

Network Rail Members

Members' Review of Network Rail's Corporate Governance

Draft Appendices

February 2009



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Appendices

I. Appendix A: Questionnaires and discussion guides

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Network Rail Governance: Members' Questionnaire

At the AGM in July this year, Members voted in favour of undertaking a review of the effectiveness of Network Rail's corporate governance. A Governance Review Group has been established, which has commissioned PricewaterhouseCoopers (PwC) to assist in undertaking this review. The review will involve surveys of all Members, key Network Rail stakeholders and groups that have a wider interest in Network Rail.

This questionnaire is about your understanding and perception of the effectiveness of corporate governance in Network Rail.

Corporate governance is understood as a system by which organisations are directed and controlled. It is the process by which company objectives are established, achieved and monitored. Corporate governance is concerned with the relationships and responsibilities between the board, management, shareholders and other relevant stakeholders within a legal and regulatory framework (drawn from the ICAEW definition).

This questionnaire is for Network Rail Members, and has been e-mailed or posted to all 106 Members and to the Members who recently retired. This survey should take 20-25 minutes to complete. If you have any queries, please contact Kieran Jones at PwC (02890 415541).

All information that you provide will be treated in the strictest confidence. The survey is being conducted in accordance with the Market Research Society Code of Conduct which guarantees confidentiality and anonymity. Your completed questionnaire, once submitted, will be returned to the PwC International Survey Unit, a Market Research Society company member.

All of the findings will be reported on an aggregate basis, with no individual being identified in the final report, unless permission is given by that individual. Should you wish your comments to be quoted and attributed to you, this can be accommodated. The final question in the questionnaire will allow you to specify whether or not you wish to be quoted.

Type of Member

Q1a. To assist with the analysis of responses please indicate which best describes your membership type:
Please circle one box only

A recently retired Member	1
A current Member	2
New Member just appointed	3

Q1b. Are you, or were you:
Please circle one box only

An individual public Member	1
A public Member representing another organisation	2
An industry Member	3

Q1c. And how long have you been or were you a Member?
Please circle one box only

Less than a year	1
1-3 years	2
4-6 years	3
More than 6 years	4

The role of Members

Q2a. In your opinion how well defined is your role as a Member of Network Rail?

Please circle one box only

Very clear and well defined	5
Quite clear and well defined	4
Neither clear nor unclear	3
Quite unclear and poorly defined	2
Very unclear and not well defined at all	1
I don't know enough about this to be able to answer	6

Q2b. What do you consider your role to be?

Please specify below

Q3a. In your opinion how effective or ineffective are the Members as a group? Please circle the appropriate number in column "a" below

Q3b. In particular how effective or ineffective is the Member group at holding the Board of Network Rail to account? Please circle the appropriate number in column "b" below

Please select one box in each column

	a	b
Very effective	5	5
Effective	4	4
Neither effective nor ineffective	3	3
Ineffective	2	2
Very ineffective	1	1
I don't know enough about this to be able to answer	6	6

Q3c. If you selected ineffective or very ineffective at Q3a or b, what impact, if any, is this having on the performance of Network Rail?

Please specify below

Q4a. In your opinion how effective or ineffective has the industry membership contribution been?
 Q4b. And how effective or ineffective has the public membership contribution been?

Please select one box in each column

	a	b	
Very effective	5	5	Go to Q4c
Effective	4	4	
Neither effective nor ineffective	3	3	
Ineffective	2	2	
Very ineffective	1	1	Go to Q5a
I don't know enough about the industry membership contribution to be able to answer	6	6	

Q4c Why do you say that?
 Please specify below

Q5a. Do you consider that Network Rail should continue to have:
 Please circle one box in each column

	a) Industry Members?	b) Public Members?
Yes	1	1
No	2	2
Don't know	3	3

Q6a Please read the following propositions regarding the Members as a group. Please indicate how much you agree or disagree that these factors limit the effectiveness of the Members as a group?
 5 means that you strongly agree that this limits the effectiveness of the Members group, and 1 means that you strongly disagree.

Please circle one box in each row

	Strongly agree	Agree	Neither/ nor	Disagree	Strongly disagree	Don't know
There are too many Members	5	4	3	2	1	6
The membership is very diverse in its opinions	5	4	3	2	1	6
Members do not have sufficient information from Network Rail	5	4	3	2	1	6
Members do not have sufficient information from independent sources	5	4	3	2	1	6
Members do not have reliable information on which to make decisions	5	4	3	2	1	6
Members issues and questions are not adequately addressed by the Board	5	4	3	2	1	6
There is no clearly defined decision making process amongst the Members group	5	4	3	2	1	6

Q6b If you selected 'Strongly agree' or 'Agree' to any of the propositions above, to what extent does this limit the effectiveness of the Members as a group?

3 means that you believe this limits the effectiveness of the Members as a group to a significant extent, 1 means to no extent at all.

Please circle one box in each row

	To a significant extent	To some extent	To no extent at all	Don't know
There are too many Members	3	2	1	6
The membership is very diverse in its opinions	3	2	1	6
Members do not have sufficient information from Network Rail	3	2	1	6
Members do not have sufficient information from independent sources	3	2	1	6
Members do not have reliable information on which to make decisions	3	2	1	6
Members issues and questions are not adequately addressed by the Board	3	2	1	6
There is no clearly defined decision making process amongst the Members group	3	2	1	6

Q7 In your view, what should be the role of Members regarding Board decisions on any of the following. Please indicate your view using the 5 point scale provided.

Please circle one box in each row

	Actively participate in decision-making	Influence decision-making	Inform decision-making	Approve decisions after they are taken	Be informed of decisions	Don't know
Establishing Network Rail's business strategy	5	4	3	2	1	6
Establishing Network Rail's annual financial budget	5	4	3	2	1	6
Establishing Network Rail's business plan and its targets	5	4	3	2	1	6
Setting director's remuneration	5	4	3	2	1	6
Appointing the Chairman	5	4	3	2	1	6
Appointing non-executive directors	5	4	3	2	1	6

Q8a. Currently, who do you believe a Member or Members of Network Rail are:
Please circle all that apply

	a) Currently accountable to?	b) Should be accountable to?
The Government and / or the Department for Transport	1	1
The Network Rail Board	2	2
The Office of Rail Regulation (ORR)	3	3
Network Rail's lenders	4	4
The body or organisation that the Member is representing, if any.	5	5
Passenger and freight train operating companies	6	6
Rail passengers	7	7
Freight customers	8	8
Taxpayers	9	9
The general public	10	10
Yourself	11	11
Other – please specify below	12	12

No-one	13	13

Q9 How do you raise issues regarding Network Rail performance and effective governance. Please indicate below how you have raised issues in the past?
Please circle all that apply

I have never raised any issues	1
I raise issues at the Network Rail AGM or Half yearly meeting	2
I raise issues through direct contact with Network Rail Board members	3
I raise issues with the Senior Independent director	4
I raise issues at Members only meetings	5
I prefer to let others raise the issues	6
Other (please specify below)	

Selection and appointment of Members

Q10a. In your opinion how effective or ineffective is the current process of selecting and appointing Network Rail's public Members?

Please circle one box only

	Very effective	5	Go to Q11a
	Effective	4	
	Neither effective nor ineffective	3	
	Ineffective	2	Go to Q10b , then Q11a
	Very ineffective	1	
	I don't know enough about the selection and appointment processes to be able to answer	6	Go to Q11a

Q10b. Why do you say that?

Please specify below

Q11a. Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?

Q11b. And which should be involved in the process of selecting and appointing Network Rail's industry Members?

Please circle all that apply

	a) Public Members	b) Industry Members
Directors of Network Rail	1	1
Department for Transport	2	2
Office of Rail Regulation	3	3
A public appointments body	4	4
Other (Please specify)	_____	_____
Don't know	6	6

Q12a. In your opinion should Network Rail public Members be elected?

Q12b. And should the industry Members be elected?

Please circle one box in each column

	a) Public Members	b) Industry Members	
Yes	1	1	Go to Q12c
No	2	2	
Don't know	3	3	Go to Q13a

Q12c. i) If you answered 'yes' to Q12a, who do you think should form the **public** Members' electorate?
Please specify below

Q12c. ii) If you answered 'yes' to Q12b, who do you think should form the **industry** Members' electorate?
Please specify below

Q13a. Thinking about the size of the Member group - at the present time do you think that the current number of Network Rail Members is:
Please circle one box only

Too many	1	Go to Q13b
Too few	2	
About right	3	Go to Q14a
Don't know	4	

Q13b. Why do you say that?
Please specify below

Q13c. How many Members should Network Rail have?
Please circle one box only

Less than 30	1	Go to Q13d
31-50	2	
51-75	3	
76-100	4	
101-120	5	
More than 120	6	
Don't know	7	

Q13d. What impact will this change have on:

- i. the effectiveness of the Corporate Governance practices in Network Rail?
Please specify below

- ii. the performance of Network Rail?
Please specify below

Q14a. The following list contains examples of the mix of skills and experience that a group such as the Members of Network Rail might have amongst them. In your opinion which of these are appropriate in the mix of skills and experience that the Members' group as a whole should have. **Please circle all that apply.**

Experience of representing the customer viewpoint	1	Experience of procurement and contracting	2
Financial management experience	3	Cost management and control experience	4
Knowledge of corporate governance in other organisations	5	Supply industry experience	6
Industrial relations experience	7	Health and safety experience	8
Knowledge of the rail industry	9	Experience as a shareholder in a FTSE 100 company	10
Other 1 (please specify below) _____	11	Other 2 (please specify below) _____	12
I am unsure about this	13		

Q14b. Are there any others that you consider to be important?

Please specify below

Q14c. How well represented are these skills in the current Network Rail membership? Please use a scale of 1-5 where 5 is well represented and 1 is poorly represented

Skills/experience	Well represented →					Don't know
	5	4	3	2	1	
Experience of representing the customer viewpoint	5	4	3	2	1	6
Experience of procurement and contracting	5	4	3	2	1	6
Financial management experience	5	4	3	2	1	6
Cost management and control experience	5	4	3	2	1	6
Knowledge of corporate governance in other organisations	5	4	3	2	1	6
Supply industry experience	5	4	3	2	1	6
Industrial relations experience	5	4	3	2	1	6
Health and safety experience	5	4	3	2	1	6
Knowledge of the rail industry	5	4	3	2	1	6
Experience as a shareholder in a FTSE 100 company	5	4	3	2	1	6
Other 1 (please specify below) _____	5	4	3	2	1	6
Other 2 (please specify below) _____	5	4	3	2	1	6
I am unsure about this	5	4	3	2	1	6

Q15a The role of a Member of Network Rail is intended to be equivalent to that of a shareholder in a plc. The one significant difference is that a Network Rail Member or a member of the public cannot send a signal via the market by buying or selling shares in response to the performance of management. To what extent do you think that this restricts the influence of members?

Please circle one box only

To a significant extent	3	Go to Q15b , then Q16a
To some extent	2	
To no extent at all	1	Go to Q16a
I don't know enough about this to be able to answer	6	

Q15b. What other mechanisms, if any, should be available to members to compensate for this restriction in influence?

Please specify below

Issues facing Network Rail

Q16a. What do you consider to be main issues facing Network Rail at the present time?

Q16b. And what do you consider to be the **single most important** issue facing Network Rail at the present time?

	a) Main Issues (Circle all that apply)	b) Single most important issue (Circle one only)
Performance - reliability	1	1
Performance - efficiency	2	2
Corporate Governance arrangements	3	3
Safety issues	4	4
Strategy/investments	5	5
Sustainability and environmental issues	6	6
Relationships with stakeholders	7	7
Leadership and management quality	8	8
Funding	9	9
Industry structure	10	10
Negative media attention	11	11
Other – (please specify below)	12	12

Network Rail's Corporate Governance

Q17a. How important is it for you to have a detailed knowledge of the corporate governance arrangements of Network Rail?

Please circle **one** box only

Very important	5
Important	4
Neither important/nor unimportant	3
Not very important	2
Not at all important	1
Don't know	6

Q17b. How familiar are you with the corporate governance arrangements of Network Rail?

Please circle **one** box only

Very familiar	5
Familiar	4
Neither familiar/nor unfamiliar	3
Not very familiar	2
Not at all familiar	1
Don't know	6

Q17c. In your opinion how effective or ineffective are the corporate governance arrangements of Network Rail?
Please circle one box only

Very effective	5	Go to Q17d then Q18a
Effective	4	
Neither effective nor ineffective	3	Go to Q17d then Q17e
Ineffective	2	
Very ineffective	1	
I don't know enough about the corporate governance structure and arrangements to be able to answer	6	Go to Q19

Q17d. Why do you say that?
Please specify below

Q17e. What impact is this having on the performance of Network Rail?
Please specify below

Q18a. What do you consider to be the main strengths of Network Rail's Corporate Governance arrangements?
 Please give up to 3 main strengths.
Please specify below

1.
2.
3.

Q18b. And what are the main aspects of Network Rail's Corporate Governance arrangements that require improvement? Please give up to 3 aspects requiring improvement.

Please specify below

1.
2.
3.

Q19a Listed below are a number of aspects of Network Rail's Corporate Governance arrangements. Please give each one a rating based on the extent to which you feel it requires improvement. A rating of 1 means that no change is required and a rating of 5 means that it requires significant improvement.

If you feel that you are not sufficiently informed about any aspect to make a judgement, please select 6 for don't know.

Please circle one box on each row

	Aspect of Governance	No change Required → Significant improvement required					Don't know
		1	2	3	4	5	6
a.	Clarity of roles of different parties involved in governance (Network Rail Members, the Board, ORR etc)	1	2	3	4	5	6
b.	The holding to account of the executive directors by the non-executive directors	1	2	3	4	5	6
c.	The oversight of the executives by the non-executive directors	1	2	3	4	5	6
d.	Internal control mechanisms (e.g. finance, safety, risk etc)	1	2	3	4	5	6
f.	The selection and appointment of Network Rail non-executive directors	1	2	3	4	5	6
g.	The selection and appointment of Network Rail executive directors	1	2	3	4	5	6
h.	The setting and approval of executive remuneration	1	2	3	4	5	6
i.	The provision of information to and the dialogue with Members	1	2	3	4	5	6
j.	The incentivisation of Network Rail to improve its performance	1	2	3	4	5	6
k.	The ability of Members to hold the Board to account in practice	1	2	3	4	5	6
l.	The degree of openness of the Network Rail Board to Members	1	2	3	4	5	6
m.	Use of the Annual General Meeting to communicate with Members and encourage their participation	1	2	3	4	5	6

Q19b. Which one of the above should, in your opinion, be the main priority for improvement?

Please insert the letter corresponding to the one that you have selected.

If none require improvement insert N in the box and go to **Q20**

Q19c. Which one of the above should, in your opinion, be the second priority for improvement?

Please insert the letter corresponding to the one that you have selected.

Q19d. What impact, if any, would this have on the performance of Network Rail?
Please specify below

Directors and the Board

Currently the Board is made up of 14 directors, 6 executives and 8 non-execs.

Q20a. In your opinion how effective or ineffective is the Board of Directors of Network Rail?

Q20b. And how effective or ineffective is the role of the Chairman as currently defined?

Q20c. And how effective or ineffective is the role of the non-executive directors as currently defined?

Q20d. How effective or ineffective is the relationship between the non-executive directors and the Members?

Q20e. How effective or ineffective is the relationship between the executive directors and the Members?

Please circle one box in each column

	a	b	c	d	e
Very effective	5	5	5	5	5
Effective	4	4	4	4	4
Neither effective nor ineffective	3	3	3	3	3
Ineffective	2	2	2	2	2
Very ineffective	1	1	1	1	1
I don't know enough about this to be able to answer	6	6	6	6	6

Q20f. i) If you stated 'ineffective or very ineffective' to Q20a please indicate how the Board of Directors could be improved?

Q20f. ii) If you stated 'ineffective or very ineffective' to Q20b please indicate how the Chairman could be improved?

Q20f. iii) If you stated 'ineffective or very ineffective' to Q20c please indicate how the non-executive directors could be improved?

Q20f. iv) If you stated 'ineffective or very ineffective' to Q20d please indicate how the relationship between the non-executive directors and the Members could be improved?

Q20f. iv) If you stated 'ineffective or very ineffective' to Q20e please indicate how the relationship between the executive directors and the Members could be improved?

Q21a. Please read the following statements about the directors and the Board, and indicate whether you agree or disagree using the 5 point scale provided. 5 means that you strongly agree and 1 means that you strongly disagree.

Please circle one box on each row

	Strongly agree	Agree	Neither/ nor	Disagree	Strongly disagree	Don't know
Members should be consulted before appointments are made to the Network Rail Board	5	4	3	2	1	6
The balance of executives and non-executives on the Board is about right	5	4	3	2	1	6
The Network Rail Board has a appropriate balance of skills and experience	5	4	3	2	1	6
The size of the current Board is just right	5	4	3	2	1	6

Q21b. If you disagree that the Board size is just right: what size should it be?

Enter the preferred size in the following box.

Q22. Do you have any particular comments regarding the role of the Chairman of the Board?

Q23. Do you have any particular comments regarding the role of the Senior Independent Director (SID)?

Q24. To what extent do you agree or disagree that Network Rail's overall business performance over the last six years is a measure of its effective corporate governance.

Please circle one box only

Strongly agree	5
Agree	4
Neither agree/nor disagree	3
Disagree	2
Strongly disagree	1
I don't know enough about this to be able to answer	6

Finally, if you have any further comments on NR governance processes or Member effectiveness, please use the space below.

Please indicate below if you prefer that your comments remain confidential and anonymous, or if you would like to be quoted and your comments attributed to you. Please select one only.

Please circle one box only

I wish that all my answers and comments remain confidential and anonymous	1
I am happy for my comments to be quoted anonymously	2
I am happy for my comments to be quoted and attributed to me	3

Please also indicate how you voted at the AGM on the Members' question calling for a Members' review of corporate governance:

Please circle one box only

Voted for the review	1
Voted against the review	2
Vote with-held / did not vote	3
Prefer not to say	4

Should PwC researchers require clarification or further information from you regarding this survey; do you wish to give permission for us to contact you by telephone?

Yes	1
No	2

If yes please provide your telephone number _____.

Thank you for taking the time to complete this questionnaire. Please use the enclosed addressed envelope to send the completed questionnaire to Brendan Gallen at the PwC International Survey Unit in Belfast.

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Network Rail Governance : Stakeholder Questionnaire (final)

At the AGM in July this year, the Members of Network Rail voted in favour of undertaking a review of the corporate governance of the organisation. A Governance Review Group has been established, and this group has commissioned PricewaterhouseCoopers (PwC) to assist in undertaking this review. The review will involve surveys of all Members, key Network Rail stakeholders and groups that have a wider interest in Network Rail.

As a key stakeholder, the Members Review Group is interested in your views on the current Corporate Governance arrangements, how effective they have been in the first six years of Network Rail and how these arrangements might be improved for the future. Corporate governance is understood as a system by which organisations are directed and controlled... It is the process by which company objectives are established, achieved and monitored... Corporate governance is concerned with the relationships and responsibilities between the board, management, shareholders and other relevant stakeholders within a legal and regulatory framework (drawn from the ICAEW definition).

This e-survey should take 25-30 minutes to complete. If you have any queries about the questionnaire content or have general queries about the research study please contact Kieran Jones at PwC (02890 415541).

All information that you provide will be treated in the strictest confidence. The survey is being conducted in accordance with the Market Research Society Code of Conduct which guarantees confidentiality and anonymity. Your completed questionnaire, once submitted, will be returned to the PwC International Survey Unit, a Market Research Society company member.

All of the findings will be reported on an aggregate basis, with no individual or company being identified in the final report, unless permission is given by that individual. Should you wish your comments to be quoted and attributed to you, this can be accommodated. The final question in the questionnaire will allow you to specify whether or not you wish to be quoted.

Your organisation's relationship with Network Rail

Q1a. Which of the following categories best describes your relationship with Network Rail? Please circle all that apply.

If none of these apply please describe your relationship in space provided.

Q1b, If two or more categories apply, please choose the main one that you are responding as. Please circle one only.

	a	b
A funder	1	1
A regulator	2	2
A user (passenger train operator or group)	3	3
A user (freight train operator or group)	4	4
A contractor or sub contractor	5	5
A statutory body	6	6
Another government body (including local government, RDA)	7	7
A Member of Parliament or politician	8	8
A freight representative body	9	9
A railway engineers association	10	10
An organisation concerned with railway safety	11	11
A passenger representative body	12	12
An employee representative body	13	13
A business representative body	14	14
A trade union representative	15	15
An environment or heritage body	16	16
A member of Network Rail	17	17
Other (please specify)	18	18

Issues facing Network Rail

Q2. What do you consider to be main issues facing Network Rail at the present time?

Please circle all that apply

Q2b. And what do you consider to be the **single most important** issue facing Network Rail at the present time?

Please circle one only

Performance - reliability	1	1
Performance - efficiency	2	2
Corporate Governance arrangements	3	3
Safety issues	4	4
Strategy/investments	5	5
Sustainability/ Environmental issues	6	6
Relationships with stakeholders	7	7
Leadership and management quality	8	8
Funding	9	9
Industry structure	10	10
Other - please describe below	11	11

Corporate governance

Q3a. How important is it for you to have a detailed knowledge of the corporate governance arrangements of Network Rail?

Very important	5
Important	4
Neither important/nor unimportant	3
Not very important	2
Not at all important	1

Q3b. How familiar are you with the corporate governance arrangements of Network Rail?

Very familiar	5
Reasonably familiar	4
Neither familiar/nor unfamiliar	3
Not very familiar	2
Not at all familiar	1

Q3c. In your opinion how effective or ineffective are the corporate governance arrangements of Network Rail?

Very effective	5	Go to Q3d then 3e
Effective	4	
Neither effective nor ineffective	3	Q4a
Ineffective	2	Go to Q3d then 3e
Very ineffective	1	
I don't know enough about the corporate governance structure and arrangement to be able to answer	6	Go to Q5a

Q3d. Why do you say that?

Q3e. What impact is this having on the performance of Network Rail?

Q4a. What do you consider to be the main strengths of Network Rail's Corporate Governance arrangements? Please give up to 3 main strengths.

1.

2.

3.

