth and jobs and housing. The railway has not told that story so well outside London, but one of my jobs for four days a week is to go and tell it because it is true.

**Tom Copley AM:** Absolutely. You have also, I know, been looking at how you can make better use of Network Rail's assets in the way that TfL is looking to do. Could you tell us a bit more about that and what form that will take? Is this going to be in the way that TfL wants to invest for the long term - keeping hold of freeholds and having long leases, joint ventures and things like that to sweat the assets - or is this going to be a fire sale to plug a short-term capital deficit?

**Sir Peter Hendy CBE (Chair, Network Rail):** It is certainly not a fire sale because Mark Carne [Chief Executive, Network Rail] and I had some very positive discussions with the Government about what we could do to meet the gap - or at least part of the gap, anyway - in the funding for CP5. We were very clear that if you are going to sell any assets they cannot be assets that might be used for the operational railway, quite obviously, but beyond that you want to sell assets that are either, in our terms, 'mature', in which case they are generating as much income as you can imagine, or they are things that we are simply not going to find the money to invest in in the foreseeable future.

The most obvious example of the former is some of the station retail. We could sell all that lovely load of coffee shops and places to eat at King's Cross. We cannot get any more in. If we could get any more in, we would have got more in. Therefore, that is a bit of the estate that is not useful for the railway. In operational terms it creates a lot of income. That will have a value.

If you look at the arch estate, given the likely difficulties about raising capital for the operational railway in the foreseeable future, it seems very unlikely to me that we are going to have the money to invest in the arch estate in the way that you might want to in order to maximise the income from it and so maybe it makes sense to sell it. However, it is certainly not a fire sale.

**Tom Copley AM:** You can only sell it once.

**Sir Peter Hendy CBE (Chair, Network Rail):** You can only sell it once but --

**Tom Copley AM:** Of course, if you are able to invest in it for the long term, then you realise that year on year.

**Sir Peter Hendy CBE (Chair, Network Rail):** That is absolutely right, but in terms of where the national railway currently is and in terms of the absolute necessity of investing in the railway infrastructure in CP5, it is quite an easy decision to do that.

There is not much left after that, to be truthful. There will be elements of the retail estate that we would not want to get rid of because we would want to maximise its potential first. Network Rail was pursuing a policy similar to TfL's of maximising its recurrent income, but the inability to fund all of CP5's investments rather overtook that.

The Government still has some other objectives for us. It wants us, as it wants TfL and the Mayor and other people, to develop housing where we can and we do have some schemes for joint ventures in a similar way to that that TfL is proposing to do those things --

**Tom Copley AM:** Do you have any housing schemes in London?

**Sir Peter Hendy CBE (Chair, Network Rail):** We do. There is one at Twickenham, actually. I am desperately trying to adjust to my mind to be nationwide now. Guildford comes to mind; that is not far away. There is a scheme at Twickenham. I do not know. We will drop you a line. There are some of those schemes.

The Government would also like us to participate in regeneration where that is appropriate and there certainly are some schemes outside London - in York and Bristol - where we can use land that is Network Rail's freehold in order to not only make us some money but also regenerate the towns and cities concerned.

Then you have to remember the railway passengers because, as the system gets fuller and gets bigger, we will need more space. We have to be a bit careful that we do not fill up stations so much with coffee shops and other retail that there is no room.

That seems to me to be a pragmatic approach: satisfy the capital that we need in CP5, do not sell anything until we have maximised its value or we are satisfied that we could not otherwise do it, contribute to housing, contribute to regeneration and do not forget the passengers at the stations.

**Tom Copley AM:** Do you think that Network Rail and TfL will be competing for commercial income and could you be working together?

