

Jim Eadie MSP
Infrastructure and Capital Investment Committee Convener
Room T3.40
The Scottish Parliament
Edinburgh
EH99 1SP

22 December, 2015

Dear Convener,

Thank you for your letter requesting additional information in relation to the nature and operation of the ScotRail Alliance. We are delighted to have this opportunity to update you on our alliance.

The rail industry is committed to working more effectively together to improve the passenger experience. As part of this we are seeking opportunities to work together more co-operatively and challenge ourselves to reconsider whether conventional approaches remain justified and encourage appropriate behaviours.

Alliances align behaviours through shared incentives and objectives, and across the GB rail network there are different forms of alliance arrangement which are appropriate for, and reflect local needs. Through alliancing we consider that we can achieve this and work more effectively delivering benefit passengers, operators and the tax payer.

From 3rd May 2011 Network Rail implemented a devolved decision making structure which has resulted in greater bottom up robustness and local ownership of plans for the rail network. This shift facilitates alliancing by allowing us to consider appropriate local structures to support infrastructure and passenger needs, bringing the operation of the trains and the running of the track closer together.

In Scotland the ScotRail Alliance took effect on 11 May 2015. The alliance is not a legal entity – Network Rail and Abellio ScotRail have not merged. Each company remains legally separate and continues to be accountable for its activities. The ScotRail Alliance is an opportunity to reposition the legal lines of separation and facilitate a closer working relationship between Abellio ScotRail and Network Rail Scotland Route.

The aim is to improve the railway in Scotland for our customers by working together better. Through improved relationships and quicker decision making, we can place the customer at the heart of all our decisions. Whilst remaining separate companies, both organisations will work to achieve common aims and objectives, led by a single managing director and senior management team.

There are many different examples of alliances across GB. Some are between Network Rail and train operators; some are between Network Rail and its supply chain. Each is tailored to the particular circumstances and as such the alliances across the GB network are discrete individual agreements with each operator but all the agreements have some common features including:

- Network Rail and the operator will remain separate entities
- Each company continues to be ultimately accountable for their own areas of responsibility
- Employees will continue to have the same employer with their current terms and conditions
- The interests of other passenger rail companies and freight operators are protected

The agreements in place commit the companies to working together and to work up specified projects where there is an opportunity for more integrated working or an opportunity to improve the service to passengers or work more effectively. By way of example, alliances may look at how stations can be better managed to provide a better service to passengers, how engineering work can be better planned, how improvements to train punctuality can be achieved or delivery of a particular project. You may be aware that the Office of Rail and Road regulation (ORR) published its policy statement on Alliancing in March 2012 and I attach a copy with my letter. The key principles detailed in this document include legal compliance, non-discrimination, transparency, benefit sharing and reporting, and management of risk associated with change. This statement has been an important factor in the development of Network Rail alliances across the entire GB network.

In relation to the specific points raised in your correspondence:

Details of the formal agreement between Abellio ScotRail and Network Rail on lines of responsibility:

The Alliance Framework Agreement between Network Rail Infrastructure Limited and Abellio ScotRail Limited details the formal agreement and covers interpretation, undertakings and accountabilities of the ScotRail Alliance. It was published by Network Rail and is freely available. I attached the framework agreement for your review. It maintains the legal separation of both organisations, protects the rights of other operators and establishes a framework to work more effectively together.

How the ScotRail Alliance partners will develop and agree strategic policy direction and priorities:

As Managing Director for the ScotRail Alliance, I develop the strategic direction and priorities of the ScotRail Alliance within the framework of the Alliance Agreement. Furthermore as detailed in the Framework Agreement the Alliance Board has

ultimate responsibility for the performance of the ScotRail Alliance activities relating to business and the delivery of the business plan. In addition to representation from both Abellio ScotRail Limited and Network Rail Infrastructure Limited, Transport Scotland also sits on the Alliance Board, contributing to strategic discussions and decision making.

Network Rail Infrastructure Limited and Abellio ScotRail Limited are both represented by two members on the Alliance Board. Within the Framework Agreement it is stipulated that neither party shall be entitled to take, or permit to be taken any action or decision on behalf of the Alliance without any prior approval of the Alliance Board.

Details of the governance arrangements that are in place for management and operational decisions made by the ScotRail Alliance:

As Managing Director I am supported in the delivery of the ScotRail Alliance by a team of Directors. Within the strategic business plan each director and their department work towards fulfilling strategic objectives and key performance indicators. Within the ScotRail Alliance structure, regular performance measures exist to track and monitor progress at the corporate level for these management and operational decisions. Regular performance measures include periodic performance reviews and the monthly ScotRail Alliance Board reviews.

A central component for the ScotRail Alliance is how our employees behave, both as individuals and also collectively as one team. 5 key principles have been developed to influence employee behaviour at all levels of the ScotRail Alliance. These are:

5 Key Principles

Our customers come first
We listen to our customers and our communities and we get better at delivering what they value

We improve what we do
Our people understand our business and our teams work to continuously improve what we do

We are safe and punctual
The punctuality of our railway and the safety of our customers and our colleagues is our most important daily priority

We are one team
We make a difference and we are better when we work together as One Team - we keep it simple and we go out of our way to understand one another

We treat money as if it is our own
We find ways to be more effective and we don't like waste - every pound is spent as if it is our own money

abellio Network Rail

From the level of Managing Director down through the directors, ensuring these principles guide everything we do is paramount. Management and operational decisions are taken cognisant of our principles.

How the different operational responsibilities of Abellio ScotRail and Network Rail Scotland will be co-ordinated and managed:

Each party of the ScotRail Alliance remains legally responsible and accountable for its own ultimate accountabilities – these being their own statutory or regulatory requirements, licences, franchise agreements and other contracts as stipulated - and each party shall retain oversight and final and ultimate decision making authority in relation to these within the operation and management of the Alliance. The structure of the ScotRail Alliance has been constructed to ensure each party can continue to comply with its legal obligations in particular the requirements of track and wheel separation.

As such Network Rail is held to account by the ORR and Transport Scotland for its performance and Abellio ScotRail would be held to account in respect of its franchise agreement. This situation is unchanged by the alliance.

Operational responsibilities relating to the ScotRail Alliance are managed through the Managing Director and his executive Team. I attach a copy of our organisational chart.

At the next session I would be happy to elaborate on any of the above as the Committee would find informative.

Regards,

Phil Verster,
Managing Director,
ScotRail Alliance