Q4b. And what are the main aspects of Network Rail's Corporate Governance arrangements that require improvement? Please give up to 3 aspects requiring improvement.

1.

2.

3.

Q5a. The next question explores your relationship with Network Rail and how it is affected by the governance arrangements. Please read each statement, and state whether this has a positive impact on your relationship, a negative impact or no impact at all.

Q5b . Are there any other aspects of Network Rail's governance arrangements that have an impact on your relationship, either in a positive way or a negative way? If yes please specify in the spaces provided below.

	A positive impact	No impact	A negative impact	Don't know
Network Rail has no equity shareholders	3	2	1	6
Network Rail is a company Limited by Guarantee with members rather than shareholders	3	2	1	6
Network Rail is regulated by an independent regulator (ORR)	3	3	1	6
Network Rail receives significant funding from taxpayers	3	2	1	6
Network Rail has members, the majority of whom are independent of the railway industry	3	2	1	6

Q6a Listed below are a number of aspects of Network Rail's Corporate Governance arrangements. Please give each one a rating based on the extent to which you feel it requires improvement. A rating of 1 means that no

change is required and a rating of 5 means that it requires significant improvement. If you feel that you are not sufficiently informed about any aspect to make a judgement, please select 6 for don't know.

	Aspect of Governance	No change Required →				Significant improvement required	Don't know
		1	2	3	4		
a.	Clarity of roles of different parties involved in governance (Network Rail Members, the Board, ORR etc)						
b.	The holding to account of the executive directors by the non-executive directors						
c.	Internal control mechanisms (e.g. finance, safety, risk etc)						
d.	The selection and appointment of Network Rail non-executive directors						
e.	The selection and appointment of Network Rail executive directors						
f.	The setting and approval of executive remuneration						
g.	The provision of information to and the dialogue with Members						
h.	The incentivisation of Network Rail to improve its performance						

Q6b. Which one of the above should, in your opinion, be the main priority for improvement?
Please insert the letter corresponding to the one that you have selected.
If none require improvement insert N in the box and go to Q7.

Q6c. Which one of the above should, in your opinion, be the second priority for improvement?
Please insert the letter corresponding to the one that you have selected.

Q6d. What impact, if any, would this have on the performance of Network Rail?

Selection and appointment of Members

Q7. Do you know how many members Network Rail has?

Under 40	1
41-80	2
81-120	3
121-160	4
161-200	5
Over 200	6
Don't know	7

Q8a. There are just over 100 Members drawn from the railway industry and the general public. Companies which hold a right to operate trains on Network Rail track currently have the right to nominate Industry Members

and many do. Public members are drawn from a cross section of the public; some are also involved in organisations with interests in the railway. At the present time do you think that the current number of Network Rail members is:

Too many	1	Go to Q8b
Too few	2	
About right	3	Go to Q9a
Don't know	4	

Q8b. Why do you say that?

Q8c. What impact do you think the number of members has on:

- i. the effectiveness of the Corporate Governance practices in Network Rail?
- ii. the performance of Network Rail?

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Q9a. The following list contains examples of the mix of skills and experience that the Members of Network Rail might have amongst them. In your opinion which of these are appropriate in the mix of skills and experience that Members should have. Please circle all that apply.

Q9b. Are there any others that you consider to be important? Please specify below.

Q9c. How well represented are these skills in the current Network Rail membership? Please use a scale of 1-5 where 5 is well represented and 1 is poorly represented

Skills/experience	Q9a						
	Well represented			Poorly represented			Don't know
Experience of representing the customer viewpoint	1	5	4	3	2	1	6
Experience of procurement and contracting	2	5	4	3	2	1	6
Financial management experience	3	5	4	3	2	1	6
Cost management and control experience	4	5	4	3	2	1	6
Knowledge of corporate governance in other organisations	5	5	4	3	2	1	6
Supply industry experience	6	5	4	3	2	1	6

Industrial relations experience	7		5	4	3	2	1	6
Health and safety experience	8		5	4	3	2	1	6
Knowledge of the rail industry	9		5	4	3	2	1	6
Experience as a shareholder in a FTSE 100 company	10		5	4	3	2	1	6

Q10a. In your opinion how effective or ineffective is the current process of selecting and appointing Network Rail's public Members?

Very effective	5	Go to Q11
Effective	4	
Neither effective nor ineffective	3	Go to Q10b
Ineffective	2	
Very ineffective	1	Go to Q11
I don't know enough about the selection and appointment processes to be able to answer	6	

Q10b. Why do you say that?

Q11a. Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?

Please circle all that apply.

Directors of Network Rail	1
Department of Transport	2
Office of Rail Regulation	3
A public appointments body	4
Other? Please specify	5
Don't know	6

Q12a. In your opinion should Network Rail public Members be elected?

Q12b. And should the industry members be elected?

	a	b	
Yes	1	1	Go to Q12c
No	2	2	Go to Q13a
Don't know	3	3	

Q12c. Who should form the electorate?

The role of members

Q13a. In your opinion how well defined is the role of the Members of Network Rail?

Very clear and well defined	5
Quite clear and well defined	4
Neither clear nor unclear	3
Quite unclear and poorly defined	2
Very unclear and not well defined at all	1
I don't know enough about this to be able to answer	6

Q13b. What do you understand the role of Members to be?

Q14a. In your opinion how effective or ineffective are the Members collectively?

Q14b. How effective or ineffective are the Members at holding the Board of Network Rail to account?

	a	b
Very effective	5	5
Effective	4	4
Neither effective nor ineffective	3	3
Ineffective	2	2
Very ineffective	1	1
I don't know enough about this to be able to answer	6	6

Q14c. If you selected ineffective or very ineffective at Q14a or 14b, please give examples of how the members group has been ineffective.

Q14d. If you selected ineffective or very ineffective at Q14a or 14b, what impact, if any, is this having on the performance of Network Rail? Please give examples.

Q15a. Do you consider that Network Rail should continue to have industry members?

Q15b. And public members?

	a	b
Yes	1	1
No	2	2
Don't know	3	3

Q16 To what extent, in your view, should the Members participate in decision-making on any of the following issues.

	Actively participate in decision-making	Influence decision-making	Inform decision-making	Approve decisions after they are taken	Be informed of decisions	Don't know
Establishing Network Rail's business strategy	5	4	3	2	1	6
Establishing Network Rail's annual financial budget	5	4	3	2	1	6
Establishing Network Rail's business plan and its targets	5	4	3	2	1	6
Setting director's remuneration	5	4	3	2	1	6
Appointing the Chairman	5	4	3	2	1	6
Appointing non-executive directors	5	4	3	2	1	6

Q17a. Currently, who do you believe a Member or Members of Network Rail are accountable to?
Please circle all that apply

Q17b. And who should a Member or Members be accountable to?
Please circle all that apply.

	a	b
No-one	1	1
Themselves within company law	2	2
The Government and / or the Department for Transport	3	3
The Network Rail Board	4	4
The Office of Rail Regulation (ORR)	5	5
Network Rail's lenders	6	6
The body or organisation that the member is representing, if any.	7	7
Passenger and freight train operating companies	8	8
Rail passengers	9	9
Freight customers	10	10
Taxpayers	11	11
The general public	12	12
Other – please specify		

Q18a. The role of a Member of Network Rail is intended to be equivalent to that of a shareholder in a plc. The one significant difference is that a Network Rail Member or a member of the public cannot send a signal via the market by buying or selling shares in response to the performance of management. To what extent do you think that this restricts the influence of members?

To a significant extent	3	Go to Q18b
To some extent	2	
To no extent at all	1	Go to Q19a
I don't know enough about this to be able to answer	6	

Q18b. What other mechanisms, if any, should be available to members to compensate for this restriction in influence?

Directors and the Board

Currently the Board is made up of 14 directors, 6 executives and 8 non-execs.

Q19a. In your opinion how effective is the Board of Directors of Network Rail?

Q19b. And how effective is the role of the Chairman as currently defined?

Q19c. And how effective is the role of the non-executive directors as currently defined?

	a	b	c
Very effective	5	5	5
Effective	4	4	4
Neither effective nor ineffective	3	3	3
Ineffective	2	2	2
Very ineffective	1	1	1
I don't know enough about this to be able to answer	6	6	6

Q19d. If you stated 'ineffective or very ineffective' to any of the above please indicate how this could be improved?

Q20a. Please read the following statements about the directors and the Board, and indicate whether you agree or disagree using the 5 point scale provided. 5 means that you strongly agree and 1 means that you strongly disagree.

	Strongly agree	Agree	Neither/nor	Disagree	Strongly disagree	Don't know
The balance of executives and non-executives on the Board is about right	5	4	3	2	1	6
The Network Rail Board has an appropriate balance of skills and experience	5	4	3	2	1	6
The size of the current Board is just right	5	4	3	2	1	6

Q20b. If you disagree that the Board size is just right: what size should it be?

Enter the preferred size in the following box.

Q21. To what extent do you agree or disagree that Network Rail's overall business performance over the last six years is a measure of its effective corporate governance.

Strongly agree	5
Agree	4
Neither agree/nor disagree	3
Disagree	2
Strongly disagree	1
I don't know enough about this to be able to answer	6

Finally, if you have any further comments on NR governance arrangements, please use the space below:

Please indicate below if you prefer that your comments remain confidential and anonymous, or if you would like to be quoted and your comments attributed to you. Please select one only.

I wish that all my answers and comments remain confidential and anonymous	1
I am happy for my comments to be quoted anonymously	2
I am happy for my comments to be quoted and attributed to me	3

Should PwC researchers require clarification or further information from you regarding this survey, do you wish to give permission for us to contact you by telephone?

Yes	1
No	2

If yes please provide your telephone number _____.

Thank you for taking the time to complete this questionnaire. Please press SUBMIT and your questionnaire will be returned to the PwC International Survey Unit in Belfast.

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Network Rail Governance : Wider Interest Group Questionnaire (final)

Thank you for taking part in this confidential survey about Network Rail's Corporate Governance arrangements. This survey is part of a wider review of Corporate Governance within Network Rail. The following paragraphs will provide you with some background to this survey and the review in general.

Network Rail is a company limited by guarantee; it is a private sector organisation operating as a commercial business and with a PLC-style Board of Directors – but it is without shareholders. The Network Rail Members fulfil the role of shareholders, but do not receive dividends or have equity interest, as Network Rail is a not-for-dividend company, and any profit is re-invested in improving Britain's rail infrastructure. Members do not receive payment for their services, but are afforded reasonable expenses for the execution of their duties

Members do not get involved in operational or management decisions, but they play a crucial role in the company's corporate governance and have statutory rights and duties. These include: attending the company's annual general meeting; voting on the appointment and re-appointment of Network Rail Directors and receiving Network Rail's annual report and accounts

At the AGM in July this year, the Members of Network Rail voted in favour of undertaking a review of the corporate governance of the organisation.

A Governance Review Group has been established, and this group has commissioned PricewaterhouseCoopers (PwC) to assist in undertaking this review. The review will involve surveys of all Members, key Network Rail stakeholders and groups that have a wider interest in Network Rail.

Corporate governance is understood as a system by which organisations are directed and controlled. It is the process by which company objectives are established, achieved and monitored. Corporate governance is concerned with the relationships and responsibilities between the board, management, shareholders and other relevant stakeholders within a legal and regulatory framework (drawn from the ICAEW definition).

All information that you provide will be treated in the strictest confidence. The survey is being conducted in accordance with the Market Research Society Code of Conduct which guarantees confidentiality and anonymity. Your completed questionnaire, once submitted, will be returned to the PwC International Survey Unit, a Market Research Society company member.

Network Rail's Corporate Governance Arrangements

Q1a. How familiar are you with the corporate governance arrangements of Network Rail?

Very familiar	5	Link to stakeholder q'aire
Reasonably familiar	4	
Neither familiar/nor unfamiliar	3	Go to Q2
Not very familiar	2	
Not at all familiar	1	

Your relationship with Network Rail

Q2a. Which of the following categories best describes your relationship with Network Rail? Please select all that apply. If none of these apply please describe your relationship in space provided.

Q2b. If two or more categories apply, please select the main one that you are responding as. Please select one only.

A member of the public	1	1
A railway user (passenger train operator or group)	2	2
A railway user (freight operator or group)	3	3
An employee of Network Rail	4	4
An employee of a train operator or freight operating company	5	5
A regulator	6	6
A funder	7	7
A contractor or sub contractor	8	8
A statutory body	9	9

Another government body (including local government, RDA)	10	10
A Member of Parliament or a politician	11	11
A freight representative body	12	12
A railway engineers association	13	13
An organisation concerned with railway safety	14	14
A passenger representative body	15	15
An employee representative body	16	16
A business representative body	17	17
A trade union representative	17	17
An environment or heritage body	18	18
A member of Network Rail	19	19
Other (please specify)		

Issues facing Network Rail

Q3a. What do you consider to be main issues facing Network Rail at the present time?
Please circle all that apply.

Q3b. Which one do you consider to be the single most important issue facing Network Rail at the present time?
Please circle one only.

	a	b
The reliability of the railways	1	1
The efficiency of the railways	2	2
Network Rail's Corporate Governance arrangements	3	3
Railway safety issues	4	4
Strategy and investments	5	5
Sustainability and environmental issues	6	6
Relationships with stakeholders	7	7
Leadership and management quality	8	8
Funding issues	9	9
Industry structure	10	10
Negative media attention	11	11

Corporate governance

Q4a. In your opinion how effective or ineffective are the corporate governance arrangements of Network Rail?

Very effective	5	Go to Q4b
Effective	4	
Neither effective nor ineffective	3	
Ineffective	2	
Very ineffective	1	
I don't know enough about the corporate governance structure and arrangements to be able to answer	6	Go to end

Q4b. In your opinion, to what extent is this having an impact on the performance of Network Rail?
(the e-survey will separate out the responses from the effectives and ineffectives)

To a great extent	1	Go to Q4c
To some extent	2	
To no extent	3	Go to end

Q4c. What type of impact is this having? Please circle all that apply. (Claire Louise - we will need two lists, one for those who select effective and one for those who select ineffective at 4a)

It is affecting the efficiency of the railways	1
It is affecting the reliability of the railways	2
It is affecting the effectiveness of the leadership and management team	3
It is affecting the safety of the railways	4
It is increasing/reducing the burden on the tax payer	5
It is improving/reducing the credibility of Network Rail	6
It is improving/reducing the quality of customer service	7
It is holding back important infrastructure projects	8

Q5. Do you have any other comments on the Corporate Governance of Network Rail?

Thank you for taking the time to complete this questionnaire. All of your comments will be treated in the strictest confidence, as set out in the Market Research Society Code of Conduct.

Please press SUBMIT and your questionnaire will be returned to the PwC International Survey Unit.

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Network Rail Members Review of Corporate Governance: Outline discussion guide for workshops and face to face interviews (Final)

Introduction and background the project.

At the Network Rail AGM in July this year, the Members of Network Rail voted in favour of undertaking a review of the corporate governance of the organisation. A Governance Review Group has been established, and this group has commissioned PricewaterhouseCoopers to assist in undertaking this review. The review will involve surveys of all Members, key Network Rail stakeholders and groups that have a wider interest in Network Rail.

As a key stakeholder, the Members Review Group is interested in your views on the current Corporate Governance arrangements, how effective they have been in the first six years of Network Rail and how these arrangements might be improved for the future.

USE SHOWCARD IF NEEDED

(Corporate governance is understood as a system by which organisations are directed and controlled. It is the process by which company objectives are established, achieved and monitored. Corporate governance is concerned with the relationships and responsibilities between the board, management, shareholders and other relevant stakeholders within a legal and regulatory framework)

All information that you provide will be treated in the strictest confidence. All of the findings will be reported on an aggregate basis, with no individual or company being identified in the final report. We may use direct quotes from this interview, but this will be done on an anonymous basis, unless you specifically wish to be quoted.

Key issues to be addressed

- How familiar are you with Network Rail's corporate governance arrangements?
Prompt – 5 point scale 5=very familiar, 1=not at all familiar

- In your opinion how effective are Network Rail's corporate governance arrangements?
Prompt – 5 point scale 5=very effective, 1=not at all effective

- What are the main strengths of the current arrangements?

- And which areas do you think need to be changed?

- What should be the main priority for improvement?

- How effective is the Board of Network Rail?
Prompt – 5 point scale 5=very effective, 1=not at all effective

- And the role of the Chairman, as currently defined?
Prompt – 5 point scale 5=very effective, 1=not at all effective

- And how effective is the role of the non-executive directors as currently defined?
Prompt – 5 point scale 5=very effective, 1=not at all effective

- *If the following areas haven't been mentioned already probe on the impact of each one:*
 - there are members instead of equity shareholders
 - there are 100+ members – how many members should there be?
 - the majority of members have no background in the railway industry
 - the varied mix of skills and experience amongst members
 - members currently have no involvement in strategic decision making or setting financial budgets and targets, remuneration and appointment of directors(except retrospectively
 - members are appointed by the Board

- The role of a Member of Network Rail is intended to be equivalent to that of a shareholder in a plc. The one significant difference is that a Network Rail Member or a member of the public cannot send a signal via the market by buying or selling shares in response to the performance of management. To what extent do you think that this restricts the influence of members?

- How effective are the Members collectively?
Prompt – 5 point scale 5=very effective, 1=not at all effective

- Is there sufficient scope for individual Members to make a contribution to governance?

- And how effective are they at holding the Board to account?
Prompt – 5 point scale 5=very effective, 1=not at all effective

- Who should the Members be accountable to?

- Should Members be appointed or elected? By whom?

- How well do the members represent the needs of your organisation? And stakeholders generally?

- What impact are the current corporate governance arrangements having on the performance of Network Rail?

Thank and close interview.

Encourage Board members and stakeholders to complete the e-survey. Record e-mail address.

Network Rail Members Review of Corporate Governance: Outline discussion guide for workshops and face to face interviews (Final)

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As a key stakeholder, the Members Review Group is interested in your views on the current Corporate Governance arrangements, how effective they have been in the first six years of Network Rail and how these arrangements might be improved for the future.

USE SHOWCARD IF NEEDED

(Corporate governance is understood as a system by which organisations are directed and controlled. It is the process by which company objectives are established, achieved and monitored. Corporate governance is concerned with the relationships and responsibilities between the board, management, shareholders and other relevant stakeholders within a legal and regulatory framework)

All information that you provide will be treated in the strictest confidence. All of the findings will be reported on an aggregate basis, with no individual or company being identified in the final report. We may use direct quotes from this interview, but this will be done on an anonymous basis, unless you specifically wish to be quoted.

Key issues to be addressed

- How familiar are you with Network Rail's corporate governance arrangements?
Prompt – 5 point scale 5=very familiar, 1=not at all familiar
- In your opinion how effective are Network Rail's corporate governance arrangements?
Prompt – 5 point scale 5=very effective, 1=not at all effective
- What are the main strengths of the current arrangements?
- And which areas do you think need to be changed?
- What should be the main priority for improvement?
- How effective is the Board of Network Rail?
Prompt – 5 point scale 5=very effective, 1=not at all effective
- And the role of the Chairman, as currently defined?
Prompt – 5 point scale 5=very effective, 1=not at all effective
- And how effective is the role of the non-executive Directors as currently defined?
Prompt – 5 point scale 5=very effective, 1=not at all effective
- If the following areas haven't been mentioned already probe on the impact of each one:
 - there are members instead of equity shareholders.
 - there are 100+ members – how many members should there be?
 - the majority of members have no background in the railway industry.
 - the varied mix of skills and experience amongst members.
 - members currently have no involvement in strategic decision making or setting financial budgets and targets, remuneration and appointment of Directors (except retrospectively).
 - members are appointed by the Board.
- The role of a Member of Network Rail is intended to be equivalent to that of a shareholder in a plc. The one significant difference is that a Network Rail Member or a member of the public cannot send a signal via the market by

buying or selling shares in response to the performance of management. To what extent do you think that this restricts the influence of members?

- How effective are the Members collectively?
Prompt – 5 point scale 5=very effective, 1=not at all effective
- Is there sufficient scope for individual Members to make a contribution to governance?
- And how effective are they at holding the Board to account?
Prompt – 5 point scale 5=very effective, 1=not at all effective
- Who should the Members be accountable to?
- Should Members be appointed or elected? By whom?
- How well do the members represent the needs of your organisation? And stakeholders generally?
- What impact are the current corporate governance arrangements having on the performance of Network Rail?

Thank and close interview.

Encourage Board members and stakeholders to complete the e-survey. Record e-mail address.