**Sir Peter Hendy CBE (Chair, Network Rail):** It is not really competing, actually. If you look at the London estate, the Network Rail estate is the big stations. If TfL had spaces like that in its stations, it would be only too pleased to have the range of retail facilities that we have, but these places are huge and they have loads of people in them. We have some of the same ideas because David Biggs [Managing Director - Property, Network Rail], who does our property, is in touch with Graeme Craig [Director of Commercial Development, TfL]. For example, some of the retail units at London Bridge will be occupied by local small businesses. That is similar to TfL at Old Street. Of course, we know all of the usual suspects for those things, the Prets and the EATs and all of those people.

**Tom Copley AM:** Finally, to what extent do you think that a reduction in the Government's grant for TfL is going to have implications for Network Rail's projects in London?

**Sir Peter Hendy CBE (Chair, Network Rail):** I am sure that it was not the same £700 million. We were - and Mark [Carne] and I have said it ourselves internally - very fortunate to find that the Chancellor was able to give us nearly £750 million to keep CP5's investment plan going when there were so many other pressures on the public purse.

For the future, for the CP6, the railway industry is going to have to make the same sort of case that TfL has been making about the contribution to growth, jobs and housing because, when we get towards 2019, there will still be public expenditure pressures; there always are. One of the great difficulties that is not answered by a rather arid discussion about nationalisation versus private ownership is that actually we need to get money from everywhere and from all possible sources to do what we need to do to the railway in the next five, 10 or 15 years. There simply never has been enough money in the public purse on its own and there probably never will be.

Sadly, that wonderful mechanism, which was an apparently private company but with unlimited access to Government-backed debt, is not there any more. If we could invent another one, I expect that the railway industry would be only too pleased, frankly.

**Caroline Pidgeon MBE AM (Deputy Chair):** I want to talk a bit about delivering rail upgrades. We have been as a Committee highly critical of the way that Network Rail and the train companies have managed the Thameslink upgrade out of London Bridge. You will be aware of that. If you were starting the Thameslink scheme again, how would Network Rail do it differently?

**Sir Peter Hendy CBE (Chair, Network Rail):** It would have to do the work that has been done in the same way. At least some of you have been there, but you are very welcome to go again if you want to. The station has been rebuilt from the south to the north two lines at a time and I do not see how else we could possibly have done that. Whilst many people have told me that we ought to do more, bigger closures, all I can say is that I cannot see how you can achieve more, bigger closures at London Bridge because you have to keep the place going. As I said, whilst the work has been in progress, the growth has been 35% or 40%.

Apart from massive hindsight - which is, "Do it all sooner and have it done already" - it really gets down to two things because you had exhaustively looked at before long before I got there. One is making sure that the intricate and detailed plans for each stage of the train service operation are totally robust. That was the problem last January, in fact: there was too much optimism about what could be run. They have not made

that mistake since and there is not, in fact, the opportunity to make that mistake again because of the way that the work is now being phased.

The other is having a greater level of co-operative working with TfL about how we put all of this lot in place. I have been looking already at the plans for Waterloo in 2017, which sequentially bring the former Eurostar platforms into operation, close platforms 1 to 4 to lengthen them and then close the Eurostar platforms again in order to put them back fully into operation. If you ask TfL, although they are not here, they are already much more involved in that planning than they were at a similar stage with London Bridge.

Having said that, it does go to how you do some of this work in very crowded circumstances. Obviously, I was not as familiar with London Bridge as I am now. I am over there about every month having a look. Actually, it is fantastically intricate. When they have finished, they will have replaced the whole viaduct from the hospital to Tooley Street with a massive space underneath and it will be fabulous. However, on the way, it is really quite difficult. You know yourselves that the real lesson was that to manage that number of people in those circumstances for that length of time on a daily basis, you need some really intricate planning. I was a bit cross when Phil Hufton [Managing Director - Network Operations, Network Rail] left TfL but now I find that he is at Network Rail and is very much needed. He gets that message and so I do not think you will find any shortage of that at Waterloo.

The other thing, of course, is that in August when a bit of the bottom at London Bridge opens you will suddenly see what all the fuss was about and that will be fantastic. It is what it always needed. That will be a relief for many people who have been squashed together for months and months.

