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The Committee of Public Accounts

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Rail passengers have suffered unacceptable levels of disruption in 2018. The failed introduction of a new timetable in May 2018 resulted in Govia Thameslink Railway and Northern not running 780 trains on average each day, equivalent to one in ten trains, and other services being significantly delayed and overcrowded. 2019 looks to be another difficult year for both passengers and the rail industry, with further significant timetable changes planned, increased amounts of maintenance work and large improvement projects rolling out.

The Department for Transport's management of this franchise and the railway continues to be characterised by cost overruns, project delays and disruption. There is not enough transparency about the service improvements that passengers can expect and the levels of profit that rail companies can make. The Department still has a way to go to achieve the joint working needed between Network Rail and train operating companies to ensure that infrastructure works are properly planned and scheduled and disruption is minimised. Passengers with disabilities continue to be let down by the Department and the rail industry. It is not good enough that the Department does not know if passengers with disabilities are getting the support they need. Outside of rail, Parliament and the public still require clarity about how some vital road investment projects will now be funded, given Treasury's decision to stop PF2. Unless the Department considerably improves its strategic management of the railway and transport more generally, passengers and taxpayers risk continuing to pay the price for the Department's failures.

Introduction

The Department for Transport (the Department) is responsible for setting the strategic direction for the rail industry in England and Wales, including improving access to the railway for people with disabilities. It funds Network Rail to maintain and enhance rail infrastructure (£47.9 billion between 2019 and 2024). The Department also funds and oversees significant rail improvement programmes led by organisations created to manage these programmes, including Crossrail (Crossrail Limited) and High Speed Two (High Speed Two Limited). The Department contracts private sector companies to run train services through a system of franchising and, along with the Office of Rail and Road, holds these companies to account for their performance. The Department currently oversees 14 franchises. If franchises fail or are terminated, the Department can bring these back under government control until a new franchise can be let. In May 2018, timetable changes were introduced affecting 46% of train times across the rail network. The Department's management of the rail industry led to unacceptable disruption lasting for many weeks across the south-east and north of England. The Department is also responsible for overseeing and funding investment in the strategic road network, primarily through its Road Investment Strategy which is expected to cost £12.8 billion between 2015 and 2020.

Conclusions and recommendations

1. **The Department did not ensure, as it should have done, that those responsible for the railway are clear about their roles and that they work together effectively. This has contributed to major disruption and misery for passengers.** In 2018 rail passengers have faced delayed and cancelled train services because of strike action, timetable chaos and infrastructure problems. The Department's and industry's failed introduction of new timetables in May 2018 led to one in ten trains being cancelled by Govia Thameslink Railway (GTR) and Northern. Where services did run, these were significantly delayed with significant financial and emotional costs for passengers. Given the fragmented nature of responsibilities for operating the railway, it is alarming that the Department has not ensured a clear line of ownership and oversight of the timetabling process, and that it did not sufficiently probe the assurances it was getting from industry on progress. We have previously recommended that the Department set contractual incentives to ensure better joint working between Network Rail and train operating companies in future franchises to improve the response to disruption and services for passengers. However, the Department has not set out in sufficient detail what it is doing differently when letting new franchise contracts, nor how it is incentivising closer working to take place in those contracts already let. In September 2018, the Department launched a 'root and branch' review of the management and operation of the railway, which is expected to report later in 2019.

   Recommendation: *As part of its response to the ongoing rail review, the Department must set out once and for all a clear governance and accountability structure for the railway, including what the Department retains responsibility for and how it will gain assurance that the wider system is functioning as it intends.*

2. **We are concerned that the Department is still not adequately protecting taxpayers' money in its management of Govia Thameslink Railway and that there is a lack of transparency about the profit rate that the company will be able to earn from its franchise.** In 2018, the Department had not yet achieved value for money from the Thameslink, Southern and Great Northern rail franchise, operated by GTR, because it had failed to deliver improvements for passengers. Between September 2014 and September 2017, passengers experienced the worst overall service performance on the national rail network in terms of punctuality of trains. Passengers experienced further disruption in 2018 because of the timetable changes in May, meaning that long-suffering passengers on the route have faced disruption in the first four of the seven years of the franchise. The Department asserts that the new management of GTR has made some improvements to performance, but there is further to go. GTR has so far not made a profit, and the Department asserts that it will cap GTR's profits for the remainder of the franchise, but it will not provide details of this cap. We do not accept its rationale that this is commercially sensitive, given the novel nature of the franchise. The Department also now requires GTR to invest £15 million on improvements for passengers, in addition to the £12.4 million settlement following GTR's poor performance between 2015 and 2018. The Department is still to decide how the £15 million will be spent and it is not clear whether the investment will result in tangible improvements for passengers. We

are concerned that the franchise failed to include sufficient investment to secure improvements for passengers, outside of the Thameslink programme, as part of the original franchise contract.