II. Appendix B: Responses to members e-survey

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Appendix B

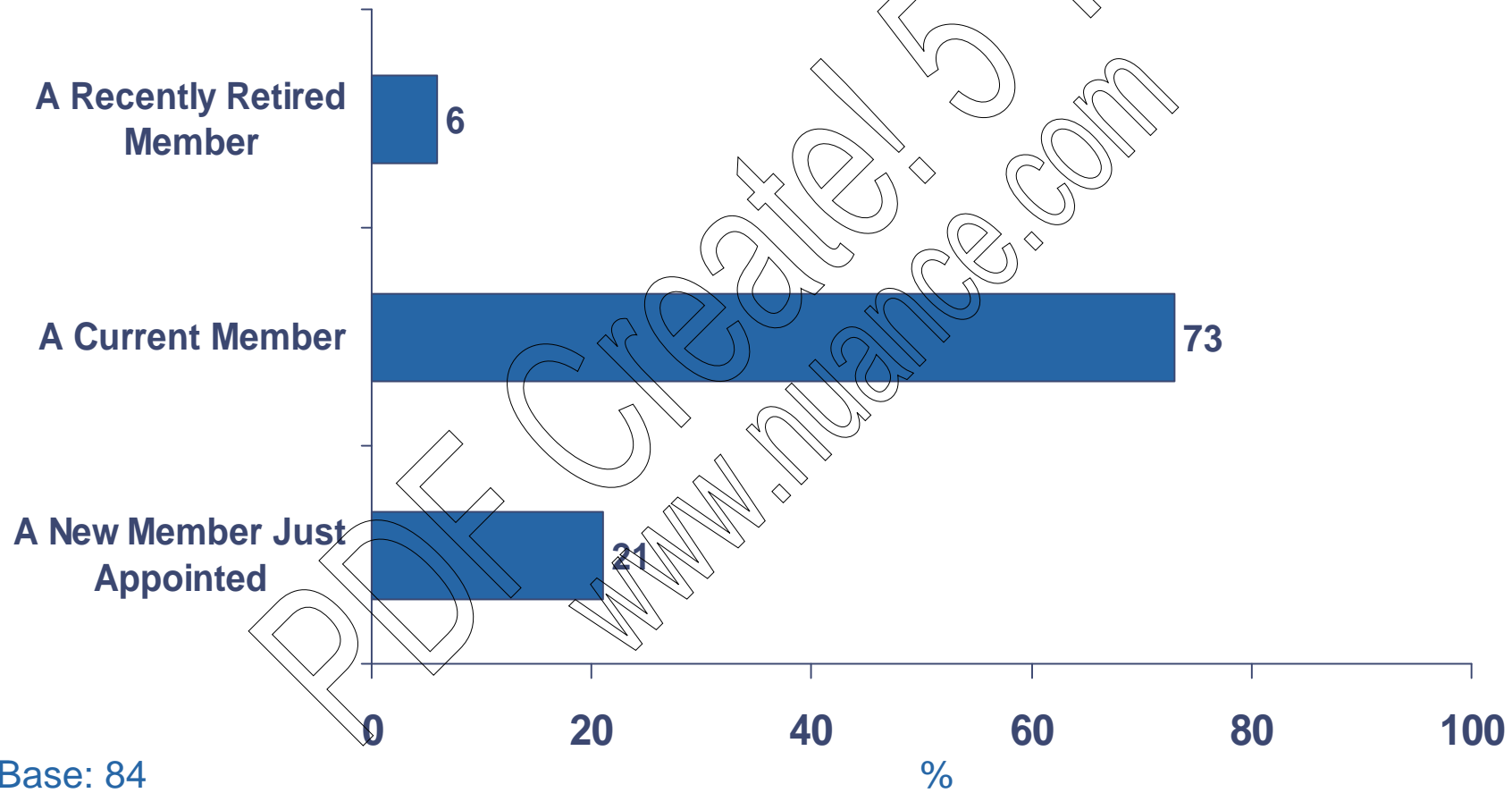
Results of Member Survey

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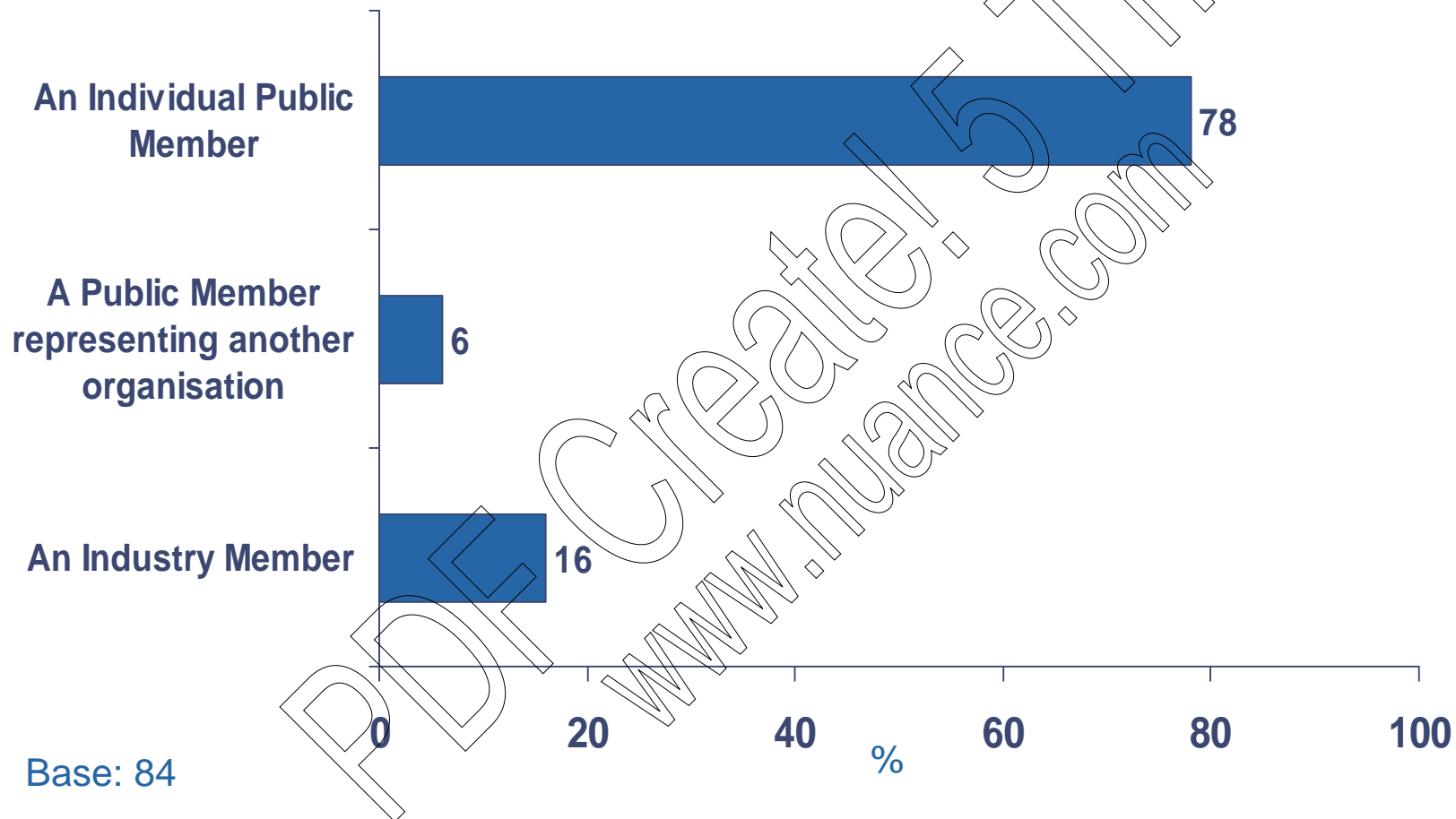
The Members Survey

- The appendix details the results and findings from the e-survey that was distributed to 114 Members of Network Rail, including newly recruited and recently retired Members
- The results are set out in graphical format, question by question and follow the order of questions asked in the questionnaire
- The e-survey took place between the 5th December 2008 and the 6th January 2009

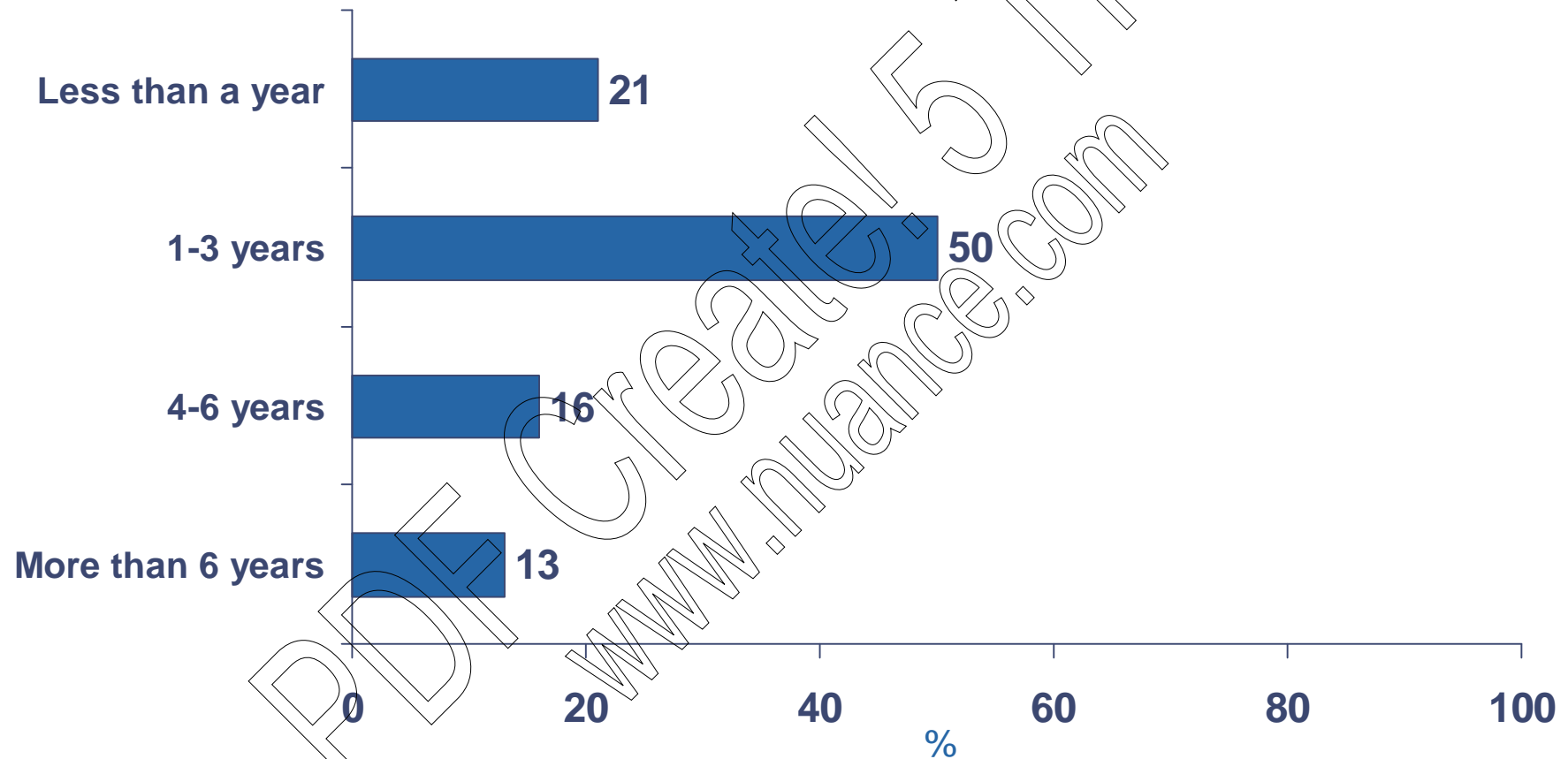
Q1a) Please describe your membership type?



Q1b) Are you, or were you?

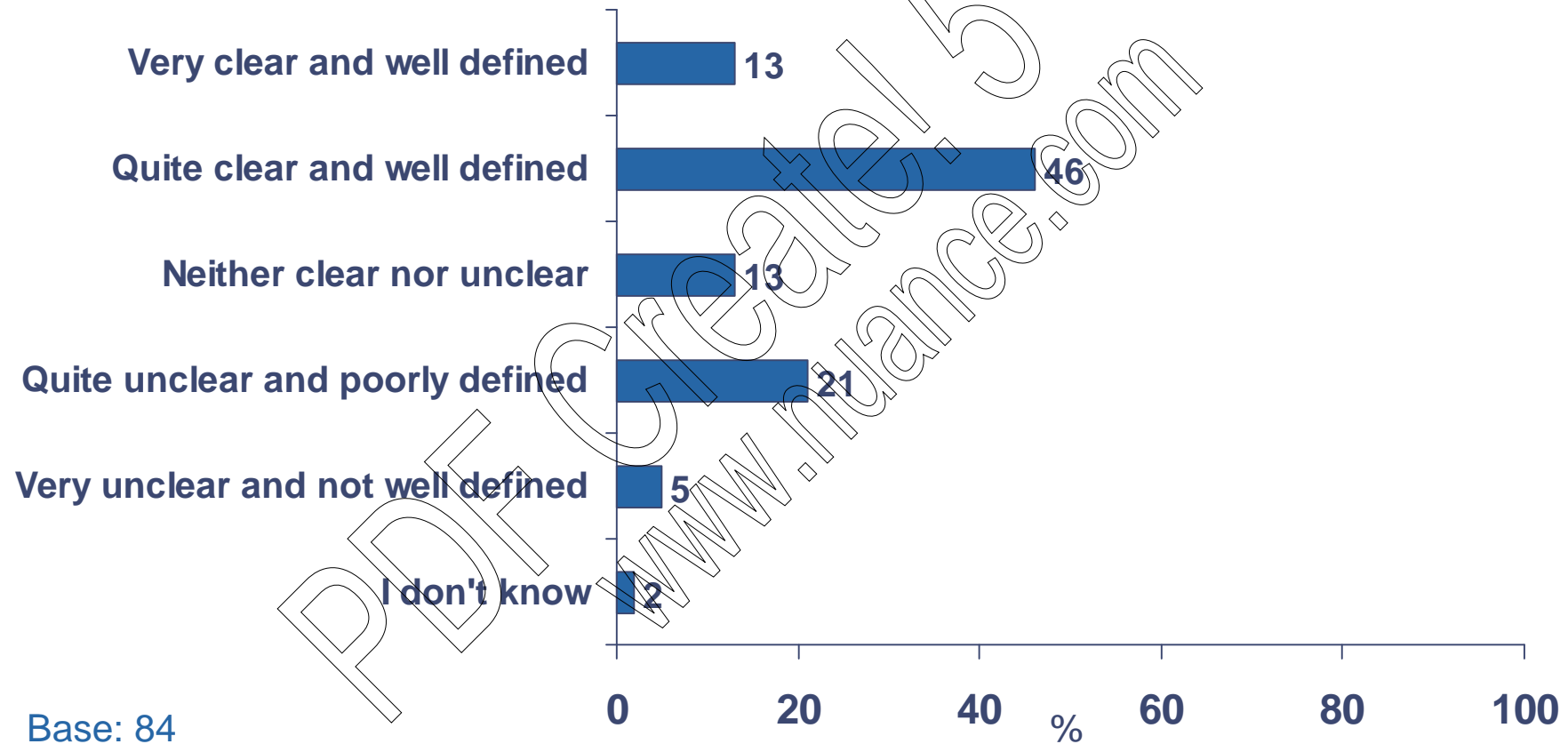


Q1c) How long have you been or were you a Member?



Base: 84

Q2a) In your opinion how well defined is your role as a Member of Network Rail



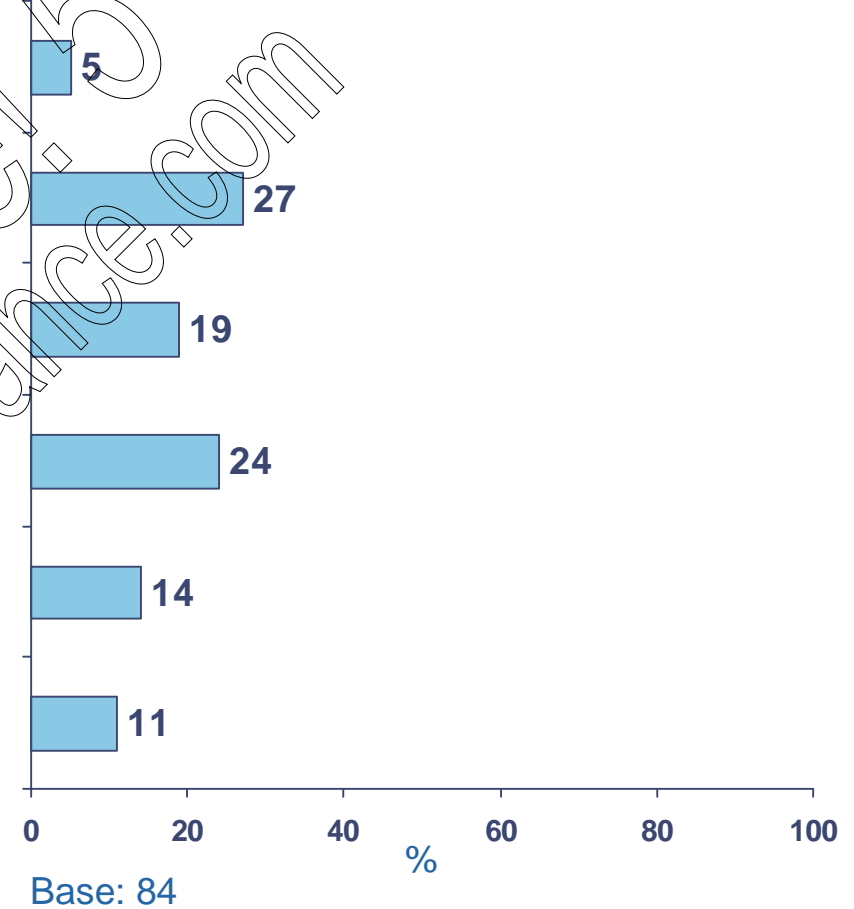
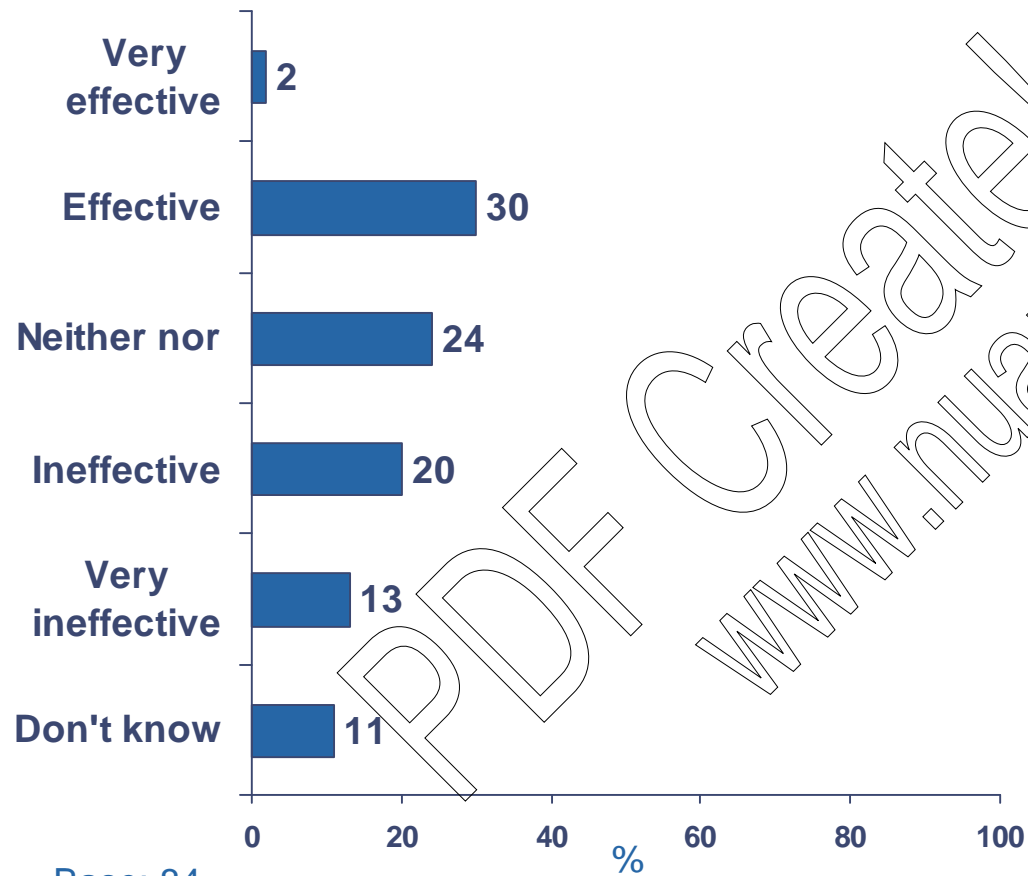
Q2b) What do you consider your role to be?
(Open end question with multiple responses)

- To Provide Accountability – (48%)
- Scrutiny / Monitoring – (48%)
- To Promote Effective Governance / Participation – (39%)
- To act as a Shareholder / Trustee – (30%)
- Representation of Public / Customers – (18%)

Base: 84

Q3a) In your opinion how effective or ineffective are the Members as a Group?

Q3b) How effective or ineffective is the Member Group at holding the Board of Network Rail to account?