**Caroline Pidgeon MBE AM (Deputy Chair):** Yes. It is very painful for passengers, many of whom sit on this Committee. It is still not great. Even though it is a bit more robust, it still goes down all the time with the network there.

You have not mentioned the train companies in all of that. You have mentioned Waterloo, which is the next big project, and the lessons you have learned but not the train companies. How can they play a greater role in this?

**Sir Peter Hendy CBE (Chair, Network Rail):** It has to be a co-operative exercise, actually. That is the truth of it. One day later on this year you might want to have a look at the plans for Waterloo because the plans for Waterloo are a collaborative piece of work between South West Trains (SWT) and Network Rail and the passenger information will also be with TfL. I think you would be quite satisfied if you looked at it that everybody does know what their part is.

I am not sure that I am able to say whether that was always the case at London Bridge. It certainly is now --

**Caroline Pidgeon MBE AM (Deputy Chair):** It is now, yes.

**Sir Peter Hendy CBE (Chair, Network Rail):** -- because there is nobody who can stand to one side in this. It has to be a collaborative venture. Quite a lot of lessons were learned out of last year.

**Caroline Pidgeon MBE AM (Deputy Chair):** Do you think that TfL should have a greater role in delivering upgrade schemes such as Thameslink? Do you think there perhaps is an opportunity for more of a formal partnership between Network Rail and TfL?



**Sir Peter Hendy CBE (Chair, Network Rail):** Have a look at the arrangements for Waterloo and see what you think. Waterloo has our infrastructure and SWT's trains. There is not anybody else involved in the Main Line station. TfL does not need to be part of the partnership delivering it, but what it does need to be is totally integrated with how customers are treated, which is a slightly different thing in a way. You do not need more people in these meetings than already go to them because these things are already fantastically complicated before you start.

I have been struck since I got there - but you might not have been surprised - to discover that some of the lessons from London Bridge have been quite well learned. It is all about seamless experience for the customers and, therefore, you do need all of the parties involved in that together.

**Caroline Pidgeon MBE AM (Deputy Chair):** Do you feel that you have the capability at Network Rail - like at Waterloo - to deliver these in the intensive way that they clearly need?

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes. London Bridge - and I am sure that there are people in Network Rail who would come and I was reading Phil's [Hufton] evidence to you this morning - was a low point. However, who else are you going to get to deliver these things? They are incredibly intricate. There is a huge amount of work going on in the railway. If it goes all right, nobody notices. If it goes badly, not surprisingly, there is a great public outcry. On the Great Western, they spent £130 million in ten days over Christmas and New Year and it went all right and so that was OK.

There have been some real lessons learned in terms of the intricacies of the planning of this stuff. This Easter, again, is bigger than last Easter was. Next Christmas will be even bigger than this Christmas. It is incumbent on the organisation to get it right and they know it. As to who else could do it, who else could do it?

**Richard Tracey AM:** On the Nicola Shaw [Chief Executive, HS1 Ltd] review of the shape and financing of Network Rail, in what ways do you expect that review to change the way that the organisation works?

**Sir Peter Hendy CBE (Chair, Network Rail):** I am not surprised that the Government asked for it - it has been an autumn of reviews on the railways - because discovering one day that you have the national railway infrastructure company back on your books as, effectively, a nationalised industry cannot have pleased the Chancellor with the amount of debt that came with it and its future needs to be thought about.

I am not going to pre-empt what Nicola [Shaw] is busy writing - she must be busy writing it, although I am sure that she has another six weeks or so - but she said to me and she has made clear in public that there are three basic tenets of what she is thinking about. One is devolution because political devolution is clearly a desire of the Government. We have had it in London. It is busily being done in the north, in the Midlands and in other places with these city deals. One is passengers, who need to be remembered on a railway that is now growing at 4% or 5% a year. The third is growth because the railway historically and all the arrangements of the institutions on the railway were set up at a time when it was either flat-lining or declining. Coping with growth and coping all over Britain with these big schemes to deliver growth is something relatively new.