Recommendation: *Within three months of this report, the Department must set out: details of the profit cap that it applied to Govia Thameslink Railway; and how the £15 million passenger improvement fund will be spent, including the tangible improvements from it that passengers can expect.*

3. **The Department's failure to learn the lessons from previous programmes means that its strategic management of the railways is not evolving quickly enough to be able to procure and execute complicated projects such as Crossrail so that they do not face cost increases and delays.** A range of issues have emerged on the Crossrail programme, including delays to some infrastructure and more time being required for systems integration and testing the new line. These issues have significantly increased the expected cost of the programme and delayed the start of services for passengers. These additional costs will be funded primarily through a £1.3 billion loan from the Department to the Greater London Authority, and an additional £750 million loan to Transport to London, should it be required. Londoners will therefore bear the brunt of these costs, which could further increase as it is not yet clear when full services will begin. The Department did not sufficiently probe the assurances given by Crossrail Limited over the progress of the programme and its expected cost. It is disappointing that we keep seeing these similar issues in how the Department manages programmes, including the Thameslink upgrade and the programme to modernise the Great Western Railway. It is worrying that as the Department embarks on another major programme - the £2.9 billion Trans-Pennine route upgrade - it is not learning lessons from previous programmes.

Recommendation: *The Department should, within three months of this report, set out how it plans to systematically capture and learn lessons from programme delivery so that it avoids repeating the same mistakes experienced on some programmes again.*

4. **It is unacceptable that passengers still do not know when the improvements to services that the Department promised them from the failed East Coast franchise will be delivered.** The Department promised passengers an improved service when it let the East Coast franchise to Virgin Trains East Coast (VTEC) in 2014, including reduced journey times, new services, and a large increase in seat numbers. Also, new direct services with some northern towns and cities were promised from May 2020. After the franchise entered financial difficulties in 2017, the Department terminated the franchise in June 2018, bringing it back into the public sector. The Department now operates the franchise under the brand of London North Eastern Railway (LNER). The Department asserts that the commitments given by the VTEC franchise are the same as those in the Department's Services Agreement with LNER, including the introduction of new direct services. However, infrastructure enhancements on the East Coast are necessary to enable these direct services to be introduced and the Department could only tell us that this work will be completed throughout the early 2020s. Infrastructure enhancements will therefore not be in time to support the introduction of the new direct services by May 2020 as promised, and we remain unclear when the new services will run. The Department

also expects a new public-private east coast partnership will operate on the route from 2020 and it is not clear whether LNER will be operating the new direct services or the new east coast partnership.

Recommendation: *By summer recess, the Department should write to the Committee setting out in detail when the new direct services to towns and cities such as Huddersfield, Sunderland and Middlesbrough, promised on the east coast railway when the VTEC franchise was awarded will begin, reflecting the latest plans for necessary infrastructure enhancements.*

5. **The Department and rail industry have been too slow to act to make the railway more accessible for passengers with disabilities.** The Department states that the rail industry is making progress in improving accessibility, including increasing the percentage of trains built or refurbished each year which have accessibility features factored and improving station step-free access. The rail industry had also begun trialling a new online app that aims to improve how passengers with disabilities book assistance. However, there is more to do to ensure equal access. There is still variability in the support people are getting during their journeys and pre-booked assistance does not always materialise. The ORR has recently launched a consultation on its proposals to significantly revise guidance for train and station operators to make the railway more accessible for all. The Department told us that it monitors complaints made regarding accessibility and help provided. However, it does not track whether people are getting the support they need.

Recommendation: *The Department should write to the Committee by the summer recess setting out how it will ensure that train operating companies and station operators make sure that passengers with disabilities can use the railway, and to set out an enhanced monitoring regime to make sure that the companies are complying with the plan.*

6. **We continue to be concerned that the Treasury's and the Department's lack of a clear plan for what will replace PF2 funding for some major road improvement projects risks squeezing funding already allocated elsewhere.** The Department has delayed some road investment projects that should have started before 2020, reducing the budget available for new road projects between 2020 and 2025. Funding available for new projects over this period will be further squeezed if the A303 Stonehenge tunnel and Lower Thames Crossing projects are funded from this budget. These projects were originally to be part-funded through PF2. But the government announced in Budget 2018 that it would no longer use PF2 for new projects, having found the model to be inflexible and overly complex. We are not convinced by assurances that the Department and Treasury are fully committed to these projects without more detail on the alternative funding models that are being developed. We have previously raised concerns in our report on the Whole of Government Accounts that these models may not be value for money.

7. **Recommendation:** *Within three months of this report, the Department and Treasury should write to the Committee clearly outlining the range of financing structures available to fund the A303 Stonehenge tunnel and Lower Thames Crossing projects, how this will affect the budget of £25.3 billion for Road Investment Strategy 2 (RIS2)*

funding, what the effect will be on other road projects in RIS2 and how it will appraise the cost and risk implications of these options to protect the public finances over the long-term. In particular, now that these projects will not receive any PF2 funding.

1. Management and oversight of the railway

1. We took evidence from the Department for Transport (the Department) and Network Rail on rail franchising, Crossrail and the Department's handling of other rail programmes in the UK.

2. The Department is responsible for setting the strategic direction for the rail industry in England and Wales. It contracts private sector companies to run train services through a system of franchising and, along with the Office of Rail and Road (ORR), holds these companies to account for their performance. The Department currently oversees 14 franchise contracts. The Department funds Network Rail, a public-sector company, to maintain and enhance rail infrastructure.[1] Network Rail plans to spend £47.9 billion over the period 1 April 2019 to 31 March 2024, targeting spending more towards maintenance and renewal of track in order to provide a more reliable service to passengers than major new programmes, but this work will necessitate some disruption.[2]