Q3ci) You stated that the Members as a Group are ineffective or very ineffective, what impact, if any, is this having on the performance of Network Rail? (Open end question with multiple responses)

- Significant Impact on Performance – (39%)
- Little or no impact – (32%)
- Potential Future Risks / Issues – (14%)
- Difficult to gauge – (11%)

Base: 28

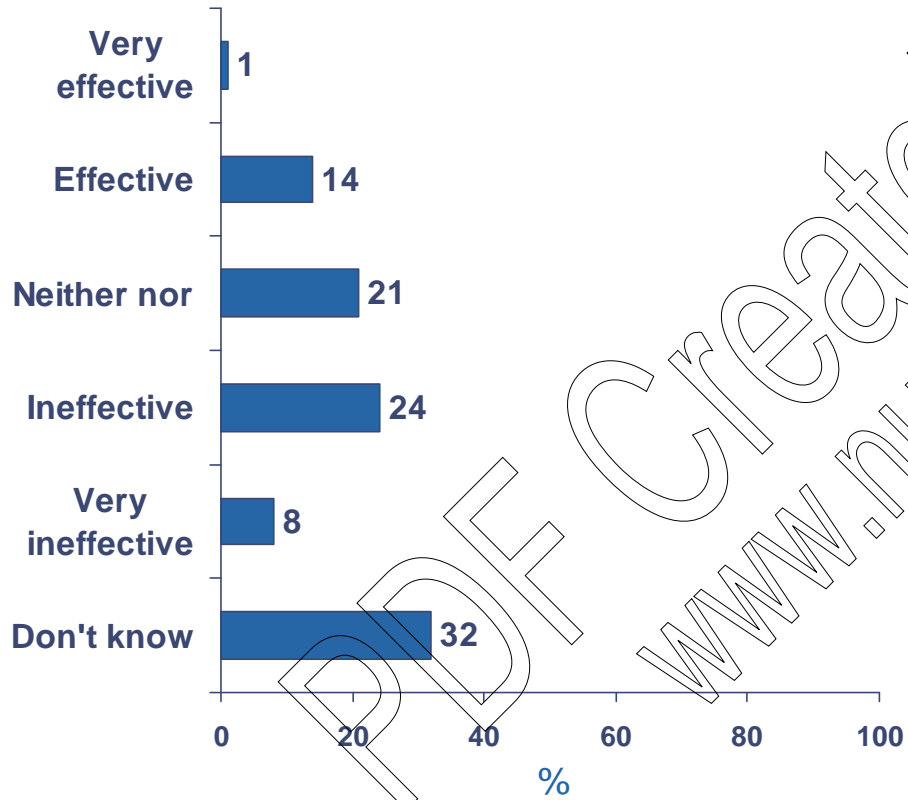
Q3cii) You stated that the Members as a group are ineffective at holding the Board of Network Rail to account. What impact is this having on the performance of Network Rail? (Open end question with multiple responses)

- Little or no impact – (41%)
- Significant Impact on Performance – (41%)
- Potential Future Risks / Issues – (9%)
- Difficult to gauge – (3%)

Base: 32

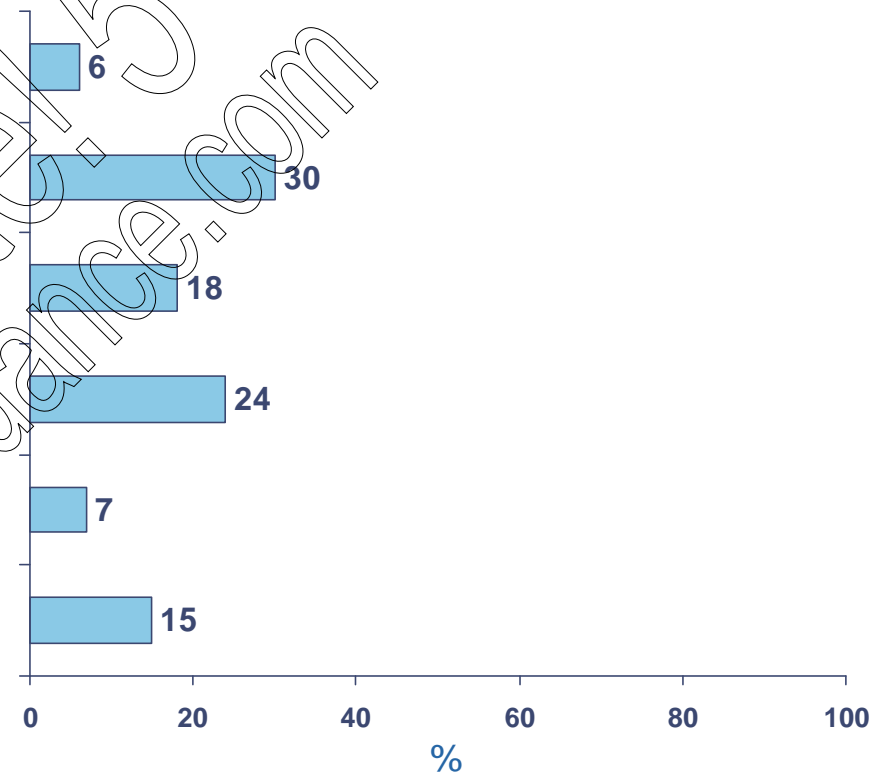
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Q4a) In your opinion how effective or ineffective has the industry membership contribution been?



Base: 84

Q4b) How effective or ineffective has the public membership contribution been?



Base: 84

Q4ci) Why do you say that the industry Membership has been effective or very effective? (Open end question with multiple responses)

- An In-depth technical knowledge – 75%
- They have alternate means of access to board – 33%
- Pro-active / Express their views – 25%

Base: 12

Q4cii) Why do you say that the Industry Membership has been Ineffective or Very Ineffective? (Open end question with multiple responses)

- Poor meeting's attendance / minimal participation – 50%
- They have alternate means of access board – 43%
- They are biased in favour of own interests – 39%

Base: 44

Q4ciii) Why do you say that the Public Membership has been effective or very effective? (Open end question with multiple responses)

- Members are more informed / skills have increased – 50%
- Positive contribution at meeting's / Proactive Approach – 46%

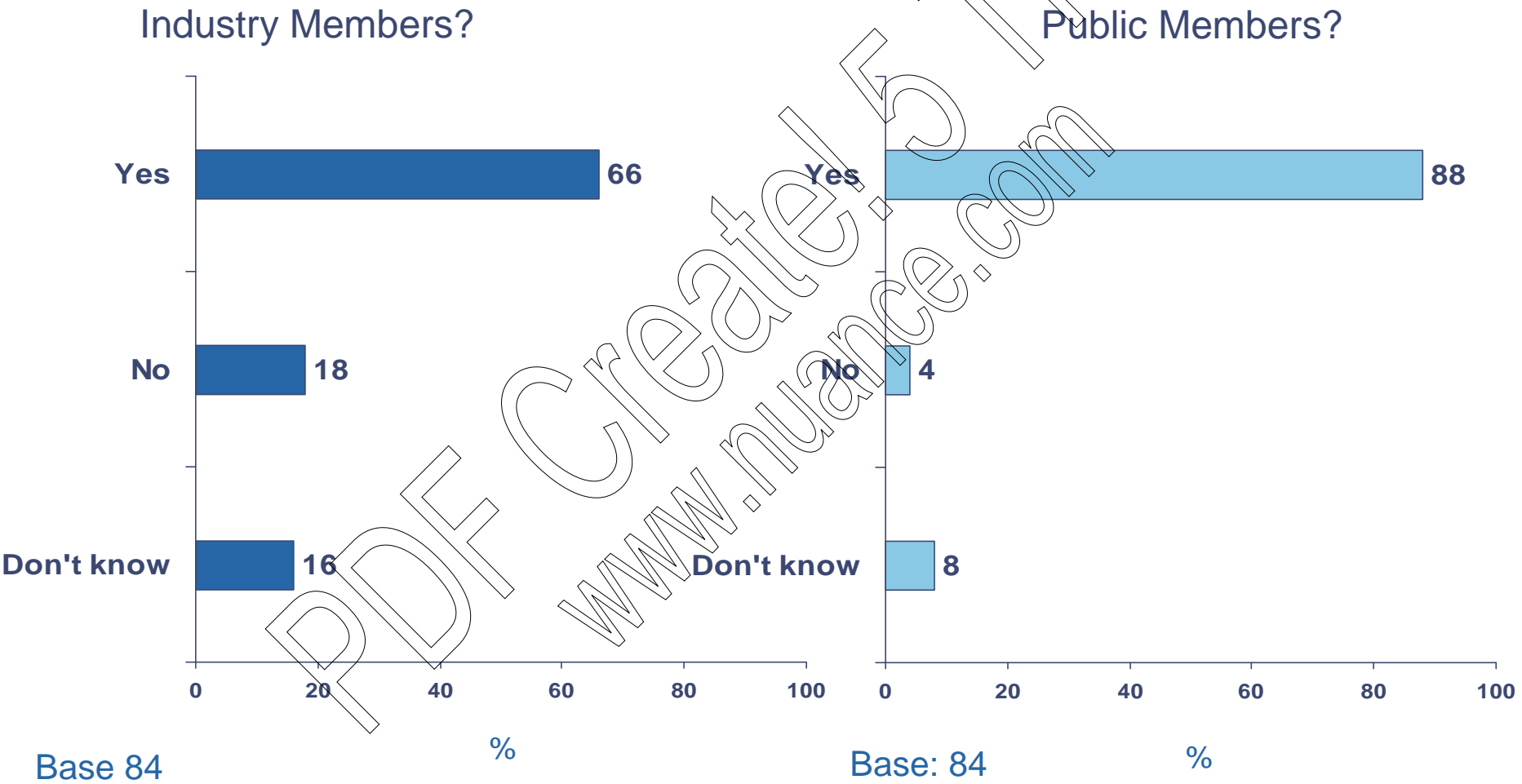
Base: 30

Q4civ) Why do you say that the Public Membership has been ineffective or very ineffective? (Open end question with multiple responses)

- Skills and Experience Lacking – 63%
- Membership is too large / not organised – 46%
- Absence of a clarity of role – 29%

Base: 41

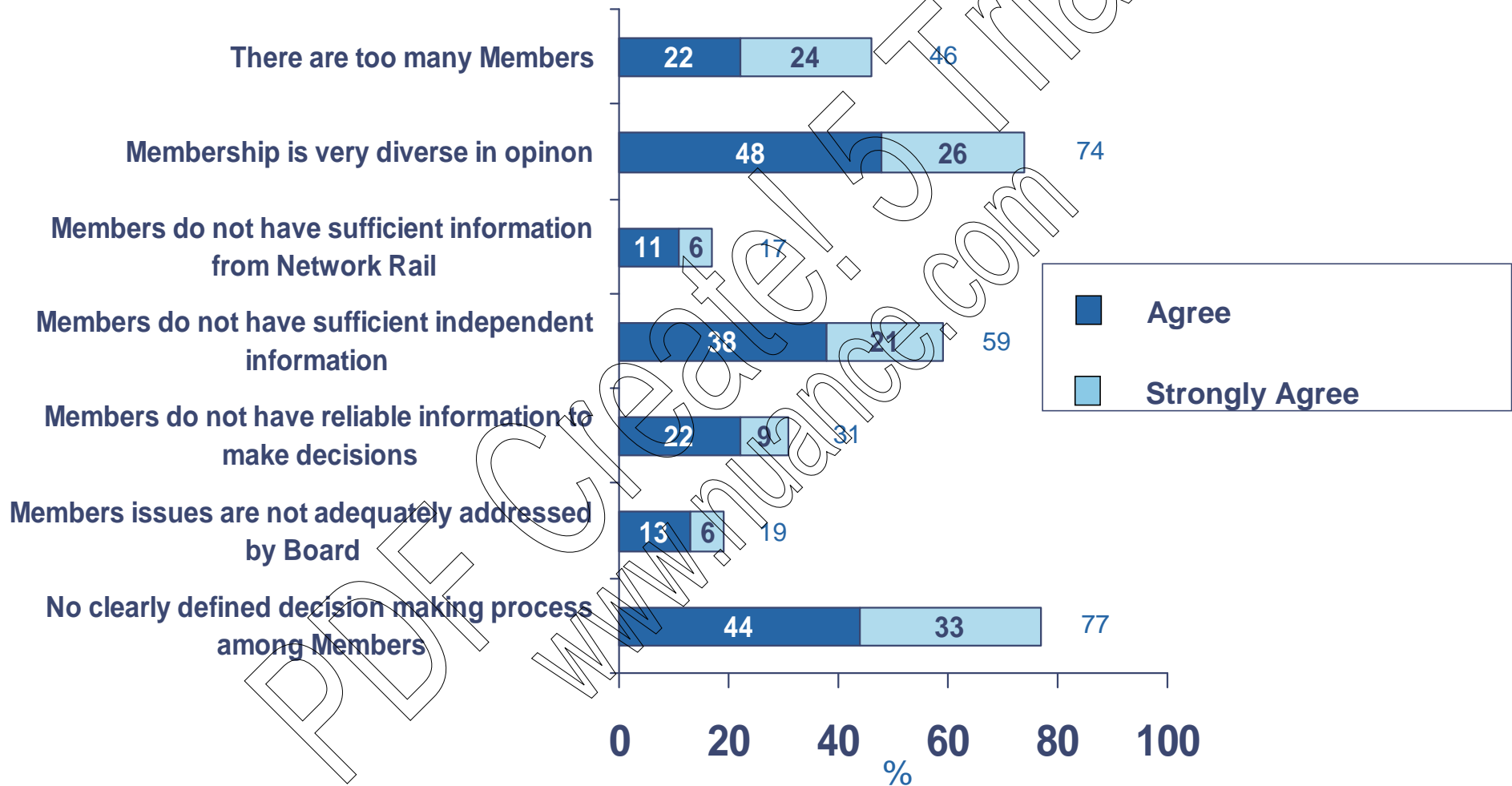
Q5a) Should Network Rail continue to have



Base 84

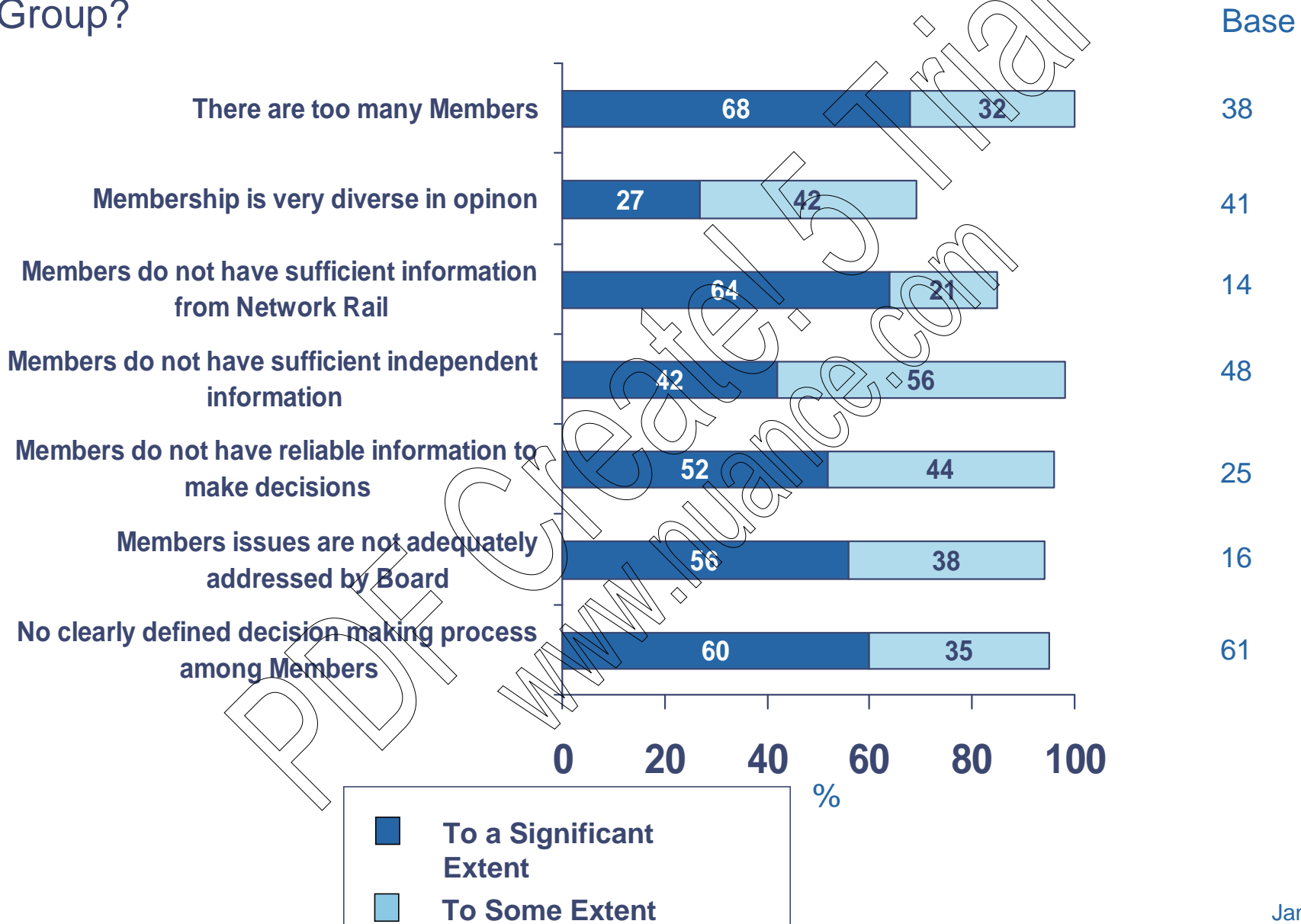
Base: 84

Q6a) To what extent do you agree or strongly agree with the following statements?



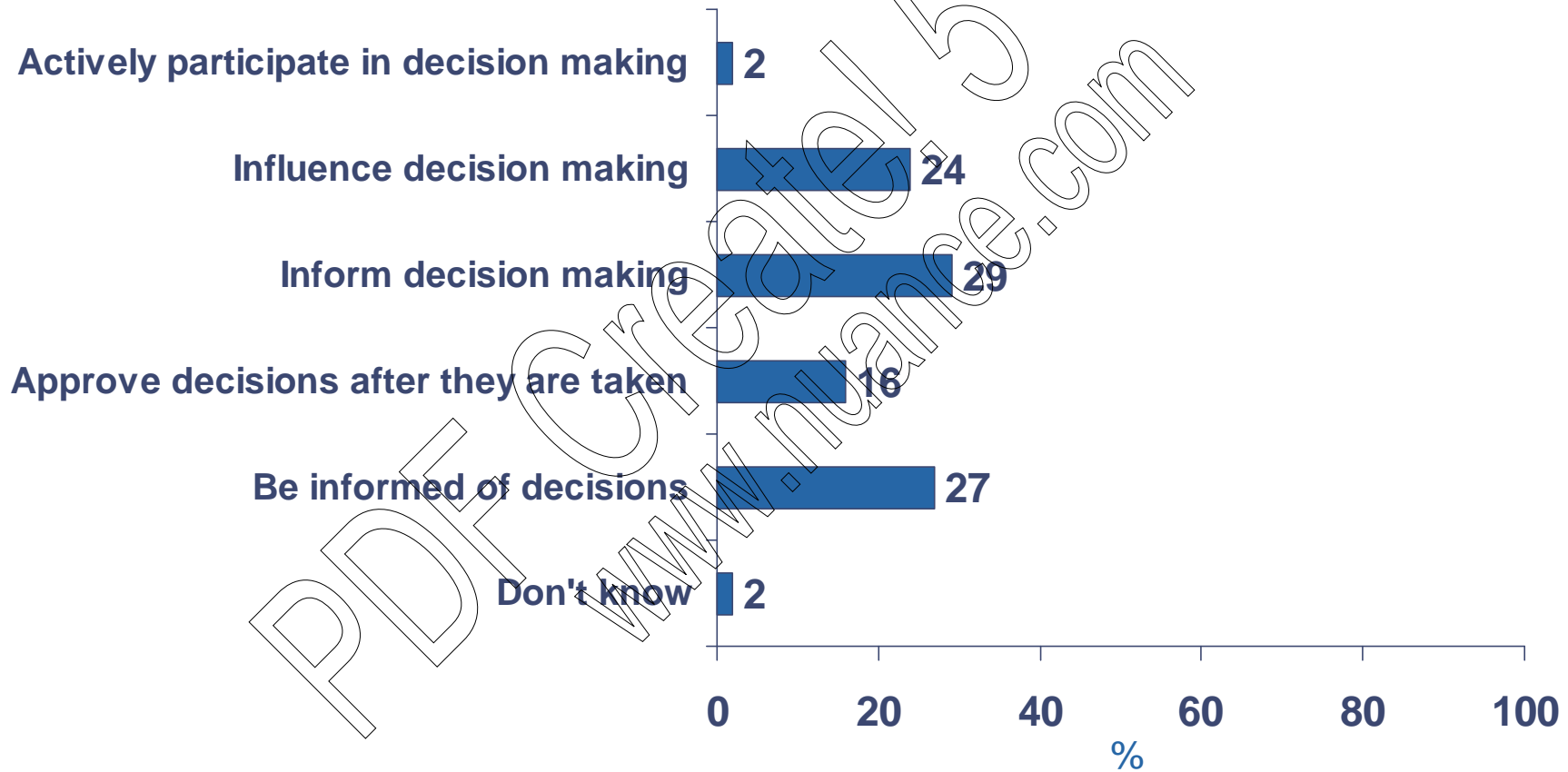
Base: 82

Q6b) To what extent does this limit the effectiveness of the Members as a Group?



Q7a) What should be the role of Members regarding board decisions on any of the following?

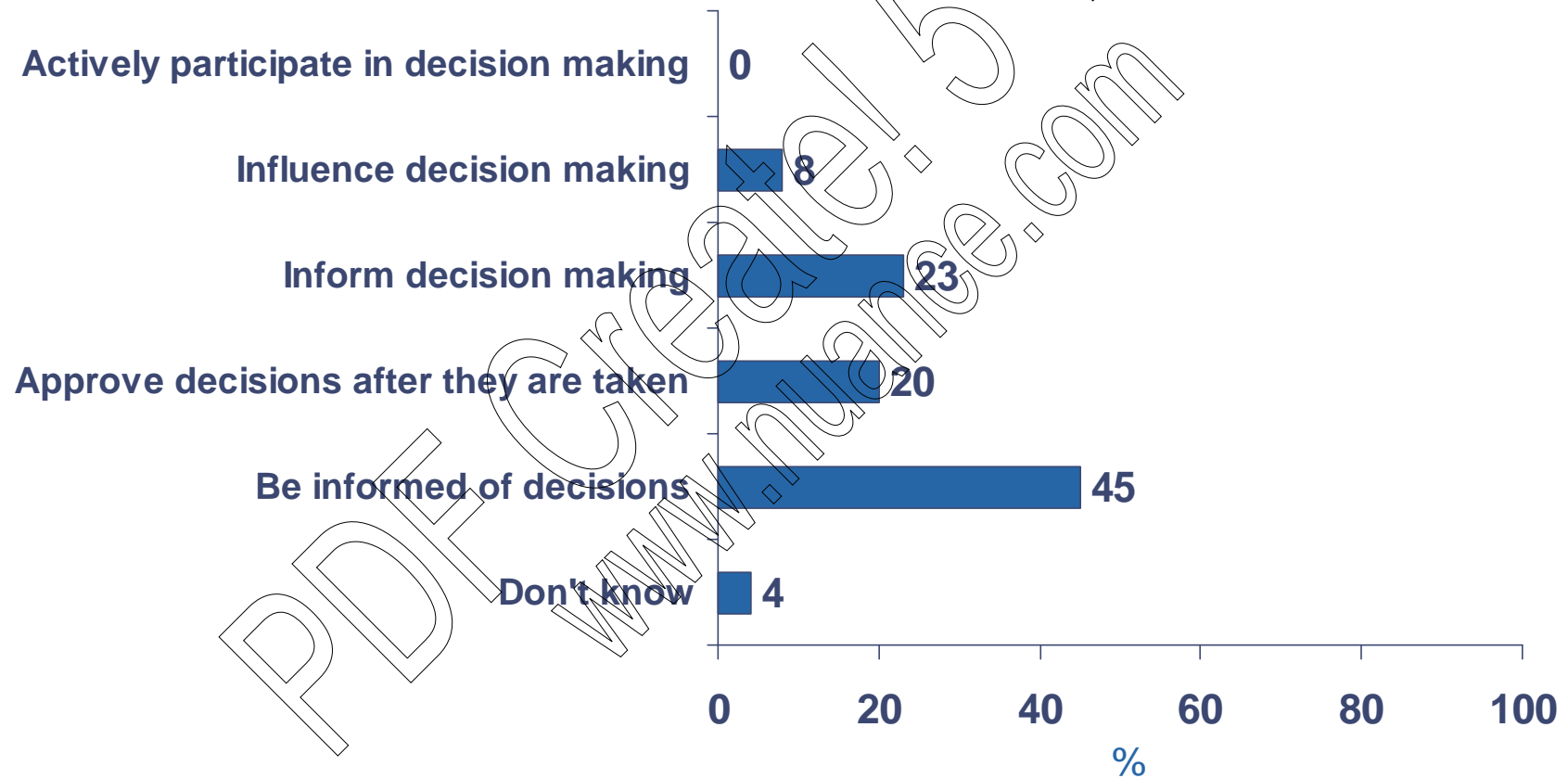
Establishing Network Rail's Business Strategy



Base: 84

Q7b) What should be the role of Members regarding Board Decisions on any of the following?