If you look at the amount of capital work in CP5 compared with that which Network Rail did in Control Period 4 (CP4). There is absolutely no comparison at all. It is a vast amount of work. Thinking through how all of this should work and in a context where the money, currently at least, is very predominantly only coming from public funds is quite an issue. I have a rather simpler job, which is just reviewing CP5.

Having said all of that - and she will say it herself if you ask her - I think she said that she has had 9,000 public responses. She has had views from everywhere. The views range from complete renationalisation to absolute devolution and everything on the way.

The other thing that we all need to remember - and I have a particular context for saying it - is that the railway is a national system. Not only are there freight companies that run all over it and people like Cross Country that transcend any boundary that you could draw, but also in terms of the future - and I do not know whether Andrew [Lord Adonis] referred to it before I arrived - the most promising way of increasing the capacity of the national railway system apart from building new lines and apart from what you have to do with stations is to change the signalling system. Something that you will all be familiar with is the Digital Railway, which is the Main Line equivalent of what is on the Victoria, Jubilee and Northern lines. To do that, you need to treat the railway as a national system. You cannot have different sorts of signalling installed on different pieces of the railway. If you tried to, you would have the rolling stock companies shouting up and down, as you would the freight companies and the people who go across the railway.

She [Nicola Shaw] has quite a job on her hands and whatever she decides will have to be, my guess is, carried out over a measureable period of time because we have to keep running the railway every day and we do not want too many distractions from that. We will see what she says.

**Richard Tracey AM:** Yes. There has been some speculation about the possible privatisation of part of Network Rail. Indeed, even she has discussed it in an interview on the BBC. Do you foresee which parts might be privatised of Network Rail?

**Sir Peter Hendy CBE (Chair, Network Rail):** No, I do not foresee it. 'Privatisation' is a description of a process and, at least with some people, an emotive term.

If you treat it differently and ask whether the railway needs some private capital investment in it, the answer to that question is yes. It needs as much money as it can get from every possible source to cope with what is happening to it. There are all sorts of ways in which that can be done. One of the challenges for her [Nicola Shaw] and indeed for the Government is, apart from anything else, to see whether we can find ways of achieving that that get debt off the Chancellor's books. The same European Union (EU) accounting regulations that brought Network Rail back onto the Government's books are the ones that make it a lot more difficult to get private investment in and still take it off the Government's books. That does not mean that it is not a good thing to do but, as far as the Chancellor is concerned, you can see what he might have in his eyes.

**Richard Tracey AM:** Is the contracting out of major stations a prospect? It is a different sort of privatisation, in a sense.

**Sir Peter Hendy CBE (Chair, Network Rail):** It is. Of course, most of the stations are contracted out in the sense that --

**Richard Tracey AM:** In London, yes.

**Sir Peter Hendy CBE (Chair, Network Rail):** Whilst they are Network Rail's freehold property, most railway stations in Britain are run by the train operating companies. We have the major stations.

The only thing that I would say is that you have to have a reason to do it. If you go and look at Liverpool Street, when TfL took over the West Anglia and Crossrail, there is quite an elegant management system at Liverpool Street, which is a collaborative management system. Of itself, Network Rail's costs of running the

major stations are barely worth looking at in the total cost of running the railway. There would have to be a reason for that. There is no reason not to contemplate it.

The real desire for private capital is not to replace relatively small running costs of major stations but is in terms of big investments for big pieces of infrastructure. That is where the money needs to turn up.

**Richard Tracey AM:** Maintenance operations are you thinking of?

**Sir Peter Hendy CBE (Chair, Network Rail):** No, I am talking primarily about investment in replacing and upgrading the infrastructure, the sorts of schemes like London Bridge and Thameslink, the sorts of schemes like Waterloo, the things that need to be done.