3. National rail timetables are changed twice a year through a process led by Network Rail. On 20 May 2018, Network Rail introduced timetable changes which affected 46% of train times across the rail network. There were around 42,000 different timetable changes, about three to four times higher than usual. The timetable changes resulted in unprecedented disruption for passengers which lasted many weeks across the south-east and north of England. On average, Govia Thameslink Railway and Northern failed to run 780 services each day, equivalent to one in ten trains when disruption was at its worst. Where trains did run, services were significantly delayed. The disruption resulted in passengers bearing significant financial and emotional costs, directly impacting on their families and work. More changes than those which took place in May 2018 are due in May 2019 and significant changes are due in December 2019.[3] There was also disruption in 2018 caused by industrial action, including on Northern and South Western franchises.[4]

Responsibilities for running the railway

4. ORR conducted an independent review into the May 2018 timetable changes which found that government and industry made mistakes. Network Rail was in the best position to understand and manage the risks but did not take sufficient action. ORR found that diffuse accountability across the rail industry and government for different programmes resulted in a lack of clarity about roles and responsibilities for the oversight and control of complex railway system risks.[5]

5. We questioned the Department and Network Rail on the lack of clarity over responsibilities for the timetable change. Network Rail told us that organisations within the rail industry underestimated the consequence of making such a significant change to

1 Department for Transport, Annual Report and Accounts 2017-18, HC 1291, September 2018
2 Qq 43, 52-54
3 Qq 85, 88; Office of Rail and Road, Independent inquiry into the timetable disruption in May 2018, September 2018 and December 2018; Passenger Focus press release, 'Rail timetable change 2018'
4 Committee of Public Accounts, Rail franchising in the UK, Rail franchising in the UK, Thirty-Fifth Report of Session 2017-2019, HC 689, 27 April 2018
5 Office of Rail and Road, Independent inquiry into the timetable disruption in May 2018, September 2018 and December 2018

the timetables in May. The Department told us that the rail industry continued to maintain until two days before the timetable change that everything was on track. It did not consider its role to be running the timetable process because those in the rail industry have the operational experience to do this most effectively, but acknowledged that it should have done more to challenge the assurances it received from the rail industry about progress. Network Rail disagreed that more assurances were needed. It asserted that, given industry experts did not identify the issues that emerged, the Secretary of State and any other Ministers would have been unlikely to be able to do so, even if more assurances were in place. Instead, Network Rail told us that getting right clarity of ownership within the rail industry for the timetabling process was fundamental to ensuring this kind of disruption did not happen again.[6] Even though the Department distanced itself from responsibility for timetabling, it is nonetheless responsible for decisions about the introduction of new services that must then be accommodated into new timetables. The Department told us that the key learning point from the disruption was that it tried to introduce too many new services all at once and at a time when industry was not ready.[7]

6. The Secretary of State admitted in October 2018 that more than half of the daily disruption to rail services was caused by Network Rail.[8] Network Rail told us that, in Scotland, there was close working between ScotRail (train operator) and Network Rail's Scotland route, with both organisations headed by the same person. However, passengers in Scotland still faced significant disruption from issues with rail infrastructure, partly due to the acute effects of the hot weather in 2018. Network Rail told us that it had commissioned independent experts to review performance in Scotland, who had recommended a performance improvement plan, the progress of which was being tracked with Transport Scotland.[9] In recognition of the concerns about Network Rail's performance across Great Britain, ORR issued a provisional order on 28 November 2018 requiring Network Rail to report to ORR by 15 February 2019 setting out how it is identifying and the addressing the issues which were responsible for its poor performance.[10] Network Rail told us that it was reviewing its improvement plans and that it aimed to have the plans validated by some of the train operators and present them to ORR by the end of March 2019. The new Chief Executive of Network Rail has also started a '100 day review' to examine greater devolution of responsibilities within Network Rail.[11]

7. In September 2018, the Department launched a 'root and branch' review of the management and operation of the railway, which will report in 2019. This independent review, led by the former British Airways Chief Executive and Deputy Chairman of John Lewis Partnership, aimed to analyse all aspects of the railway, alongside changing travel and work patterns. Recommendations were expected to improve the current franchising model in terms of reliability, delivering better services and value for money for passengers, commercial sustainability and innovation.[12] The Transport Committee of the London

6 Qq 81, 90-91
7 Q 76
8 HC Deb, 11 October 2018, Col 318
9 Qq 43, 44, 49
10 Letter from John Larkinson to Andrew Haines, 28 November
11 Qq 49-51; Minutes of meeting of the board of Network Rail, September 2018
12 Q 59; Department for Transport press release, 'Government announced root and branch review of rail', 20 September 2018

Assembly had recently completed a review of London's rail network, recommending a more strategic, coordinated approach to planning investment and enhanced passenger engagement.[13]

8. In our previous report on rail franchising in April 2018, we recommended that the Department should ensure that the priorities and incentives of Network Rail and franchise operators are aligned to serve the passenger, and that these incentives should be embedded into contracts, rather than relying on good relationships between individuals.[14] In its response to our report, the Government agreed with our recommendation. However, the Government's response did not set out any changes to the Department's franchising process so that contracts are improved, instead it set out current arrangements.[15]