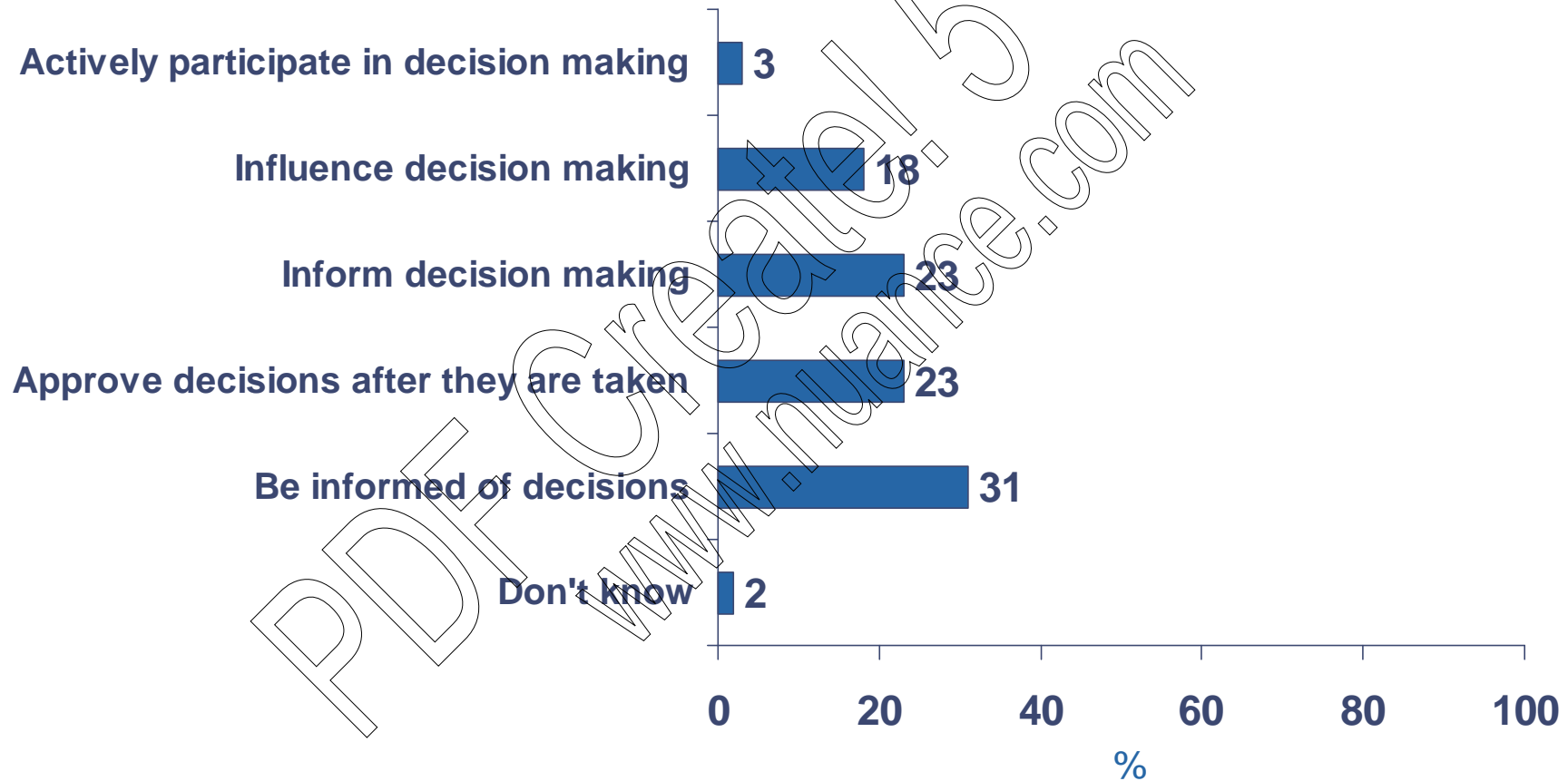
Establishing Network Rail's Annual Financial Budget



Base: 84

Q7c) What should be the role of Members regarding Board Decisions on any of the following?

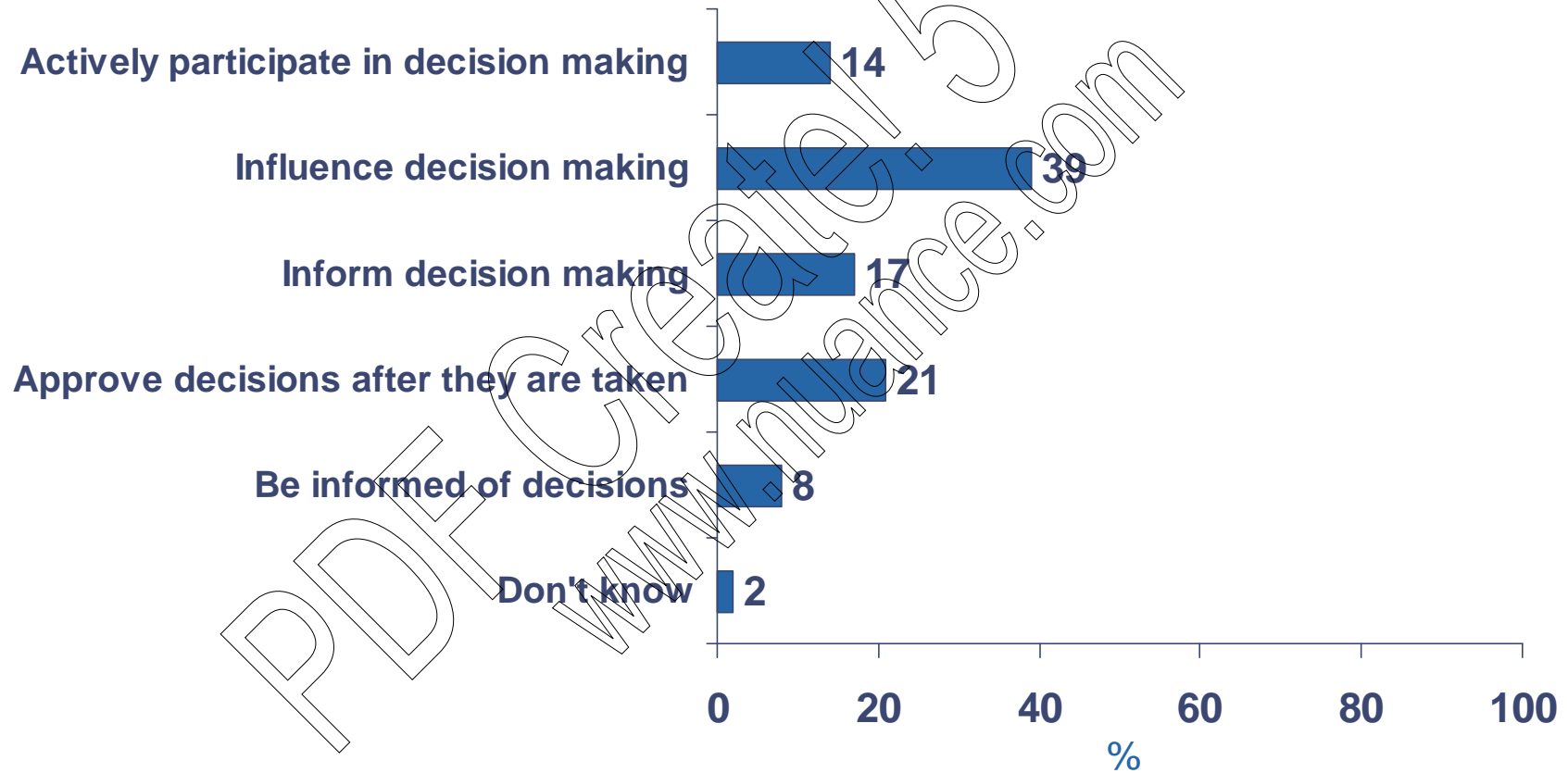
Establishing Network Rail's Business Plan and its Targets



Base: 84

Q7d) What should be the role of Members regarding Board Decisions on any of the following?

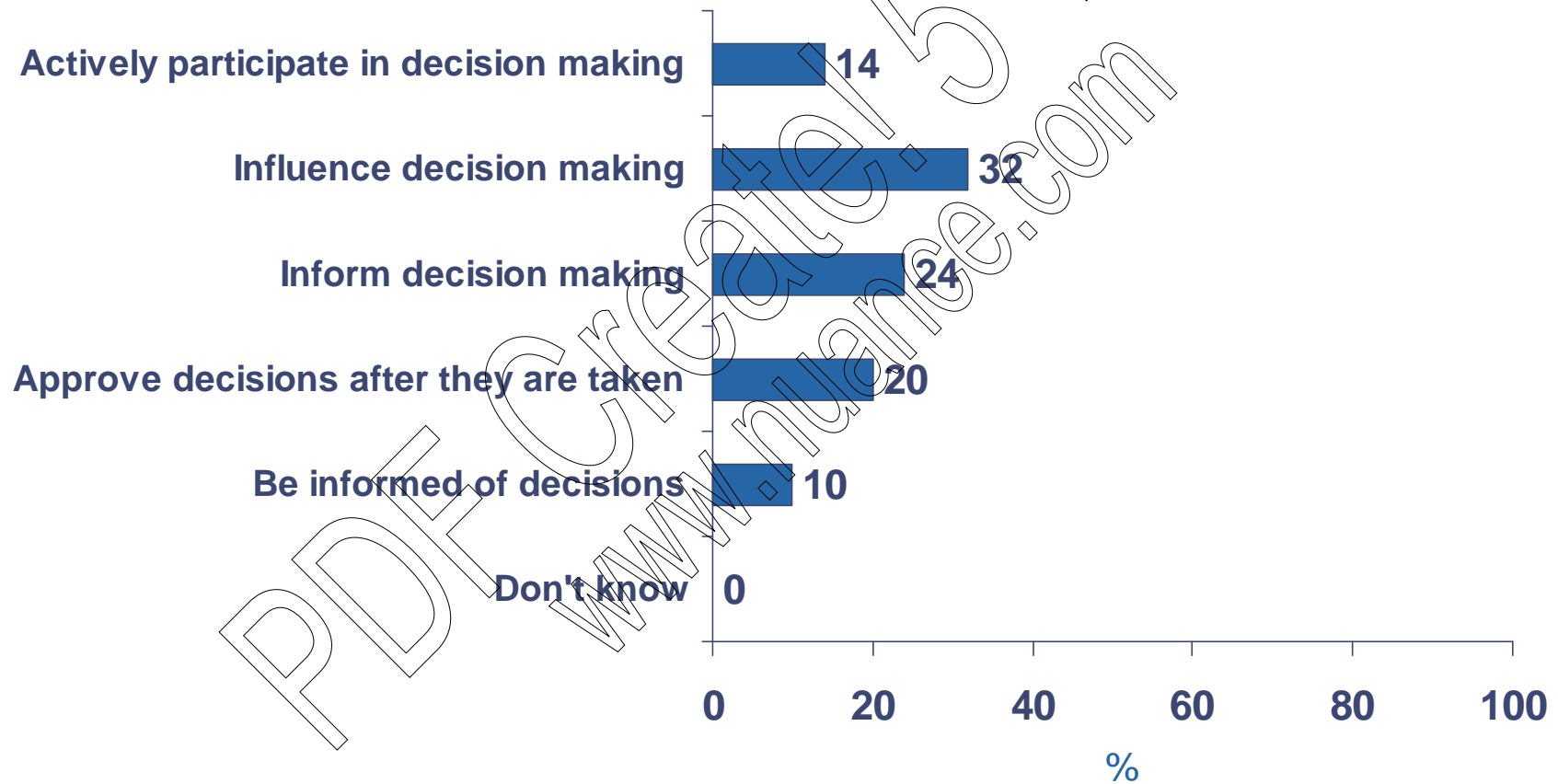
Setting Directors Remuneration



Base: 84

Q7e) What should be the role of Members regarding Board Decisions on any of the following?

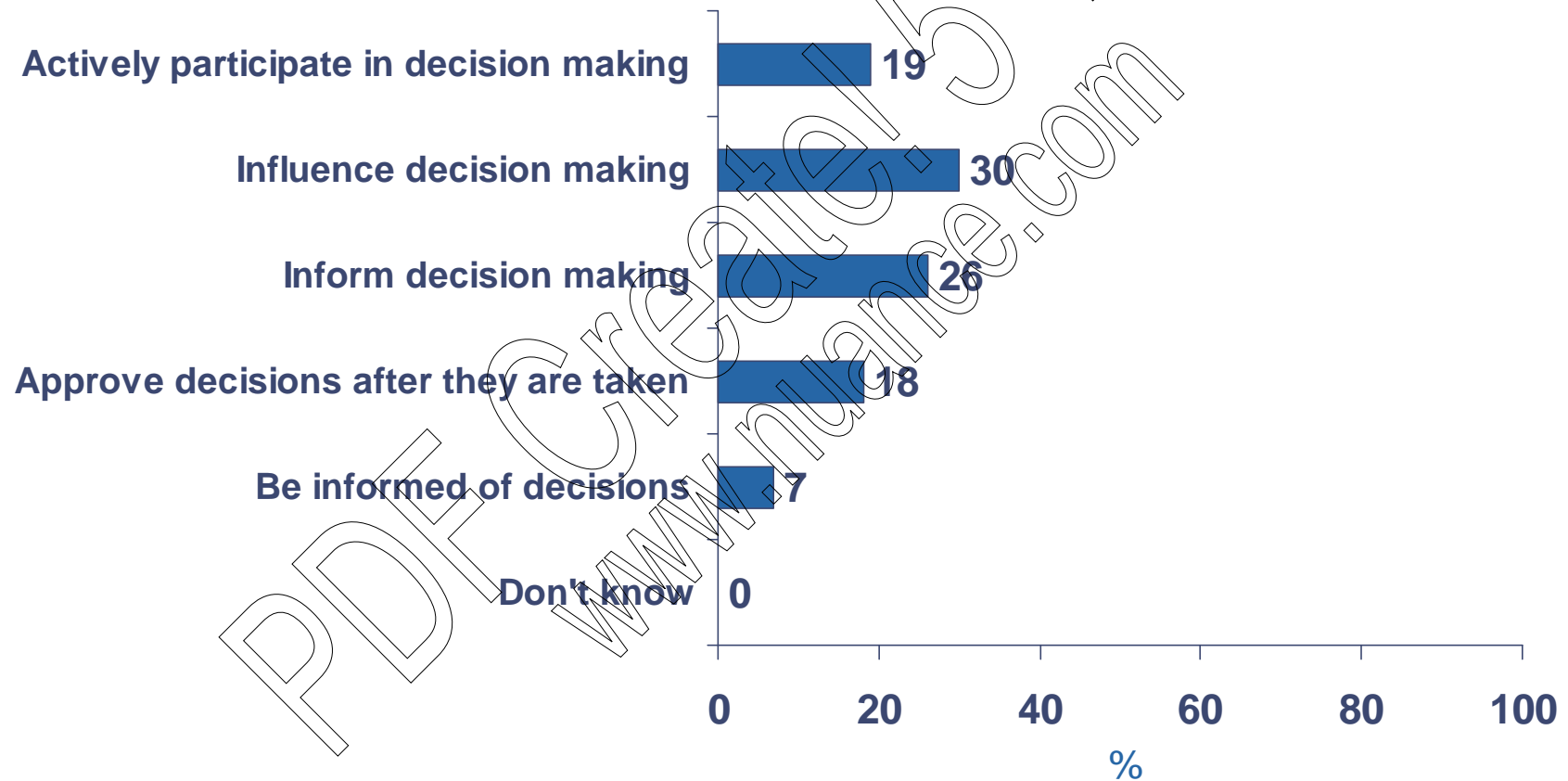
Appointing the Chairman



Base: 84

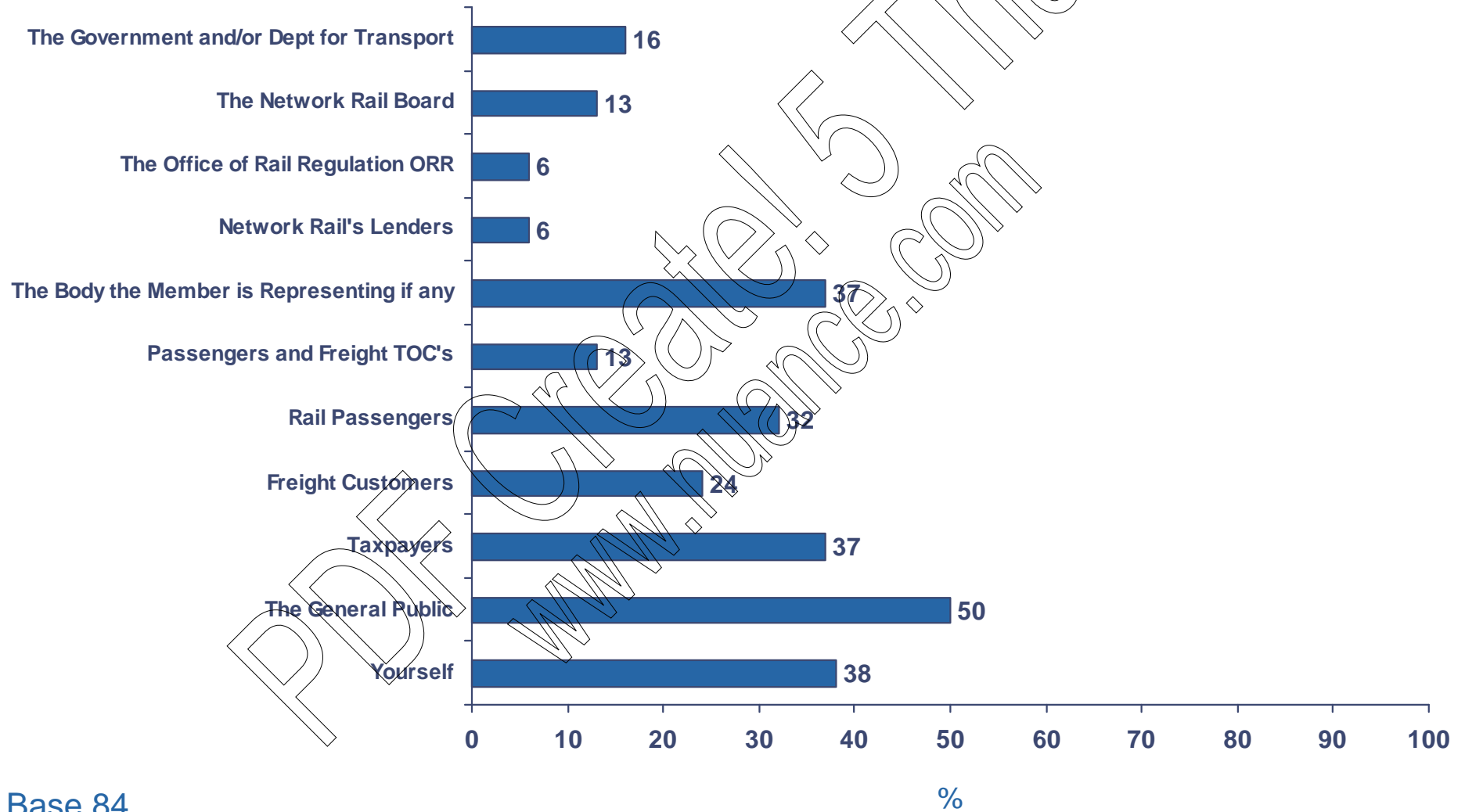
Q7f) What should be the role of Members regarding Board Decisions on any of the following?