Of course, if you look at it and if you go back to the discussion that you were having with Andrew [Lord Adonis], the discussion about funding Crossrail has in fact brought quite a lot of private money into the railway. That is a way of doing it and there should be more of that. That is what we really need to focus on because the major cost issue for the railway coming up is the investment programme in CP6. We need to get every pound we can from every source that it is possible to obtain from it to do that.

**Richard Tracey AM:** The last question I wanted to ask you is whether you would support the idea of a joint TfL/Network Rail upgrade plan for London, replacing and supplementing the different studies that go on and have gone on in the past? Would you? We from the Transport Committee recommended this sort of approach.

**Sir Peter Hendy CBE (Chair, Network Rail):** You did and I think you will find next month that there will be such a document that combines TfL's aspirations with the aggregation of Network Rail's route studies. In terms of putting it all in one place, it is a really sensible thing to do. It is implausible to suppose that Network Rail can do planning other than substantially on a route basis because the South Western is the South Western. Actually, it does all need to be brought together and you will see it brought together, I think, next month because you asked for it.

**Richard Tracey AM:** Good.

**Valerie Shawcross CBE AM (Chair):** Very good. Thank you.

**Sir Peter Hendy CBE (Chair, Network Rail):** I am not quite sure when; sometime next month.

**Richard Tracey AM:** I shall leave it on that high.

**Valerie Shawcross CBE AM (Chair):** That is wonderful. Thank you.

**Murad Qureshi AM:** Just on the terminus stations as they have come up, one of the last times that Mike Brown [MVO, Commissioner of Transport for London] was in front of us he expressed quite a strong interest in running Liverpool Street. The station near me, Marylebone Station, is run by Chiltern Railways.

What is the fate of Paddington Station? It is a bit of a mess given the number of operators going in and out. When will that be sorted?

**Sir Peter Hendy CBE (Chair, Network Rail):** Actually, Liverpool Street is collaboratively run. There is a protocol by which everybody does the same things, says the same things and has the same information.

Paddington is going to be a building site until Crossrail is finished. I have not asked anybody recently. What is important in one of those stations is that whoever you go to ask is able to tell you the same stuff and is as well informed as everybody else. I used to complain at Paddington quite regularly but I do not any more!

**Murad Qureshi AM:** That is why I asked.

**Sir Peter Hendy CBE (Chair, Network Rail):** The working model at Liverpool Street has worked quite well. Waterloo works quite well. They have got a whole lot better at London Bridge, partially because they have had to and partially because the eyes of the world were on them. We can do as well at other places. I will go and ask about Paddington, actually. I have not asked, to be honest with you. --

**Murad Qureshi AM:** We are doing a site visit and I am sure --

**Sir Peter Hendy CBE (Chair, Network Rail):** When are you going?

**Murad Qureshi AM:** -- that other Members will pick up on what I am getting at.

**Sir Peter Hendy CBE (Chair, Network Rail):** The roof is lovely. We are halfway through the roof. There will be many more retail units.

**Murad Qureshi AM:** We will be glad to see it.

**Sir Peter Hendy CBE (Chair, Network Rail):** There is good rental income.

**Valerie Shawcross CBE AM (Chair):** Great. The last run of questions: Kemi on rail devolution.

**Kemi Badenoch AM:** Sir Peter, I want to know what the barriers are to delivering the Mayor's and the Government's vision for devolved suburban rail in London.

**Sir Peter Hendy CBE (Chair, Network Rail):** Really, it is the detailed working of making sure that the specifications are all right when devolution actually happens. Network Rail will play its part. There is some mechanical process to go through about making sure that, if you split one or more of these franchises into a Greater London bit and a beyond London bit, you have the performance measures right and so on. That is relatively easy to do. It is really a lot of detailed work on train service specification and the specification of the franchise or concession. We will play our part in that but it is not anything like primarily us.