9. We questioned the Department on what actual changes were being made to better incentivise joint working. It told us that it was involving Network Rail in the franchise letting process, and a member of Network Rail staff was embedded in the Department's franchising team. Network Rail similarly told us that its engagement in the franchise letting process had deepened over the last three and a half years. The Department did not provide further detail about the changes it was making to the franchising process. Network Rail told us that the invitation to tender for the two franchises which were currently being negotiated aimed to achieve a "deep alliance" between the franchisee and Network Rail activity in the geographical area, and with joint performance heads, joint control centres and closer timetable planning. It added that this could mean a single point of responsibility in the event of disruption in the future. For franchises which have already been let, the Department and Network Rail told us that the extent of joint working depended on the franchise, but asserted that joint working was already happening on a voluntary basis. The Department told us that 'Team Victoria' had been set up at London Victoria Station, where Network Rail staff and train operating staff are integrated, wearing the same uniforms and providing the same information to passengers.[16]

Govia Thameslink Railway

10. The Thameslink, Southern and Great Northern (TSGN) franchise operates train services in south-east England and is the largest of the Department's rail franchises. The franchise is operated by Govia Thameslink Railway (GTR), who began running services in September 2014. The Department set this franchise up on a unique financial basis to its other franchises. It retains fare revenue and pays GTR a fee to operate services, which depends on performance. This approach aims to incentivise GTR to focus on delivering the Thameslink upgrade programme, rather than on maximising fare revenues.[17]

11. In January 2018 the National Audit Office (NAO) reported that high levels of disruption for passengers meant that the Department had not yet achieved value for money from the TSGN franchise. The NAO found that while the franchise had delivered some improvements for passengers, between September 2014 and September 2017, passengers

13 Transport Committee of the London Assembly, Broken rails: a rail service fit for passengers, November 2018
14 Committee of Public Accounts, Rail franchising in the UK, Thirty-Fifth Report of Session 2017-2019, HC 689, 27 April 2018
15 HM Treasury, Treasury minutes: Government response to the Committee of Public Accounts on the Thirty First to the Thirty Seventh reports from Session 2017-19, Cm 9643, June 2018
16 Qq 29-34, 44, 73
17 Report by the Comptroller and Auditor General, The Thameslink, Southern and Great Northern rail franchise, Session 2017-2019, HC 528, 10 January 2018

experienced the worst overall service performance on the national rail network in terms of trains arriving on time. The NAO also found that, although industrial action was a major contributor to disruption, the Department had made decisions when designing and letting the franchise and the cumulative impact of these decisions had negatively impacted on passengers.[18] When we examined the TSGN franchise in early 2018 we found that the unique financial basis of the franchise meant that GTR did not have the usual incentives to maintain performance levels for passengers as it did not benefit from rising passenger revenue, and that this played a part in dismal service for passengers. We were also concerned that the Department disregarded the terms of its contract and settled the level of fines that GTR will pay for future poor performance before knowing whether GTR was performing well or not. In July 2017, the Department agreed a settlement worth £12.4 million with GTR for the period between September 2015 to September 2018 to compensate for actual and expected poor performance. Overall, we concluded that the franchising model is broken and that the Department's management of the TSGN franchise was completely inadequate.[19]

12. The Department asserted that it had taken significant steps to challenge and deal with poor performance by GTR. Rather than GTR paying the £12.4 million performance settlement to the Department, it required GTR to invest in improvements for passengers, such as more on-board supervisors to help passengers and smart ticketing. Also, following the May timetable disruption, the Department required GTR to create a passenger improvement fund worth a further £15 million, in addition to the £15 million compensation paid to passengers. The Department told us that it would, working with passenger groups, decide how the improvement fund would be spent. It added that these amounts were significant to GTR, given that the franchise had not yet made a profit, and up to September 2017, had made a loss of more than £5 million.[20] The Department told us that it had capped the profit that GTR can make, but asserted that "standard confidentiality provisions" in the franchise contract prevented it from sharing further details of the profit cap. In written correspondence following our evidence session, the Department told us that Go-Ahead, the company which owns GTR, expected the profit margin over the full franchise term to be between 0.75% and 1%, which was down from previous expectations of 0.75% to 1.5%.[21]

13. The Department told us that the new management team in GTR had secured improvements to services and that services to passengers were now much more stable. The public performance measure (PPM) is the current industry performance standard and measures the percentage of trains which ran their entire planned journey calling at all scheduled stations and arriving at their terminating station within 5 minutes (10 minutes for long distance services). The Department told us that, at the time of giving evidence,

18 Report by the Comptroller and Auditor General, The Thameslink, Southern and Great Northern rail franchise, Session 2017-2019, HC 528, 10 January 2018

19 Committee of Public Accounts, Rail franchising in the UK, Thirty-Fifth Report of Session 2017-2019, HC 689, 27 April 2018

20 Qq 60, 65, 69; Report by the Comptroller and Auditor General, The Thameslink, Southern and Great Northern rail franchise, Session 2017-2019, HC 528, 10 January 2018

21 Qq 66, 67, 78, 79; Letter from Bernadette Kelly to Meg Hillier MP – Follow-up from evidence session, 19 December

GTR's PPM was over 80% each reporting period from 22 July 2018, which it stated was significantly better than in the last four years.[22] This number is still below the average for Great Britain.[23]

Crossrail and learning lessons from major programme delivery

14. The Crossrail programme will provide a new railway that connects Reading and Heathrow west of London, with Shenfield and Abbey Wood in the east. The Department and Transport for London have jointly sponsored the programme, since the introduction of the Crossrail Bill to Parliament in 2005. Crossrail Limited, a wholly-owned subsidiary of the Transport for London, was set up to build the new railway. In 2010, a funding package of £14.8 billion was agreed for the programme, with contributions from Transport for London, the Department, Network Rail and London businesses.[24]