Appointing Non-Executive Directors



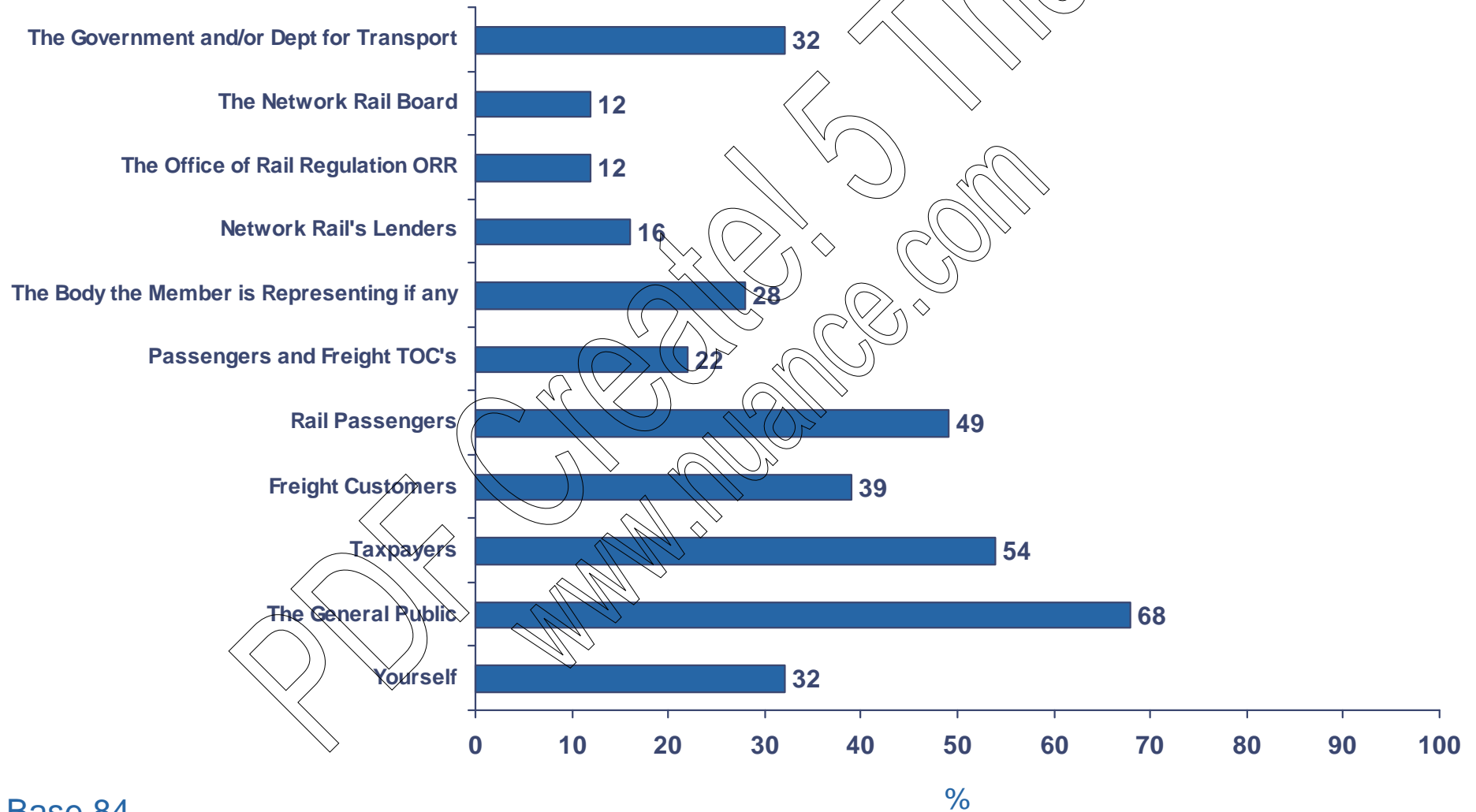
Base: 84

Q8a) Who do you believe a Member or Members of Network Rail are accountable to?



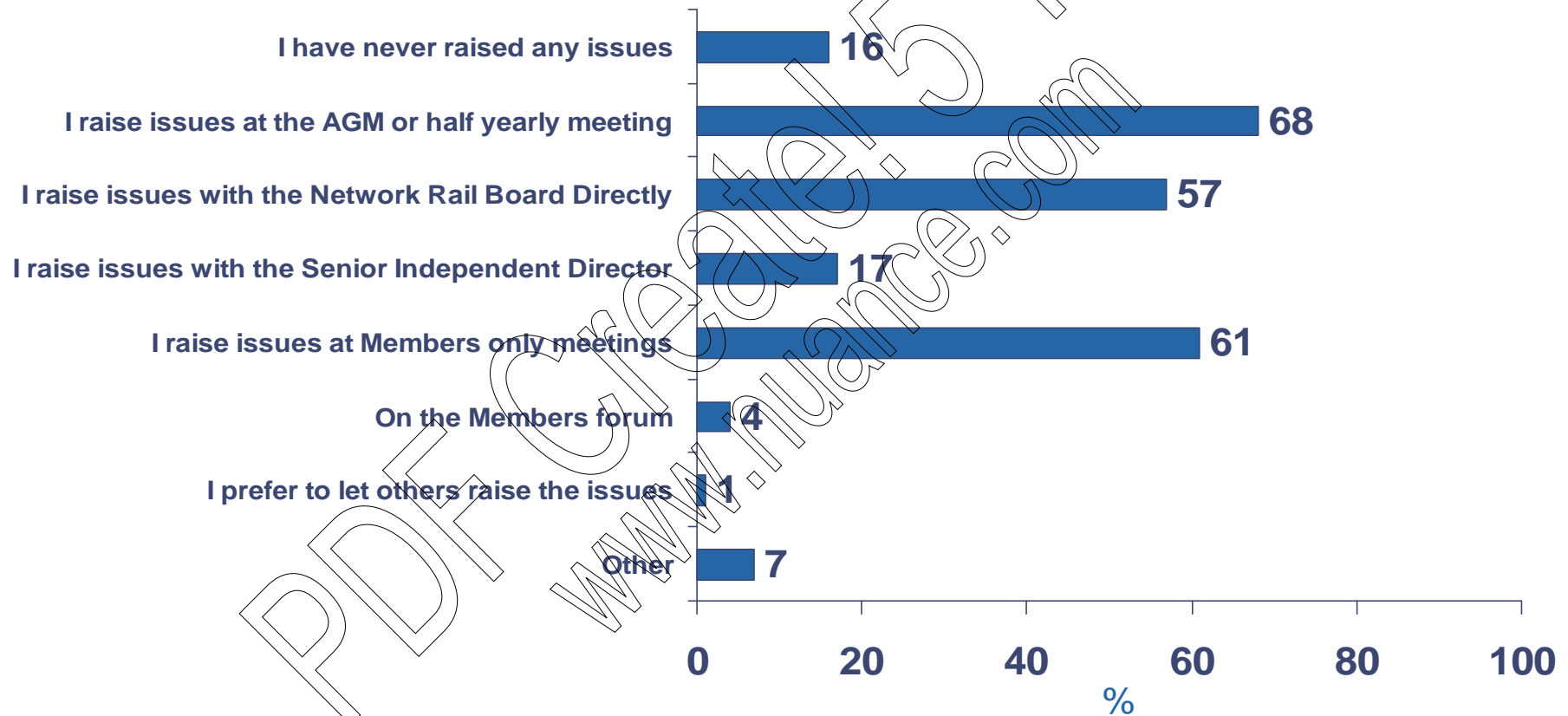
Base 84

Q8b) Who do you believe a Member or Members of Network Rail should be accountable to?



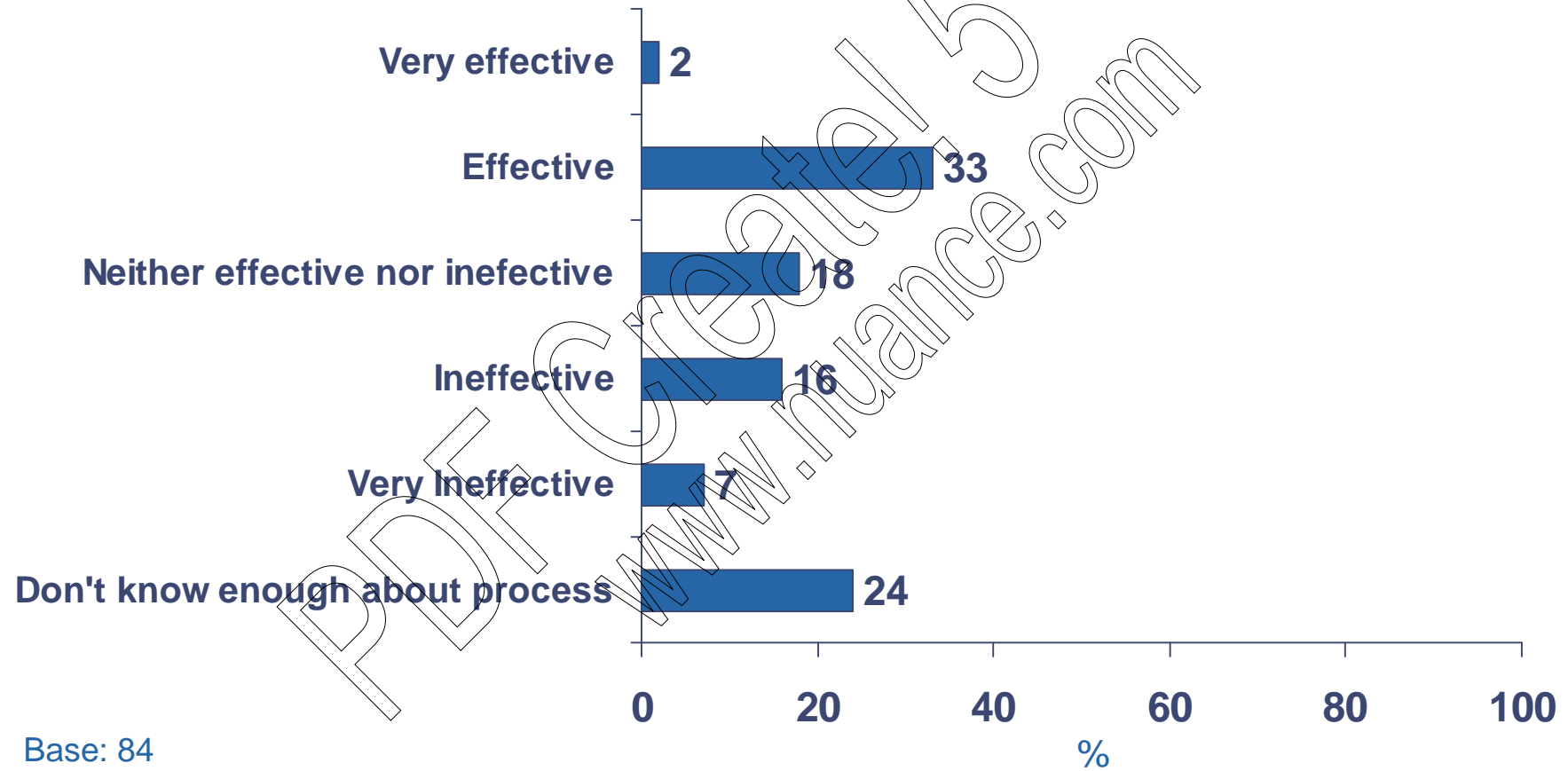
Base 84

Q9) How do you raise issues regarding Network Rail performance and effective Governance. Please indicate how you raised issues in the past?



Base: 82

Q10a) In your opinion how effective or ineffective is the current process of selecting and appointing Network Rail's Public Members?



Q10b) Why do you say that? (Open end question with multiple responses)

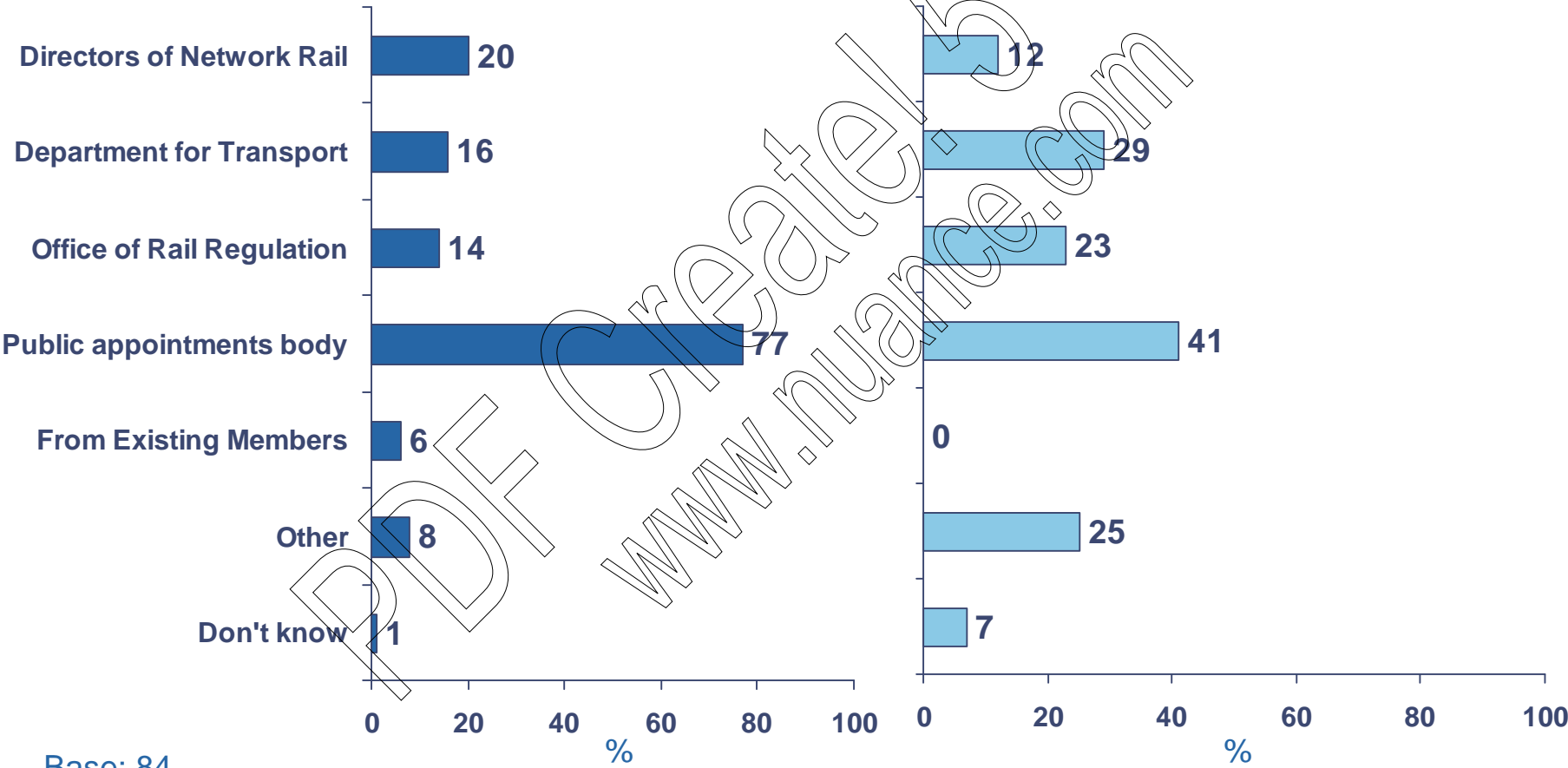
- Because the Board appoints the Members Selection Panel – 58%
- Members do not sufficiently understand how Corporate Governance works – 26%
- Members' attendance at meetings is low – 5%
- Absence of a clarity of role – 5%
- Lack of Accountability – 5%

Base: 19

Appointment and Selection of Members

Q11a) Who should be involved in selecting Public Members?

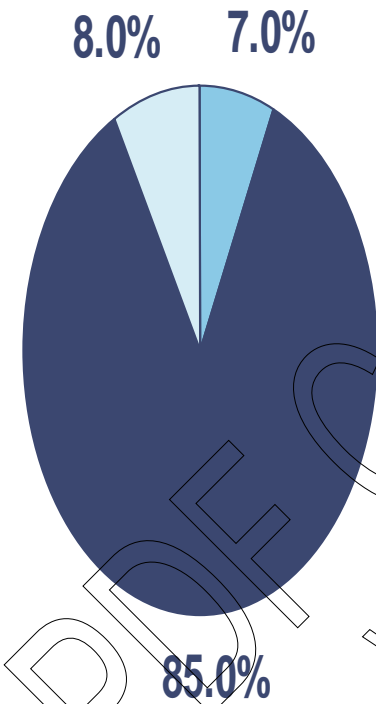
Q11b) Who should be involved in selecting Industry Members?



Base: 84

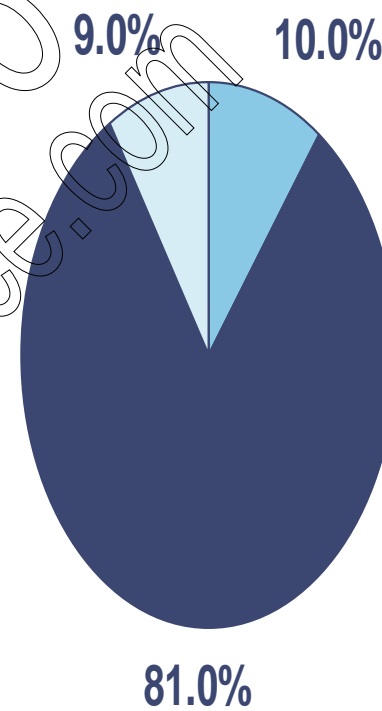
Appointment and Selection of Members

Q12a) Should Network Rail Public Members be elected?



■ Yes ■ No ■ Don't Know

Q12b) Should Network Rail Industry Members be elected?



■ Yes ■ No ■ Don't Know

Base: 84

Q12ci) Who do you think should form the Public Members' Electorate?
(Open end question with multiple responses)

- Of those who responded to this question, 4 people suggested that the Public Members should be elected by an Umbrella Group of Existing Members and key stakeholders
- 2 additional respondents indicated that this should be a local or regional election process

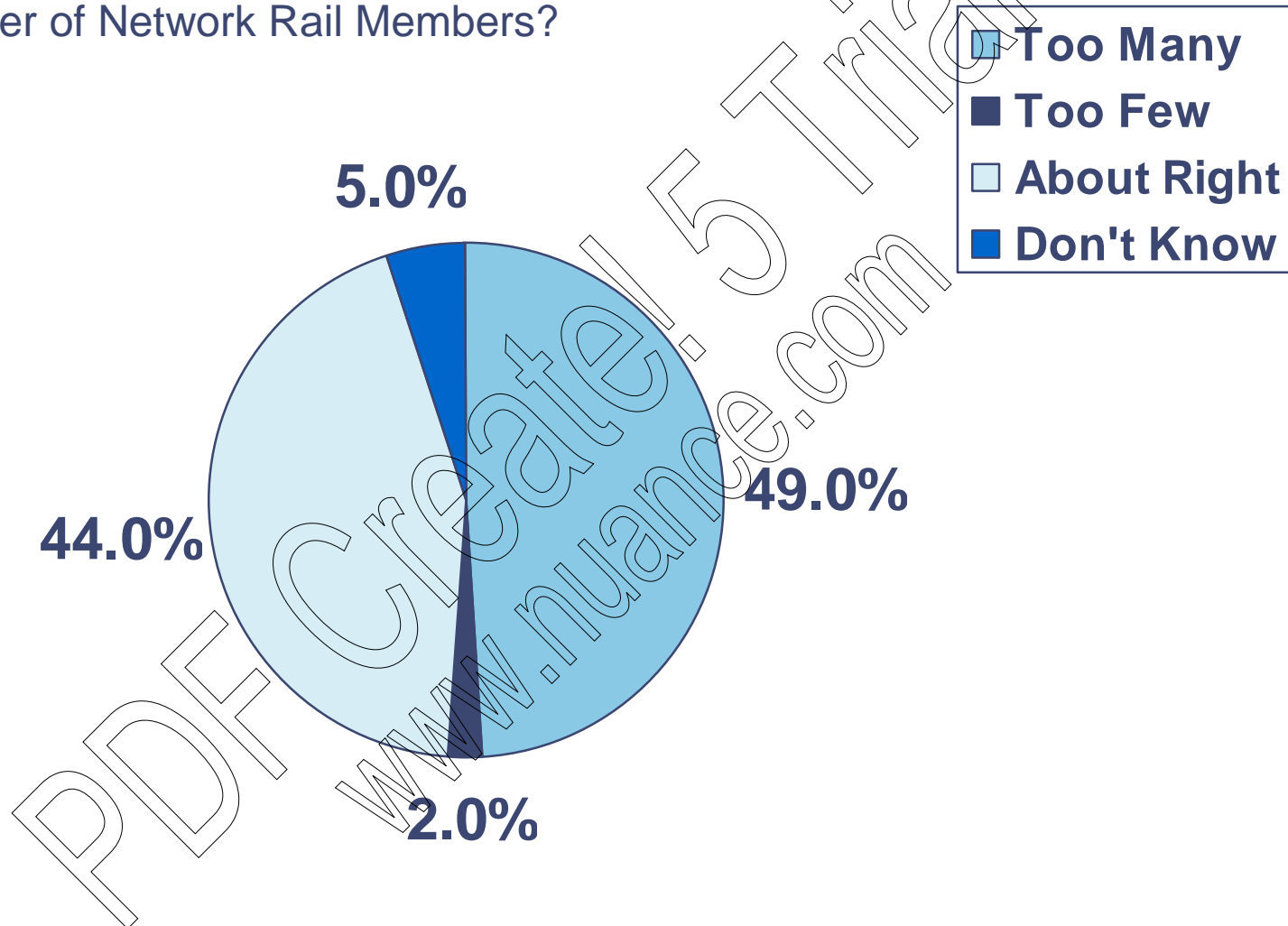
Base: 6

Q12cii) Who do you think should form the Industry Members' Electorate?
(Open end question with multiple responses)

- 5 respondents stated that the electorate should be comprised of all those companies that have a contractual relationship with Network Rail
- 3 additional respondents stated that this should be formed of a combination of the wider Membership and the Public

Base: 8

Q13a) Thinking about the size of the Member Group – what do you think about the current number of Network Rail Members?