**Kemi Badenoch AM:** Do you see any differences between the vision that is at national level and that at London level?

**Sir Peter Hendy CBE (Chair, Network Rail):** No. Actually, around this table, we have had exactly the same view for a number of years. I am delighted that it has come to pass in London and there are lessons for the rest of the country. There are a number of urban areas in the rest of Britain that not only would like but are being given by the Government more control over their railway services.

The only proviso is the same proviso as in London, which is that you have to remember the rest of the railway whilst you are doing it because all of these services are part of a national system. I never did think that there was any detriment to people outside London of these proposals and so it has proved. Now that you see them, there is agreement from Kent and other places that there will not be worsening and some protection to achieve that. The same is true elsewhere, which is that it is all part of a network.

Manchester and the north of England have great aspirations for devolved power. They have in fact had quite a lot to do with the TransPennine and Northern franchises. It will have probably as great a transformational effect as the Overground has had in London and good luck to them. It is fabulous, actually. It will put to bed some wrongs that have been around for 20 or 30 years in those parts of the country.

**Kemi Badenoch AM:** Thank you. My next question is just about the transfer of passenger services from private franchise holders to TfL. Does Network Rail support this transfer and do you plan to be actively involved if at all?

**Sir Peter Hendy CBE (Chair, Network Rail):** It does support it. The Government and the Mayor made the announcement. We will support it.

**Kemi Badenoch AM:** Will you be actively involved at all in any of the activities?

**Sir Peter Hendy CBE (Chair, Network Rail):** Only, as I said, in the sense that there will be a hell of a lot of detail because, if you ask TfL, for example, about both the transfer of the stations on the West Anglia and the stations on the Great Eastern Suburban Line, it was very complex because of some of the lease conditions and Network Rail has a part to play in that. Otherwise, it is about just making sure that the performance regime works OK.

You will have seen that whilst not everything is perfect, there has been a significant improvement on both of the lines into Liverpool Street, which has been achieved as much as anything else with infrastructure improvements that have been the subject of joint discussions between TfL and Network Rail.

**Kemi Badenoch AM:** There has been conflicting information about the chance of TfL taking over the SWT franchise in 2017. Do you think it is likely to happen?

**Valerie Shawcross CBE AM (Chair):** The chances are that there will be an extension and then that will be picked up after the South East [franchise] has gone through.

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes. The franchising process takes a long time to achieve. We are now at the beginning of 2016 and so, if there is not an extension, it would make it a lot more difficult than if there was. I am sure that TfL's aspirations will be to do something.

**Kemi Badenoch AM:** My last question is about south London rail services. The Centre for London estimates that south London needs £10 billion to £15 billion over the next 25 years. Do you think that is an accurate estimate?

**Sir Peter Hendy CBE (Chair, Network Rail):** It would not surprise me, actually. In terms of what needs to be done to the railway network to keep it expanding, some of that, I am sure we would say, is going to have to be in the replacement signalling systems because there is not any doubt that you can get far more capacity. Some of it will have to be in stations. Some of it will have to be in additional bits of line and changes to the way in which the infrastructure is configured. I would bet that you would all rather that we did it through signalling improvements rather than through the sorts of work at London Bridge if we can avoid it, but it will not always be avoidable.

The real challenge, of course, is that if you cannot do it by signalling improvements and longer trains, then in the end you will have to build some new lines, which are very expensive. You heard Andrew [Lord Adonis] say

that you can really only build one railway tunnel through central London in each generation and I am sure that he is probably right. The alternatives to it are either impossibly expensive or really hard to do. Subject to finding ways of funding it, I suspect that we will be doing it in the next 10 or 15 years because I cannot see any alternative.

**Tom Copley AM:** Just a quick follow-up because I was down at Crofton Park at the weekend.

**Sir Peter Hendy CBE (Chair, Network Rail):** I know where that is.

**Tom Copley AM:** I met the Crofton Park Transport User Group. More than 100 people turned up, which showed the strength of feeling. That is only one of a handful of stations in Zone 3 that has only two trains per hour. Govia Thameslink Railway (GTR) did not turn up and it blamed Network Rail, as is often the case.