15. In August 2018, Crossrail Limited announced that the central section of the new Elizabeth line would not open as planned in December 2018. The Department and Crossrail Limited had attributed the delays to be a result of some infrastructure not yet being complete, the complexity of work to integrate the required signalling and other systems, and the need to set aside more time for testing of the railway before opening.[25] The Department told us that Crossrail was an extremely complex programme to complete, but it believed it could be delivered and that it did not depend on "world-beating" technology.[26]

16. The Transport Committee of the London Assembly reviewed the Crossrail programme in the Autumn of 2018. In written correspondence to us, it told us that transparency in key decision-making forums, and independent scrutiny of the programme, had been lacking from the outset of the programme. It concluded that the programme entered serious difficulties when an electrical explosion happened at Pudding Mill Lane in late 2017, but commercial issues were used to prevent scrutiny of the issues at the time.[27] In October 2018, we questioned the Department on when it became concerned about delivery of the programme. The Department told us that although Crossrail Limited formally notified the Secretary of State and Mayor of London on 30 August 2018 that the programme would be delayed, it began to have concerns in "spring" 2018. It told us that Crossrail Limited was answering the Department's questions on delivery of the programme and Crossrail Limited maintained that the schedule was still possible, although its level of confidence started to diminish overt time. The Department also told us that it questioned Crossrail Limited's Chief Executive at the Department's June 2018 executive committee to probe further on delivery, but it was not confident in the assurances given.[28] We remain unconvinced that the Department had a sufficient and timely grip on the programme.

22 Qq 60, 65; Office of Rail and Road, Passenger and freight rail performance, table 3.57; Each reporting period is 28 days long. Period 5 2018–19 began on 22 July 2018. At 10 December 2018, data had been published for periods 5 to 8. GTR's PPM was: period 5 – 82.3%; period 6 – 87.3%; period 7 – 84.0%; and period 8 – 81.1%.

23 Office of Rail and Road, Passenger and freight rail performance, table 3.56

24 Report by the Comptroller and Auditor General, Crossrail, Session 2013-14, HC 965, 24 January 2014

25 Q 28; Crossrail Ltd announcement: 'Elizabeth Line services through central London to start in 2019', 31 August 2018; Committee of Public Accounts, Oral evidence: Department for Transport: Implementation of Brexit, HC 1657, 24 October 2018, Q 44; Crossrail Ltd oral evidence to the Transport Committee of the London Assembly, 12 September 2018

26 Qq 25, 26, 28

27 Letter from the Chair of the London Assembly Transport Committee to the Chair of the Public Accounts Committee, 7 December 2018

28 Committee of Public Accounts, Oral evidence: Department for Transport: Implementation of Brexit, HC 1657, 24 October 2018, Qq 36-43, 46-48; Department for Transport letter to Chair, 5 November 2018

17. On 10 December 2018, the Department and Transport for London announced that they would provide additional funding of £1.4 billion for Crossrail, bringing the total funding envelope for the programme to £17.6 billion, excluding contingency.[29] This additional funding comprised: a £1.3 billion loan from the Department to the Greater London Authority (GLA) at gilt plus 0.8% over ten years; and a £100 million contribution from the GLA. A gilt is a loan security issued by the government. The Department told us it was not possible to specify what the equivalent interest rate would be as this will be determined by the gilt levels in the market at the time the loan is drawn down.[30] In addition to the £1.4 billion, the Department has agreed that a further loan of £750 million could be made available to Transport for London as a contingency. The Department told us that, while the details of the £1.3 billion loan were still to be finalised, Londoners as the primary economic beneficiaries of Crossrail would ultimately pay for the cost overrun through business rate supplements and the mayoral community infrastructure levy. The Department told us that it had tasked the new Chief Executive of Crossrail Limited, to devise a new schedule for the programme which it expected in January 2019. In the absence of this work, the Department would not commit to a revised completion date for Crossrail.[31]

18. We were concerned by the extent of the additional costs of the programme and whether the Department was sure that the new financing package was sufficient to cover the remaining costs of the programme. The Department accepted that this was a significant cost overrun, and that it was deeply disappointed and frustrated by it. While accepting that there was continuing uncertainty regarding the timetable and therefore remaining costs, the Department told us that the financing package should be sufficient to cover the remaining costs of the programme, given KPMG's advice that the remaining programme costs could be between £1.6 billion and £2 billion.[32] We expect to examine the Crossrail programme in further detail when the NAO reports on the programme in 2019.

19. We, and our previous committees, have scrutinised a number of large transport programmes in recent years, including the Thameslink upgrade programme and the modernisation of the Great Western Railway. The Thameslink programme aims to increase capacity and relieve crowding on rail services in London and the south east. It represents a substantial change in how the railway functions in this region, involving new technology, new ways of managing passengers at stations and new maintenance arrangements. When we examined the programme in February 2018 we found that, given the scale and scope of changes, the Department did not plan early enough how new services would be introduced. It decided at a late stage that, in order to minimise the risk of passenger disruption, the full introduction of planned services should take place 12 months later than previously planned.[33] The Department is modernising the Great Western Railway to upgrade infrastructure, trains and services along the route from London to south-west England and south Wales. When we examined the programme in March 2017 we found that the Department failed to integrate all the elements, including plans for electrification