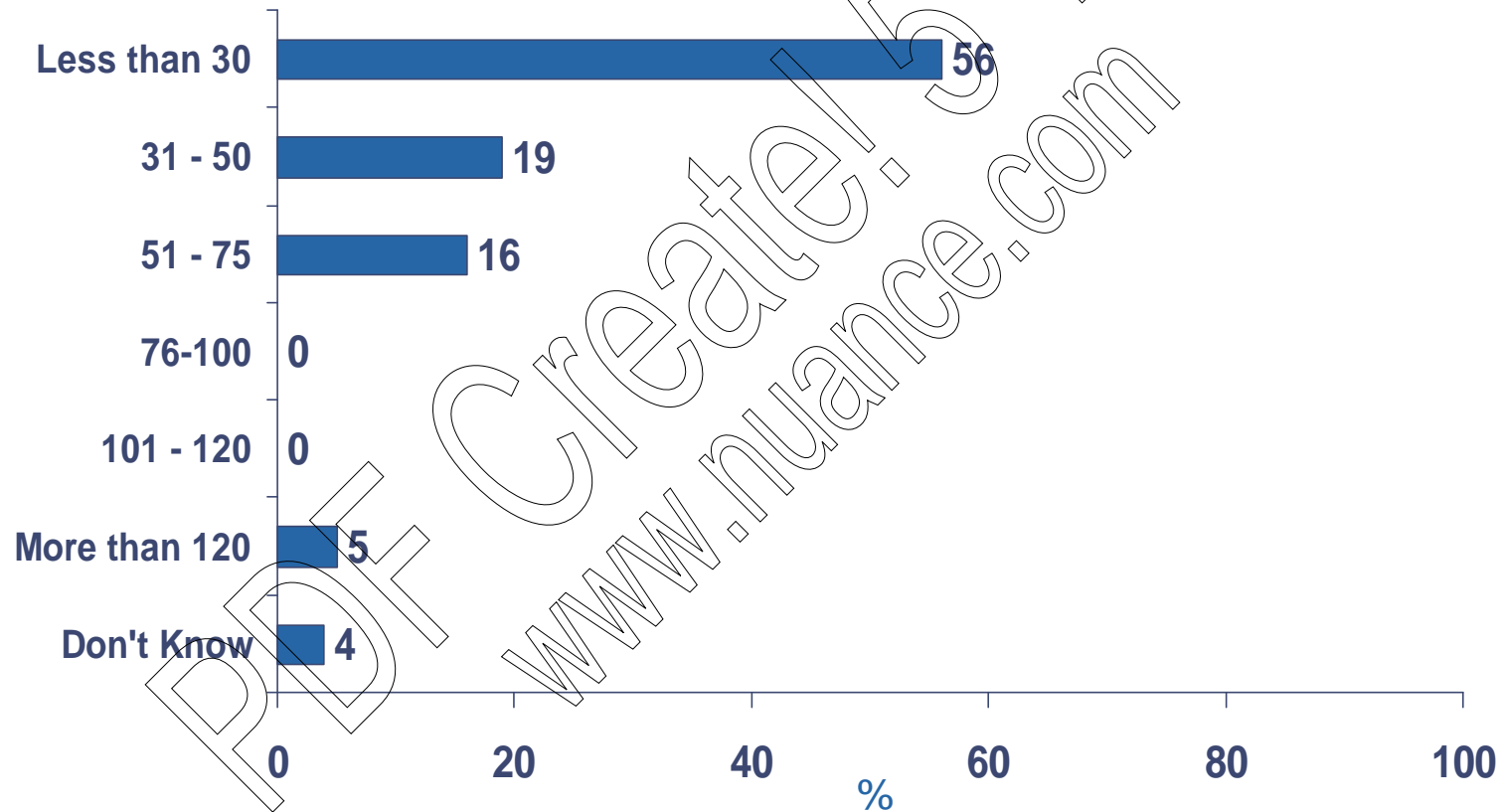
Base: 84

Q13b) Why do you say that?
(Open end question with multiple responses)

- There are too many Members for it to be an Effective Group – (65%)
- It needs a smaller focussed and cohesive group – (30%)
- Too many conflicting agenda's – (16%)
- Too large a number often results with parochial issues being raised – (14%)
- Needs to improve mix of Members in terms of ethnicity and SEG – (7%)
- Too few Members to be an effective Group – (5%)

Base: 43

Q13c) How many Members should Network Rail have?



Base: 43

Q13di) What impact will this change have on:
(Open end question with multiple responses)

The effectiveness of the Corporate Governance practices in Network Rail?

- Smaller number will be more effective in terms of Scrutiny and Monitoring – (41%)
- It would improve the general effectiveness – (14%)
- Good Governance will lead to better Performance / Success – (12%)
- Stronger Governance will change Network Rail's Focus – (9%)
- Little or no impact on Performance – (9%)
- Performance will increase so long as Members' skills are sufficient – (5%)

Base: 43

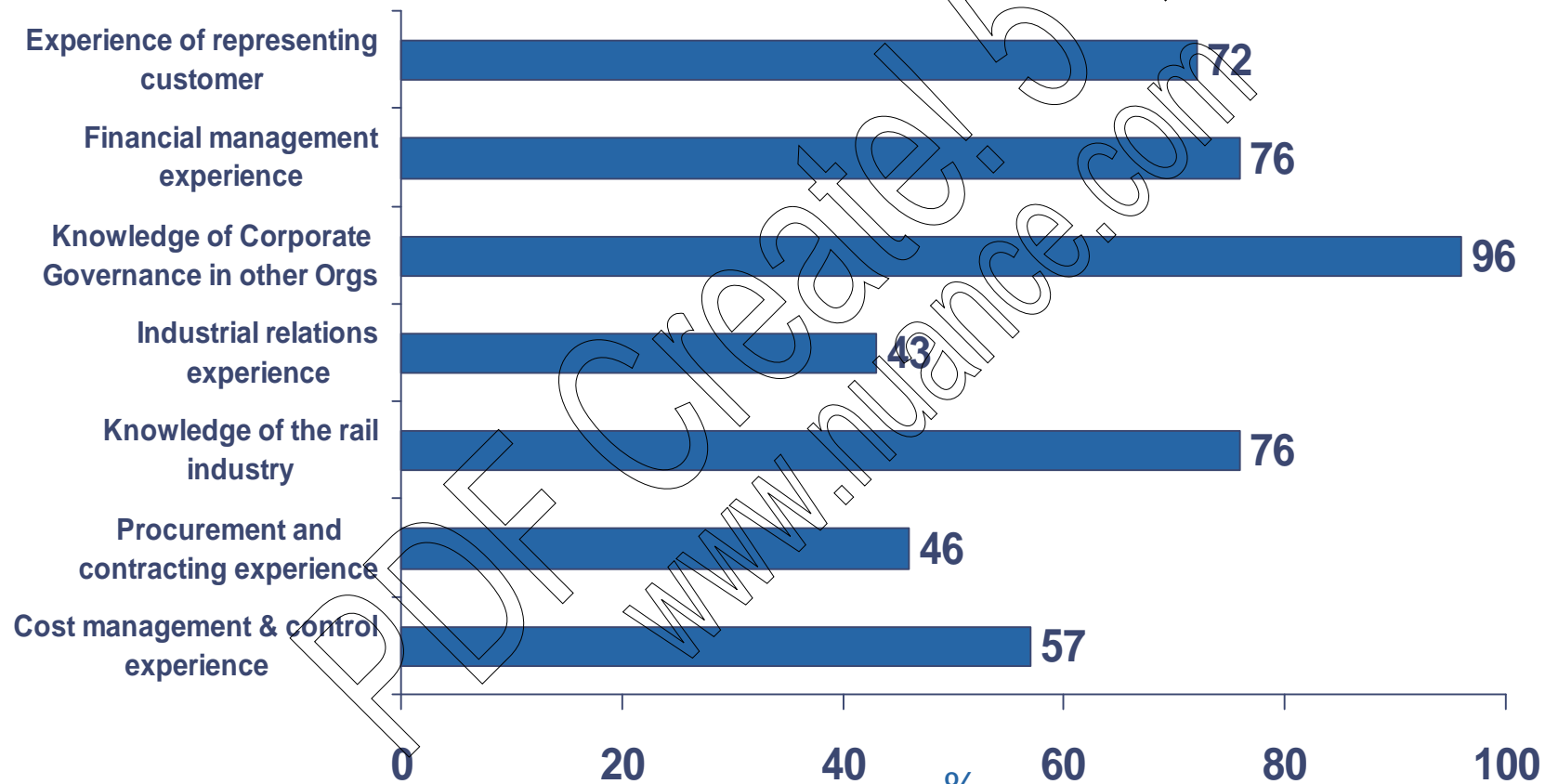
Q13dii) What impact will this change have on:
(Open end question with multiple responses)

The Performance of Network Rail?

- Smaller number will be more effective in terms of Scrutiny and Monitoring – (56%)
- Good Governance will lead to better Performance / Success – (21%)
- Stronger Governance will change Network Rail's Focus – (9%)
- Performance will increase so long as Members' skills are sufficient – (9%)
- It would improve the wider effectiveness (9%)

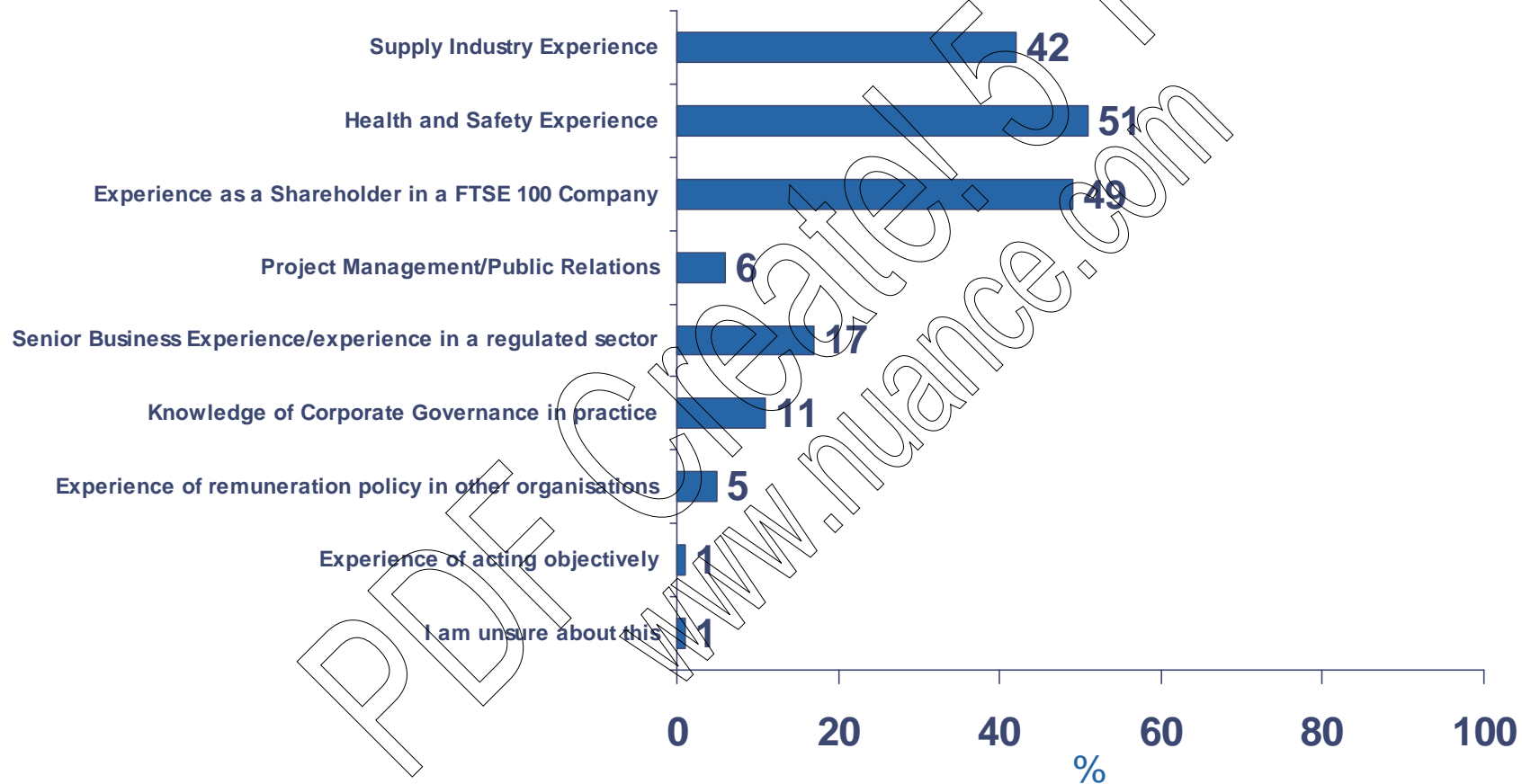
Base: 43

Q14a) Which of the following examples of skills and experience should the Members' Group have?



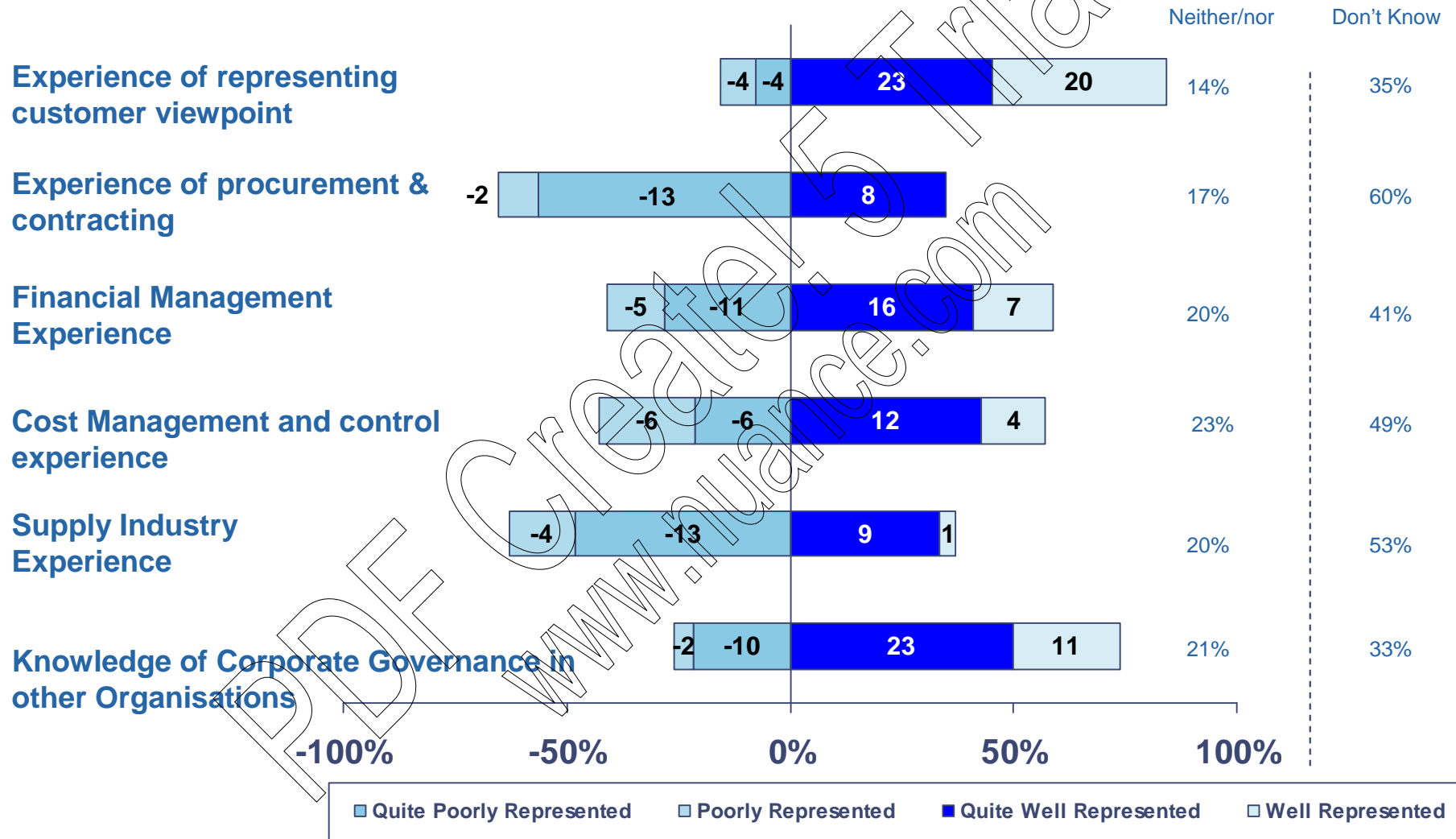
Base: 83

Q14b) Which of the following examples of skills and experience should the Members' group have? (continued)



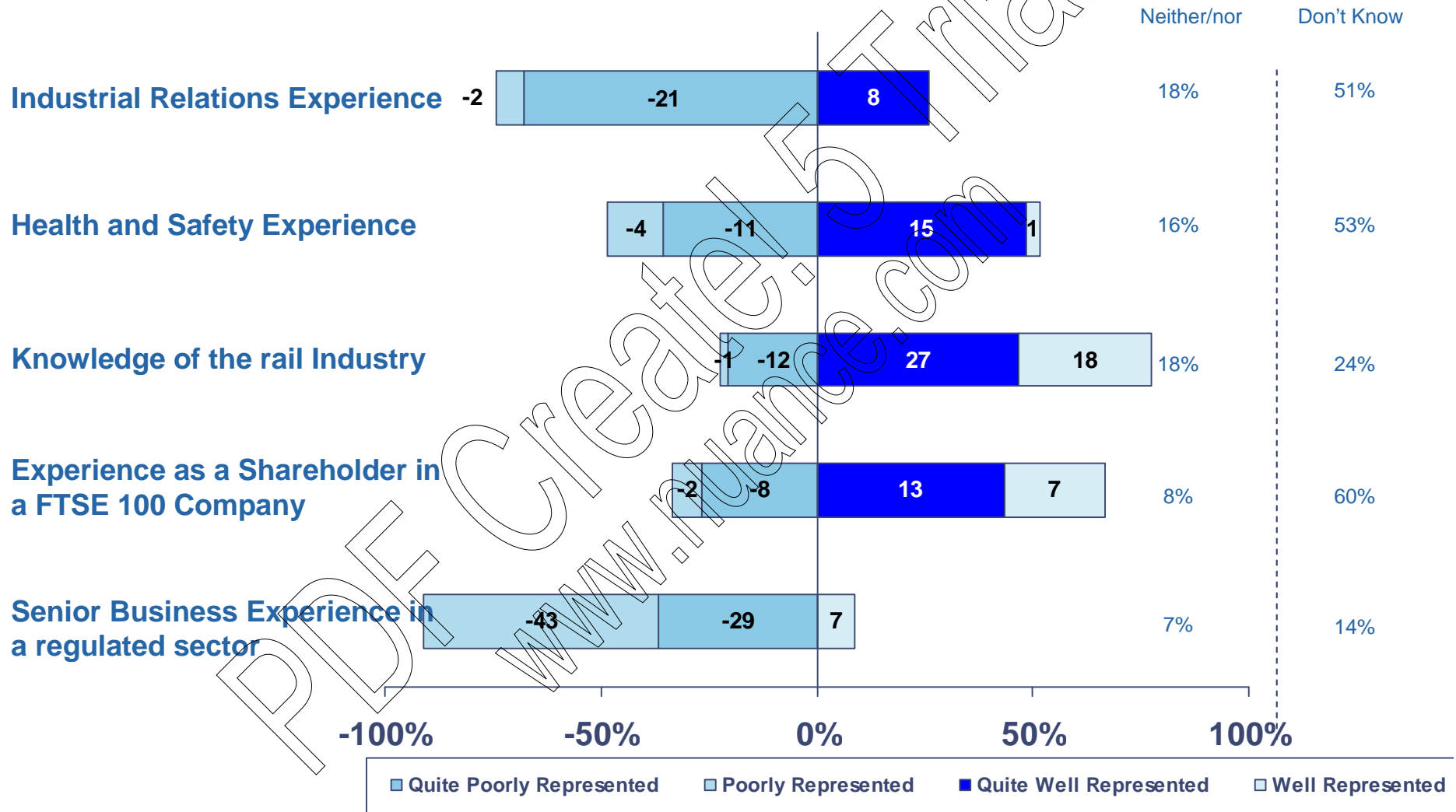
Base: 83

Q14c) How well represented are these skills in the current Network Rail Membership?



Base: 84

Q14c) How well represented are these skills in the current Network Rail Membership?



Base: 84

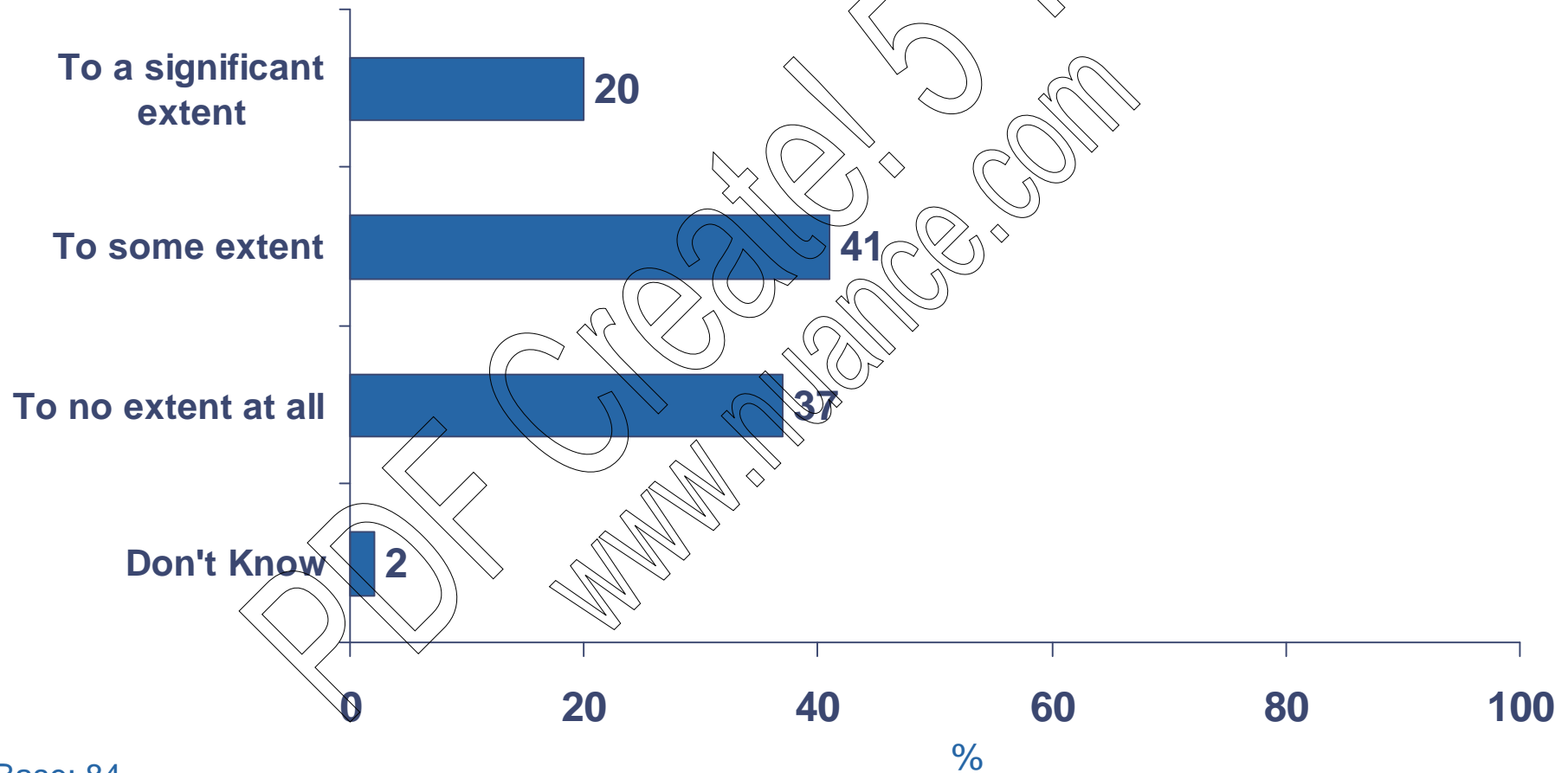
Q14c) How well represented are these skills in the current Network Rail Membership? (Open end question with multiple responses)

Other suggested skills were;

- Project management
- Experience of acting objectively
- Knowledge of corporate governance in practice
- Experience of remuneration policy in other organisations

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Q15a) The role of a Member of Network Rail is intended to be equivalent to that of a shareholder in a plc. The one significant difference is that a Network Rail Member cannot send a signal via the market by buying or selling shares. To what extent does this restrict the influence of Members?



