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UK ‘took holiday on renewing our tracks’

By Mark Odell, Transport Correspondent

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Sir David Higgins is only a year into the job as head of Network Rail. But he is adamant that he will not be around to finish the task of sorting out the overcrowded and ageing rail network.

A 57-year-old Australian known for his straight-talking style, Sir David is keen to tell the FT a few truths about the state of the UK’s railway system – and what is needed to bring it up to scratch.

“It requires 30 years of continuous investment to ensure our railway gets to the level of some of the European railways that we admire,” he says, sitting in Network Rail’s offices overlooking King’s Cross station.

“People go to Switzerland and ask why can’t we have the same service? That is because for the last 50 years they have worked relentlessly to standardise their equipment and to make sure their railway is easy to maintain with a consistent investment plan.”

Network Rail spends about £10bn a year running the railway with a further £2bn invested in new rail projects. It has maintained those levels almost since its inception just under a decade ago, when it took over from Railtrack.

The move to privatise British Rail and create Railtrack was one of the main reasons for underinvestment in the network in the 1980s and 1990s, Sir David says. "For at least a couple of decades we took a holiday on renewing our railway tracks, before and after privatisation."

Sir David, whose grasp of detail and calm manner have won him admirers in the industry, was under fire last week over his potential bonus pay-out.

The organisation he leads is an oddity, relying heavily on direct and indirect state subsidy, and funding itself further by borrowing backed by government guarantee. Yet it is technically part of the private sector, with a licence agreement that requires it to have an executive bonus scheme.

The old one caused controversy for being too generous. A new one is due to be voted on this week by a group of 79 so-called "members", who are meant to act as shareholders.

The timing has pulled Network Rail into the wider row over bonuses, with MPs questioning why management should expect a pay-out when the rail regulator has found it in breach of its licence for failing to meet punctuality targets and the it faces prosecutions over two fatal accidents: in 2005 at a level crossing, which killed two girls; and a 2007 derailment that killed one person.

Career highs

A civil engineer by training, Sir David Higgins is no stranger to delivering complex projects.

He first joined Network Rail as a non-executive director in April 2010 while still chief executive of the Olympic Delivery Authority for the London 2012 games.

He took over the Olympic project at the end of 2005 – after London secured the event on the back of a regeneration-centred bid – bringing his experience of running English Partnerships, the Labour government's national

Sir David, who was speaking to the FT before the row blew up, refused to be drawn on whether he would accept a bonus, but insisted the company needed to retain a scheme to attract talented managers and keep pension costs in check.

"To say we are going to politicise the process before it's even gone through, you might as well wipe out the bonus process, and then how are you going to attract and retain the right people?"

He has little sympathy for those complaining about the rise in ticket prices. A recent public outcry led the coalition government to backtrack on a policy to increase fares by 3 per cent above inflation this year and cut it back to 1 per cent.

regeneration agency, for the previous three years.

He won plaudits for reworking an Olympic budget that was not fit for purpose and delivering the construction phase to cost and on time, although he took up the full-time role at Network Rail just before the handover of the main venues.

Earlier in his career he was chief executive of Lend Lease, the construction company, with a key role in building the facilities for the Sydney Olympics in 2000.

Fares are going up, he explains, because the government "is moving the subsidy split from the taxpayer to the passenger, and that is only fair".

Asked about the costs of providing rail services in Britain, the former civil engineer concedes they are too high. He challenges Sir Roy McNulty, author of last year's government-commissioned report, over his conclusion that costs were 30 per cent higher than they should be – but agrees that they can come down by at least that proportion.

One of the review's key changes is that Network Rail should collaborate more with the train operators that run the services. An "alliancing" strategy will be trialled from April with South West Trains, owned by Stagecoach .

With 70 per cent of franchises up for renewal in the next four years, there is an opportunity to develop a new model for the railways, Sir David says. The government is expected to publish a policy paper by early March.

He offers little apology about Network Rail's performance targets, a frequent target of public criticism. Punctuality of more than 90 per cent is high compared with European standards, he says, pointing to many lines that are running at close to capacity.

"Targets are great but what do we want? To get performance up I would need to take trains off the track," says Sir David.

Additional reporting by Rose Jacobs

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