29 Q 1; HC Deb, 10 December 2018, Col 8WS
30 Letter from Bernadette Kelly to Meg Hillier MP and Ministerial Announcement – Crossrail, 10 December 2018, Letter from Bernadette Kelly to Meg Hillier MP – Follow-up from evidence session, 19 December.
31 Qq 1-10, 20-22
32 Qq 23-24
33 Committee of Public Accounts, Update on the Thameslink Programme, Twentieth Report of Session 2017-19, HC 466, 23 February 2018

of the line and for buying new trains, successfully at the planning stage and did not manage the programme in a joined-up way. It also failed to challenge Network Rail's plans effectively and did not put in place a clear structure of accountability.[34]

20. In September 2017, the Department announced that it would upgrade the Trans-Pennine route to reduce journey times and improve passenger services. The Department told us that it was committed to the £2.9 billion upgrade, the largest programme within Network Rail's programme from 2019 to 2024, and that the first works were due to start in Spring 2019. Network Rail told us that between Manchester to Leeds and York the route crosses the Pennines and there is lots of tunnelling. Because the route was primarily a two-track railway, with limited rail or road alternatives, it had sought to achieve a balanced package of improvements that prioritised capacity improvements, without improvement works causing such disruption that passengers abandon the railway.[35] We asked the Department and Network Rail what lessons they had learned from major programmes. The Department identified improved board oversight and closer working with train operators. Network Rail told us that it was important to be clear what the programme will deliver at the outset, to work in close co-operation with other stakeholders, and to work closely with the supply chain to use new technology.[36]

34 Committee of Public Accounts, Modernising the Great Western Railway, Forty-fourth Report of Session 2016-17, HC 776, 3 March 2017

35 Qq 121-125; Department for Transport press release, 'Government invests in northern digital plans to improve trans-Pennine journeys', 22 September 2017

36 Q 126

2. Services for passengers

Improving services on the east coast railway

21. In November 2014, the Department awarded the East Coast franchise to Virgin Trains East Coast (VTEC), a 90% subsidiary of Stagecoach and 10% owned by the Virgin Group. VTEC began operating services between London, the North East, Yorkshire and Scotland from March 2015 and was due to run until the end of March 2023. On 16 May 2018, following the franchise returning a financial loss and VTEC breaching a financial covenant in its contract with the Department, the Department announced that it would terminate the franchise on 24 June 2018. The Government has assumed responsibility for running services under the brand London North Eastern Railway (LNER).[37] This was the third time this franchise had ended earlier than intended, having previously failed in 2006 and 2009. We examined the termination of the East Coast franchise in April 2018 and concluded that the Department had failed to learn the lessons from previous failures and had allowed the operator to promise more than it could deliver. The failure of the East Coast franchise was the result of a failure by Stagecoach and Virgin Group to accurately forecast the amount of money Virgin Trains East Coast would earn from operating the franchise because the passenger growth forecasts were wildly wrong.[38]

22. The Department pledged a number of benefits for passengers when it announced the East Coast franchise in 2014, including:

- 23 new services from London to key destinations, with 75 more station calls a day;
- Plans for new direct services from London to Huddersfield, Middlesbrough, Dewsbury and Thornaby and additional services to Sunderland from May 2020;
- 3,100 extra seats for the morning peak by 2020, and 12,200 additional seats (50% increase) across the entire train fleet;
- Reduced journey times; and
- An investment package to improve trains and stations.[39]

23. We asked the Department whether the commitments made for additional services when the VTEC franchise was awarded, including direct services to places such as Huddersfield, Sunderland and Middlesbrough, will still be delivered. The Department wrote to us after the evidence session and asserted that these commitments would now be delivered by LNER and that these were in the Department's Services Agreement with LNER.[40] Infrastructure improvements on the East Coast ainline are necessary to enable

37 HC Deb, 5 February 2018, Col 1238; HC Deb, 16 May 2018, Col 285; Committee of Public Accounts, Rail franchising in the UK, Thirty-Fifth Report of Session 2017-2019, HC 689, 27 April 2018; Department for Transport press release: 'More seats, more services and new trains for East Coast passengers', 27 November 2014; Department for Transport, East Coast 2014 rail franchise agreement, June 2015

38 Committee of Public Accounts, Rail franchising in the UK, Thirty-Fifth Report of Session 2017-2019, HC 689, 27 April 2018

39 Department for Transport press release: 'More seats, more services and new trains for East Coast passengers', 27 November 2014; Department for Transport, East Coast 2014 rail franchise agreement, June 2015

40 Qq 116-118; Letter from Bernadette Kelly to Meg Hillier MP – Follow-up from evidence session, 19 December.

more capacity and new direct services.[41] In written evidence to the Committee after our evidence session, the Department told us that it was working with Network Rail to deliver these enhancements in the early 2020s. The Department expects the rollout of a new fleet of trains under the Intercity Express programme will complete by 2020, which will also increase capacity on the route.[42] We note that LNER has removed some services between London and Leeds and Edinburgh and Stirling to improve overall reliability on the route in the event of disruption.[43] The Department aims for a public-private east coast partnership to take responsibility for tracks and trains on the route in 2020. It told us that this vertical integration of track and trains would delivery greater efficiency and better outcomes for the taxpayer.[44]

24. The Department told us that since the franchise has been terminated it had reached a financial settlement with VTEC. It stated that it had taken all parent company support promised in the franchise contract and that the outstanding legal claims had been resolved and no further contractual payments were to be made.[45] However, in written correspondence following the evidence session the Department clarified that there remain some funds in VTEC to allow it to settle its outstanding payments due to creditors, including transitional payments to LNER. The Department told us that, following these payments, VTEC had agreed in principle to transfer the remaining assets it holds to the Department as part of the settlement agreement.[46]