One of the issues that residents raised - a number of them said - was that the local services on the Catford Loop were not included in the proposals for devolution. Is that the case and could we have some clarity on that?

**Sir Peter Hendy CBE (Chair, Network Rail):** It does not sound right to me. I would have thought that the Catford Loop is pretty firmly in the parts of the south London where you would expect the devolution to take effect. The only thing you have to say about some of those services is that the amount that you can get into New Cross and up to London Bridge, even after London Bridge is rebuilt, is limited. One of the reasons why the Bakerloo line extension is being punted around is in order to try to remove some of the pressure so that we can do something with those low-frequency services. I would have thought that the Catford Loop was pretty firmly in there.

**Valerie Shawcross CBE AM (Chair):** We will check that out, Sir Peter.

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes. That does not sound right to me.

**Valerie Shawcross CBE AM (Chair):** Thank you. That was great. Sir Peter, we are coming to the end of our four-year term now and we think we have one more Transport Committee before we go. We have greatly appreciated the time and the effort that you have put into coming to this Committee over the years.

We were thinking this morning about suggesting one or two things to our successors who will take over after May. Are there any items on rail in London that you think this Committee ought to be putting on our consideration list for the next Committee? I have to say that by and large we feel we have done a good job on rail in this Committee. You might not agree with everything that we have done, but we have supported the right things.

**Caroline Pidgeon MBE AM (Deputy Chair):** Yes, absolutely.

**Valerie Shawcross CBE AM (Chair):** We have supported devolution. We have supported Crossrail 2. We have supported everybody getting their acts together about London Bridge a bit better and customer service improvements there.

Is there anything that you think we could be uniquely helpful on? I had wondered about our general lack of attention to the freight industry in London. Obviously, as politicians, it is always obvious that we would think about passengers because those are the people who contact us as our residents, but are there any issues that you think we ought to be considering that have been sadly ignored?

**Sir Peter Hendy CBE (Chair, Network Rail):** Certainly the freight people, I am sure, would be delighted to come to see you. You might find yourselves with a certain amount of conflict, as indeed most of the passenger railway does, because they will all tell you that they would like more business and in the course of more business they would like more paths through Camden Road, which is not what the Overground would necessarily like.

**Valerie Shawcross CBE AM (Chair):** No, we would like them to go round!

**Sir Peter Hendy CBE (Chair, Network Rail):** Railway freight is important and there are important freight terminals in London.

The industry will be looking towards CP6, which is 2019-2024. The Initial Industry Plan (IIP), which is the precursor to that - it is a very long process - will be being got together in the course of this calendar year. Your successors might want to review what the industry as a whole is saying its aspirations are for CP6 and beyond.

I have already started saying to people that one of the lessons from CP5 is that you cannot do all of these big projects in five-year cycles and that it takes longer than five years to invent it, to work out what it is and to work out how much it costs. The industry should be looking beyond CP6 as well. It should be looking 10 or 15 years out.

In that connection, the other thing is that we will be putting forward to the IIP a programme for the Digital Railway, which is digital signalling, to increase capacity and you will certainly want to have a look at that. Although there are lines that are full and crowded in other parts of the country, clearly the largest collection of them is in London and southeast England and you might want to review at some stage what is in the IIP for CP6 so that Londoners have a view about what is likely to be delivered from 2019 onwards.

What I do hope and what I think we all hope at Network Rail is that whatever Nicola [Shaw] comes up with as a structure will help the industry plan for further ahead so that people can see what is going to happen in 10 or 15 years given this phenomenal rate of growth. Otherwise, if it is done only to 2024, people are going to be left with some big questions about what else is going to be done to make sure that they can still get on a train on their way to work.

**Valerie Shawcross CBE AM (Chair):** It would be very good if, as you have said, there is a focus on passenger issues in there and customers. That is definitely one of the biggest failings that we perceive in the rail industry.