Access to the railway for people with disabilities

25. The Department aims to improve the accessibility of the railway for people with disabilities through its franchising approach. Train operating companies and Network Rail are required by their operating licenses to establish and comply with disabled people's protection policy (DPPP). The Office of Rail and Road (ORR) is responsible for approving these policies and monitoring compliance.[47] The Department told us that it had provided additional funding to the rail industry to improve station accessibility and in 2018 published an inclusive strategy which focused on the accessibility of railways because this was a particularly challenging area. [48] It also told us that it wanted train operating companies and industry to show leadership on this issue and fully consider how they can better serve passengers with disabilities. Network Rail acknowledged its role, as the manager of large stations, and said it was committed to showing leadership in this area.[49]

26. The Department told us that the number of passenger journeys that were via stations with step-free access to, and between, all platforms had increased from 50% in 2006 to 75% in 2018. It similarly told us that the percentage of trains that were built or refurbished to incorporate the latest accessibility requirements has increased from 75% in 2017 to

41 Response from David Horne, Managing Director VTEC, to Transport Committee, 19 January 2018; Letter from John Larkinson, The Office of Rail and Road, 'Applications for access to the East Coast Main Line', 12 May 2016, paragraph 67
42 Letter from Bernadette Kelly to Meg Hillier MP – Follow-up from evidence session, 19 December.
43 www.nationalrail.co.uk/service_disruptions/199558.aspx
44 Qq 119-120; HC Deb, 5 February 2018, Col 1238; HC Deb, 16 May 2018, Col 285
45 Qq 114-115
46 Letter from Bernadette Kelly to Meg Hillier MP – Follow-up from evidence session, 19 December.
47 Qq 38-40; Office of Rail and Road, Disabled people's protection policies – a regulatory statement, July 2014
48 This strategy sets the government's ambition that by 2030, there will be equal access for disabled people using the transport system, with assistance if physical infrastructure remains a barrier. Department for Transport, The Inclusive Transport Strategy: Achieving Equal Access for Disabled People, July 201
49 Qq 37, 40

87% in 2018 and continued to increase. However, there is still variability in the support people are getting during their journeys and pre-booked assistance does not always materialise. Network Rail acknowledged that current service levels were not acceptable. The Department told us that in September 2018, the rail industry had started trialling a new app, which it hoped would make it both easier for passengers to order help, and for that help to be provided.[50] In November 2018, the ORR launched a consultation on its proposals to significantly revise guidance for train and station operators to make the railway more accessible for all. In particular, the ORR's reforms to DPPPs aim to bring greater quality, consistency and reliability in assisted travel.[51]

27. The Department stated that if train and station operators do not provide help on an individual basis, the new rail ombudsman service that came into force in November 2018 had the power to make sure that appropriate action is taken and that compensation is available to passengers affected. The Department told us that if train companies were not providing contracted levels of services it had several contractual levers that it could use, but did not set out the details of these. However, it told us that it only monitors the levels of complaints that help was not provided, which it accepted was not the same as the number of times passengers fail to receive the support they require. The Department wrote to us after our evidence session to confirm that, for more systemic weaknesses, the ORR is responsible for holding operators to account and can require an operator to complete additional reporting, carry out an audit of the operator, or require a review of DPPP policies that could ultimately lead to change in the operator's DPPPs or practice. It told us that if an operator does not comply with its license obligation, then the ORR can take enforcement action and impose a maximum penalty of 10% of the licensee's, or relevant operator's, turnover.[52]

50 Qq 35, 37-40

51 Q 38; Office and Rail and Road press release: 'ORR consults on wide-ranging proposals to make the railway more accessible for all', 14 November 2018

52 Qq 35, 38, 40, 41; Letter from Bernadette Kelly to Meg Hillier MP – Follow-up from evidence session, 19 December.

3. Investment for road enhancement projects

28. The Department is responsible for overseeing and funding investment in the strategic road network, which comprises 4,300 miles of motorways and A-roads and is a vital piece of national infrastructure. In 2015, the Department introduced a new regime of 5-yearly road investment strategies to improve management of the strategic road network. Highways England, the government-owned company responsible for operating, maintaining and enhancing England's strategic road network, is held to account by the Department for delivering the investment strategy. In 2017, the National Audit Office (NAO) found that the first Road Investment Strategy, amounting to £12.8 billion over the period 2015 to 2020, was an improvement on the Department's previous management of the strategic road network. However, the NAO also found that the speed with which the strategy was designed led to the Department pausing, cancelling or rescheduling a number of the 112 planned schemes for affordability reasons or to minimise disruption from the construction schemes on the road network.[53]

29. The Department told us that it and Highways England had now smoothed the profile of projects included in the strategy, and as a consequence, there was a tail of projects that would now form part of the second Road Investment Strategy Period between 2020 and 2025. The Department told us that it expected to finalise this second strategy in 2019 and was not able to provide a figure for the amount of funding that would be available for new enhancements to the road network. It did, however, state that it expected around 40% of the projects that would now be completed in the second strategy period would have started prior to 2020. The Department and Treasury had allocated £25.3 billion for the second strategy period.[54]

30. The Department is leading two significant road enhancement projects:

- A £1.6 billion upgrade of the A303 (Stonehenge tunnel and bypass of the village of Winterbourne Stoke), replacing the existing single carriageway between Amesbury and Berwick Down to improve connections between the south east and the south west and to facilitate economic growth.