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes. I have said it elsewhere and so it is not new but it bears saying again. One of the things that surprised me a bit when I got there was that the regulatory arrangements, which of course were related to a company that was at least notionally private, were quite so intrusive in a way that many people in Network Rail might well have believed that the regulator was in fact the customer. If you are given 70 regulatory targets and 3,700 indicators, you might well believe that fulfilling all of those is the equivalent of doing your job properly. The truth is that it is not like that. The customers are a combination of the train companies and real people waiting for trains. Nicola [Shaw] and I have had some very good discussions about that. It is very easy in this structure for people to look inwards and not outwards, actually. One of the successes of TfL is that we have tried to remember who is paying the bills and who is travelling.

**Valerie Shawcross CBE AM (Chair):** Whatever criticisms we might have of TfL, it is because in London we experience the contrast in service standards on things like real-time information, attention to disability access and being able to manage around incidents and we see that the national rail network is very poor at customer service by and large.

**Sir Peter Hendy CBE (Chair, Network Rail):** To be fair --

**Valerie Shawcross CBE AM (Chair):** It is patchy. It would be great in the revolution in national rail that you are talking about if somewhere in there some of those targets are about --

**Sir Peter Hendy CBE (Chair, Network Rail):** About passengers, yes.

**Valerie Shawcross CBE AM (Chair):** -- a better service, a more joined-up service, legibility of the ticketing and legibility of the information system for customers because, at the moment, it still looks fairly shambolic from our side.

**Sir Peter Hendy CBE (Chair, Network Rail):** Nicola [Shaw] and I have talked at some length about philosophically the way in which TfL constructs its operational plan, which is to start with what customers want and to derive some indices about what that means in service delivery. The railway has historically come from a rather different place and the franchise holders, to be fair to them, will perform what their contracts say they should do.

**Valerie Shawcross CBE AM (Chair):** Absolutely.

**Sir Peter Hendy CBE (Chair, Network Rail):** That is one of the great benefits of devolution because as soon as TfL says, "Our standards are the same across all of these lines and this is what we want people to do", you will get it because that is what they will do. That has been the great success of the Overground, which is that - I keep saying 'we' but I should not anymore - they have been asked to do certain things and they have done them because that is what they get paid for. You will see a similar change on the national railway network in London as this new arrangement takes over. Actually, that is all that people are asking for in the north of England as well.

**Valerie Shawcross CBE AM (Chair):** Absolutely. Lovely. Thank you very much for your time today, Sir Peter. You have taken on what must be the most complex, difficult job in the UK. We have lots of support for you and lots of confidence and --

**Sir Peter Hendy CBE (Chair, Network Rail):** Thank you. No, I am not in charge. The Chief Executive is in charge.

**Valerie Shawcross CBE AM (Chair):** Yes, I know.

**Sir Peter Hendy CBE (Chair, Network Rail):** It is true.

**Valerie Shawcross CBE AM (Chair):** Yes, we have met him.

**Caroline Pidgeon MBE AM (Deputy Chair):** Yes, we did a site visit with him.

**Valerie Shawcross CBE AM (Chair):** We are really appreciative of you coming, Sir Peter, and I hope that we can take up your offer and the next Committee can see you again.



**Sir Peter Hendy CBE (Chair, Network Rail):** Either this time or on the other side, those of you who have not seen it or would like to come again to London Bridge, now if you go around the bottom you can begin to see what it is going to look like from August.

**Valerie Shawcross CBE AM (Chair):** I have been twice and it is starting to take shape.

**Sir Peter Hendy CBE (Chair, Network Rail):** It is, yes.

**Valerie Shawcross CBE AM (Chair):** It really would be good to go again, yes. We would like that. The purpose of that project has never been in doubt. It has always been the management of the customers that is the issue.

**Sir Peter Hendy CBE (Chair, Network Rail):** Yes, absolutely. Come and have a look.

**Valerie Shawcross CBE AM (Chair):** Thank you very much indeed. Thank you.