- A £4.4 billion to £6.2 billion lower Thames crossing (LTC) to relieve congestion at the existing Dartford Crossing and support local and regional economic development.

- The Department planned for these to be part-funded through PF2.[55] However, in Budget 2018, Treasury announced that it would no longer use PF2 for new projects, having found the model to be inflexible and overly complex.[56]

31. The Department confirmed that it remained fully committed to these "vital projects", but that the Stonehenge tunnel and LTC "sit outside" the funding earmarked for the second Road Investment Strategy. The Department told us that it understood that Treasury

53 Report by Comptroller and Auditor General, Progress with the Road Investment Strategy, Session 2016-17, HC 1056, 22 March 2017; Office of Rail and Road, Review of Highways England's capital delivery plan, 16 July 2018

54 Qq 92-93, 106; Letter from Bernadette Kelly to Meg Hillier MP – Follow-up from evidence session, 19 December.

55 Letter from HM Treasury to Chair, 11 April 2018

56 HM Treasury, Budget 2018, HC 1629, October 2018

supported its broad spending plans for the second strategy period and the Department's aim to continue with the Stonehenge tunnel and LTC. On this basis, the Department believed that Treasury would provide funding for these projects to replace lost funding through PF2.[57] We have previously examined PF2 as part of our inquiry on the Whole of Government Accounts. We found that the Treasury was not planning to replace PF2 with a single preferred approach and had not confirmed whether projects will be part, or fully, funded by the public purse. During our evidence session on the Whole of Government Accounts, the treasury told us that it would decide which funding models to use on a project-by-project basis. We remain concerned that some of the alternative models, such as contracts for difference, may not be value for money.[58]

57 Qq 93-97
58 Committee of Public Accounts, Whole of Government Accounts, 74th Report of Session 2017-19, HC 464, 25 January 2019

Formal minutes

Wednesday 13 February 2019

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown	Layla Moran
Chris Davies	Anne Marie Morris
Chris Evans	Bridget Phillipson
Caroline Flint	Lee Rowley

Draft Report *(Rail Management and timetabling)*, proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 31 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Eighty-first of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 25 February at 3:30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 10 December 2018

Bernadette Kelly, Permanent Secretary, **Polly Payne**, Director General, Rail Group, Department for Transport, and **Andrew Haines**, Chief Executive, Network Rail Q1–130

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

RFI numbers are generated by the evidence processing system and so may not be complete.

1 London TravelWatch (RFI0001)

List of Reports from the Committee during the current Parliaments

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools' finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690 (Cm 9667)
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880 (Cm 9667)

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696 (Cm 9667)
Forty-First Report	Government risk assessments relating to Carillion	HC 1045 (Cm 9667)
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695 (Cm 9667)
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929
Forty-Fourth Report	Reducing emergency admissions	HC 795
Forty-Fifth Report	The higher education market	HC 693
Forty-Sixth Report	Private Finance Initiatives	HC 894
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304
Fiftieth Report	Financial sustainability of local authorities	HC 970
Fifty-First Report	BBC commercial activities	HC 670
Fifty-Second Report	Converting schools to academies	HC 697
Fifty-Third Report	Ministry of Defence's contract with Annington Property Limited	HC 974
Fifty-Fourth Report	Visit to Washington DC	HC 1404
Fifty-Fifth Report	Employment and Support Allowance	HC 975
Fifty-Sixth Report	Transforming courts and tribunals	HC 976
Fifty-Seventh Report	Supporting Primary Care Services: NHS England's contract with Capita	HC 698
Fifty-Eighth Report	Strategic Suppliers	HC 1031
Fifty-Ninth Report	Skill shortages in the Armed Forces	HC 1027
Sixtieth Report	Ofsted's inspection of schools	HC1029
Sixty-First Report	Ministry of Defence nuclear programme	HC 1028
Sixty-Second Report	Price increases for generic medications	HC 1184

Sixty-Third Report	Interface between health and social care	HC 1376
Sixty-Fourth Report	Universal Credit	HC 1375
Sixty-Fifth Report	Nuclear Decommissioning Authority	HC 1375
Sixty-Sixth Report	HMRC's performance in 2017–18	HC 1526
Sixty-Seventh Report	Financial Sustainability of police forces in England and Wales	HC 1513
Sixty-Eighth Report	Defra's progress towards Brexit	HC 1514
Sixty-Ninth Report	Sale of student loans	HC 1527
Seventieth Report	Department for Transport's implementation of Brexit	HC 1657
Seventy-First Report	Department for Health and Social Care accounts	HC 1515
Seventy-Second Report	Mental health services for children and young people	HC 1593
Seventy-Third Report	Academy accounts and performance	HC 1597
Seventy-Fourth Report	Whole of Government accounts	HC 464
Seventy-Fifth Report	Pre-appointment hearing: preferred candidate for Comptroller and Auditor General	HC 1883
Seventy-Sixth Report	Local Government Spending	HC 1775
Seventy-Seventh Report	Defence Equipment Plan 2018-28	HC 1519
Seventy-Eighth Report	Improving Government planning and spending	HC 1596
Seventy-Ninth Report	Excess Votes 2017-18	HC 1931
Eightieth Report	Capita's contracts with the Ministry of Defence	HC 1736
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399