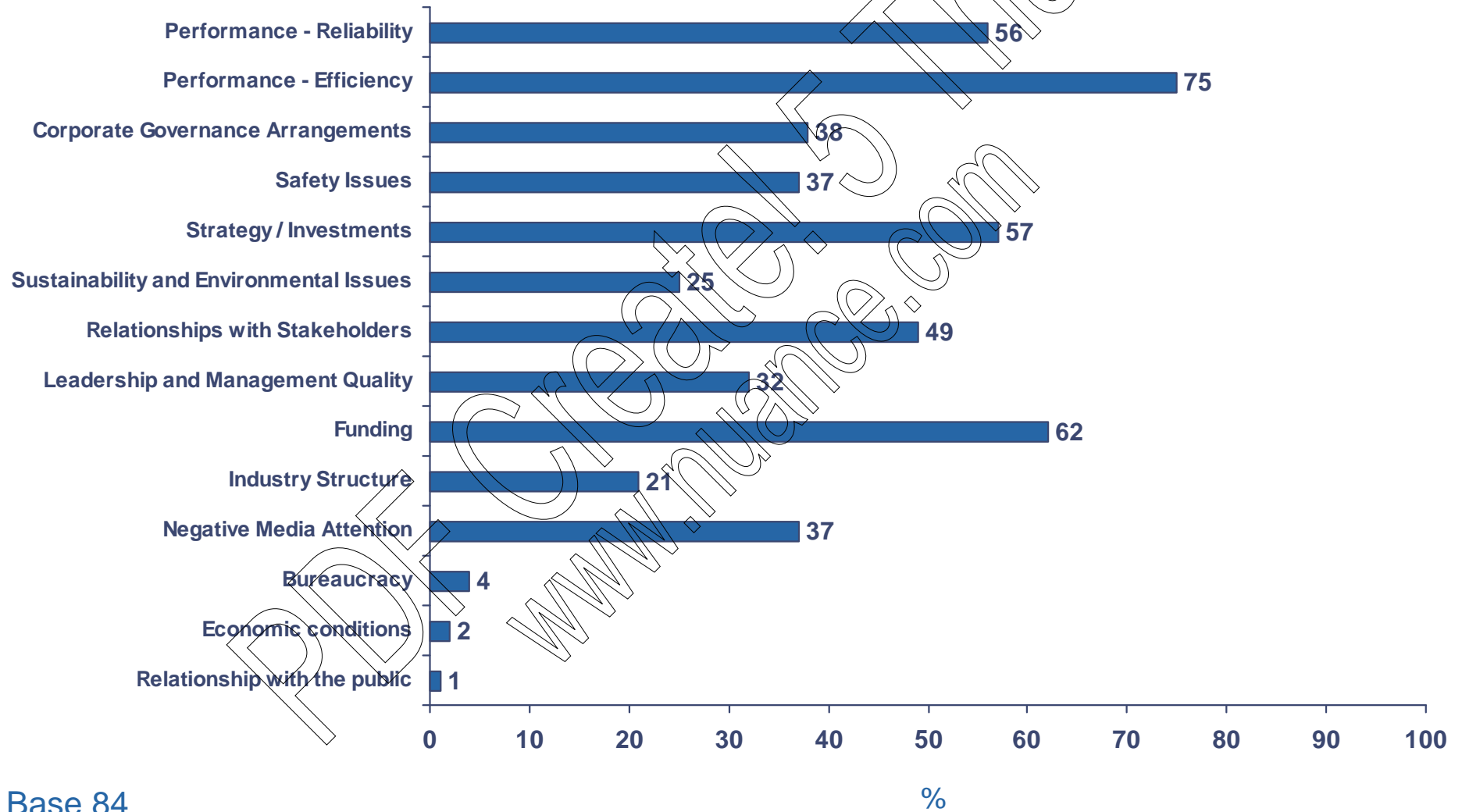
Base: 84

Q15b) What other mechanisms, if any, should be available to Members to compensate for this restriction in influence? (Open end question with multiple responses)

- Greater powers of appointment (20%)
- It cannot be replicated (18%)
- The option to exercise some form of 'vote of confidence' (14%)
- Support/contact with ORR (14%)
- Wider consultation with Members at an earlier stage (12%)
- Decision making/power (10%)
- Knowledge sharing and advice (8%)
- Let the members buy shares (8%)
- An annual survey of Members (4%)

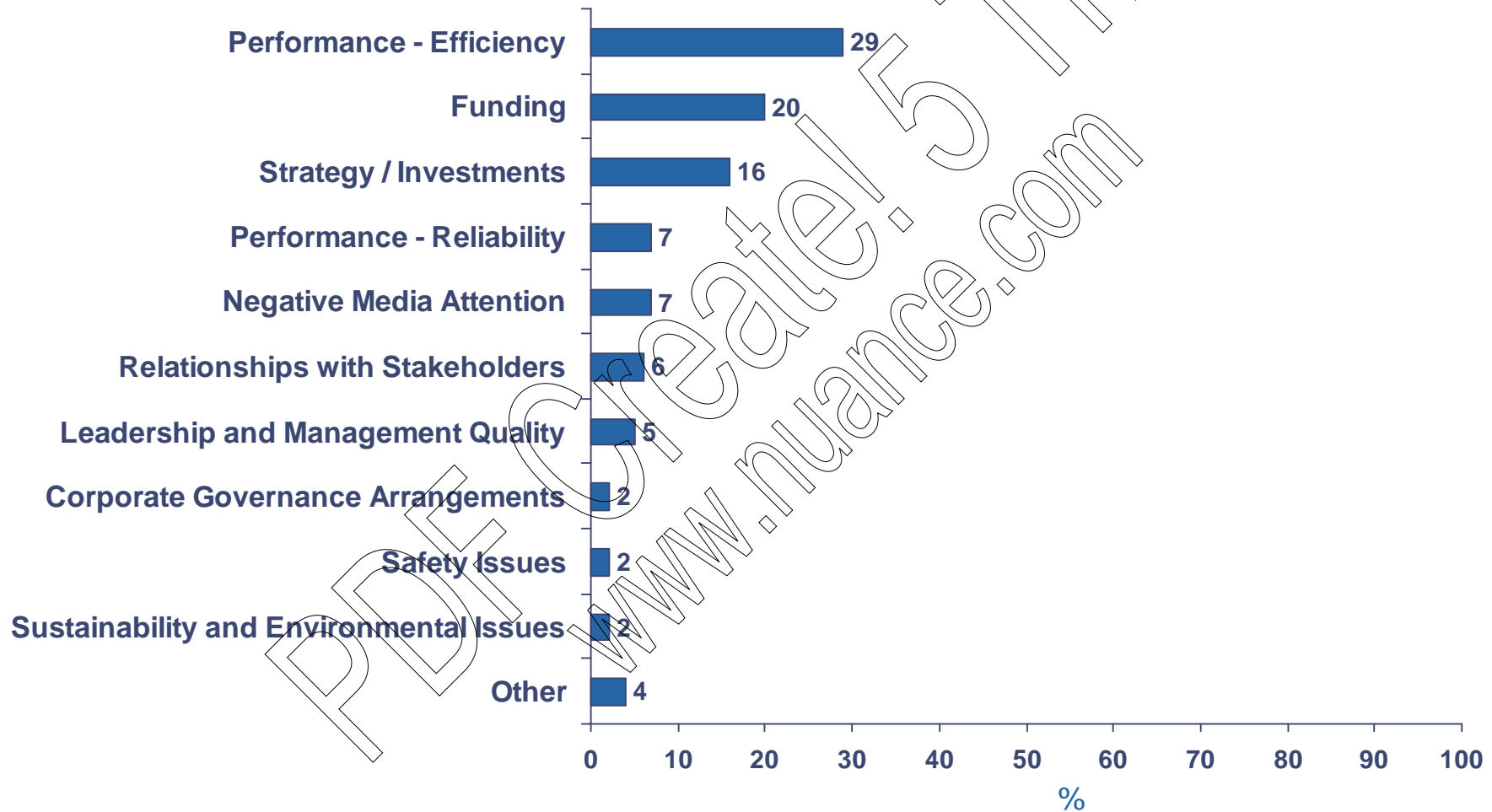
Base: 84

Q16a) What do you consider to be the main issues facing Network Rail at the present time?



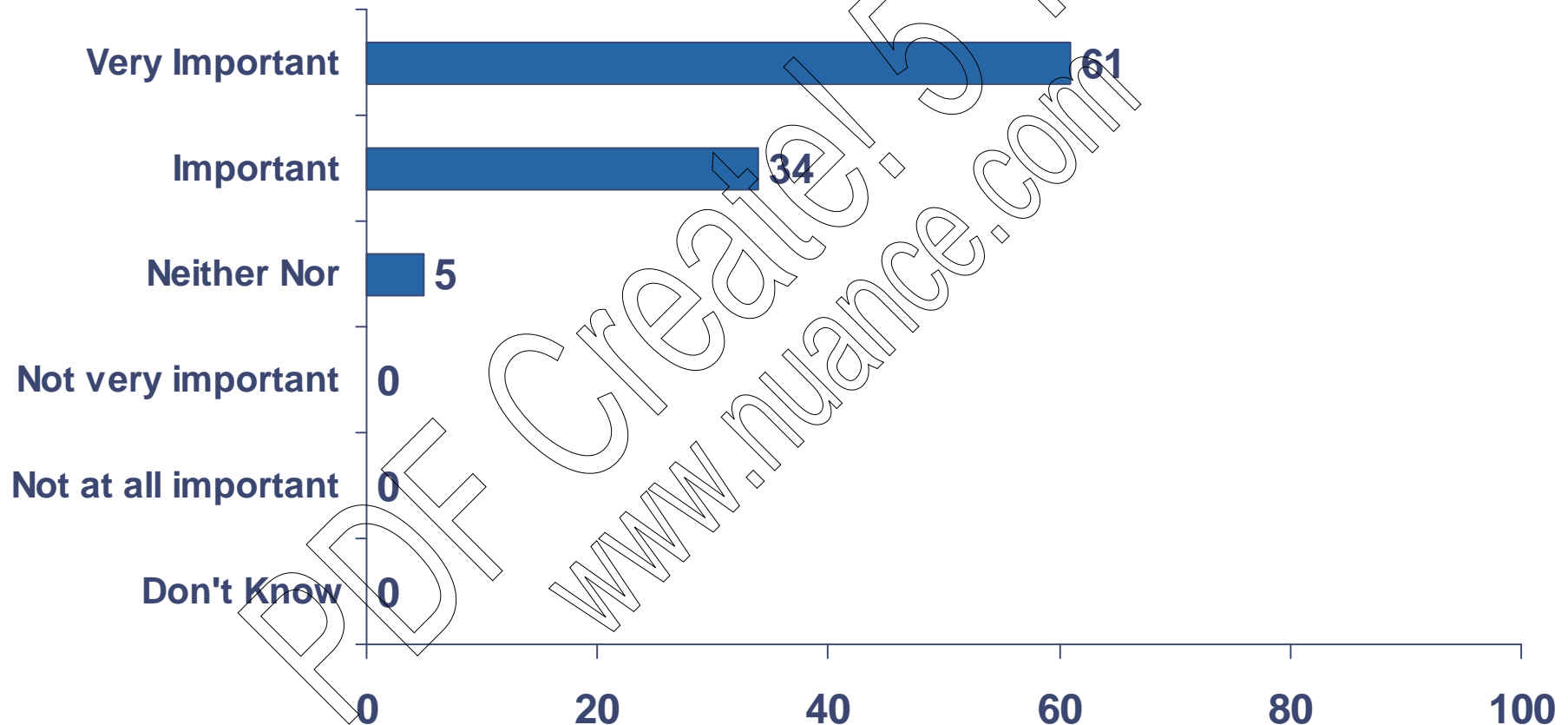
Base 84

Q16b) What do you consider to be the **single most important issue** facing Network Rail at the present time?



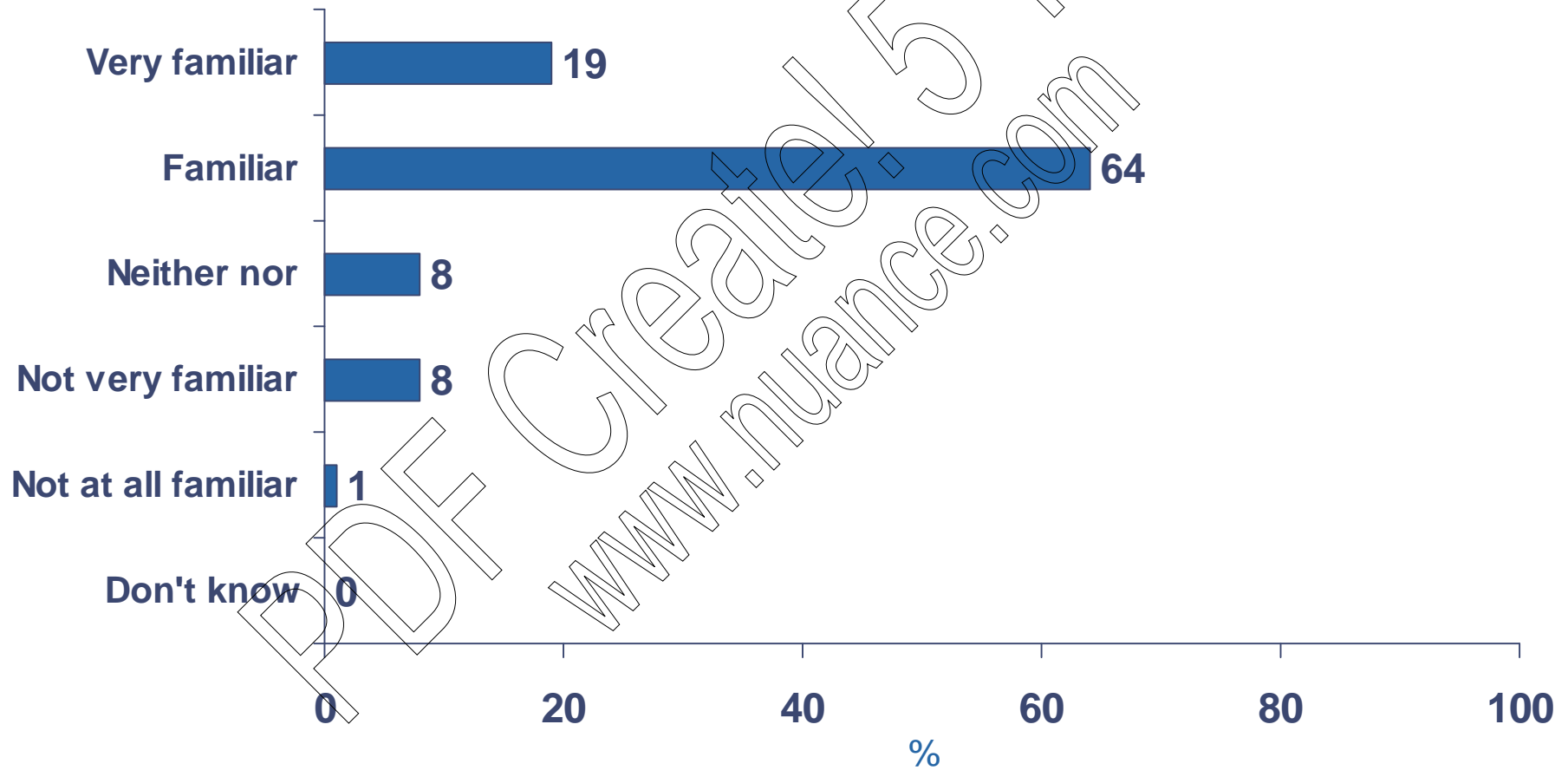
Base 84

Q17a) How important is it for you to have a detailed knowledge of the corporate governance arrangements of Network Rail



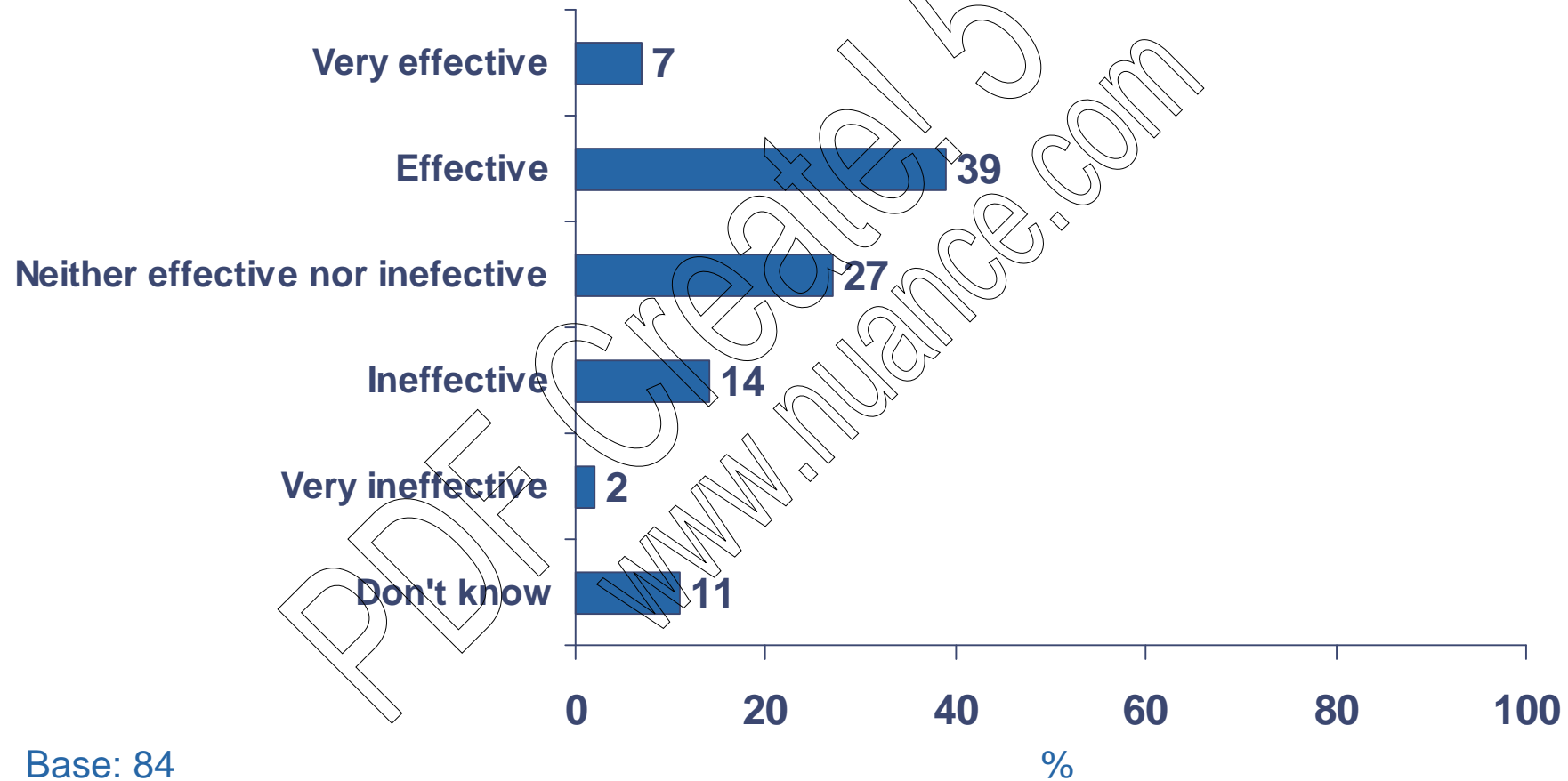
Base 84

Q17b) How familiar are you with the corporate governance arrangements of Network Rail?



Base 84

Q17c) In your opinion how effective or ineffective are the corporate governance arrangements of Network Rail?



Q17d) Why do you say that? (Open end question with multiple responses)

- Ineffectiveness of Members / Selection Process of Members (31%)
- The efficient functioning of the Board (29%)
- Insufficient Board accountability / their attitude to customers (21%)
- Levels of scrutiny and regulation are effective (17%)
- Poorly Regulated (4%)
- Role of Non - Executive Directors is not clear (7%)
- Other (9%)

Base: 75

Q17e) What impact is this having on the performance of Network Rail? (Open end question with multiple responses)

- Impact in terms of being less focussed (31%)
- Little/No impact at present (22%)
- It is having an impact in terms of cost and performance (33%)
- The Organisation has become more risk averse (11%)
- Negative impact on long term strategy (8%)
- Difficult to gauge (6%)

Base: 36

Members survey

Q18a) What do you consider to be the main strengths of Network Rail's Corporate Governance Arrangements?

(Open end question with multiple responses)

- 1) The Board operates effectively (44%)
- 2) Interaction between board and members (18%)
- 3) A strong Chairman (17%)
- 4) Public representation (15%)
- 5) Transparency and levels of scrutiny (15%)
- 6) Wide representation / diversity (15%)
- 7) Tightly Regulated (13%)
- 8) Clear definition of roles (10%)
- 9) Flexibility of the organisation (10%)
- 10) Experienced Non-Executive directors (8%)
- 11) A confident Member group (7%)
- 12) Good internal financial controls (7%)
- 13) There are no private shareholders (6%)
- 14) Accountability (6%)
- 15) The Annual vote (5%)
- 16) Don't know or unable to identify strengths (18%)

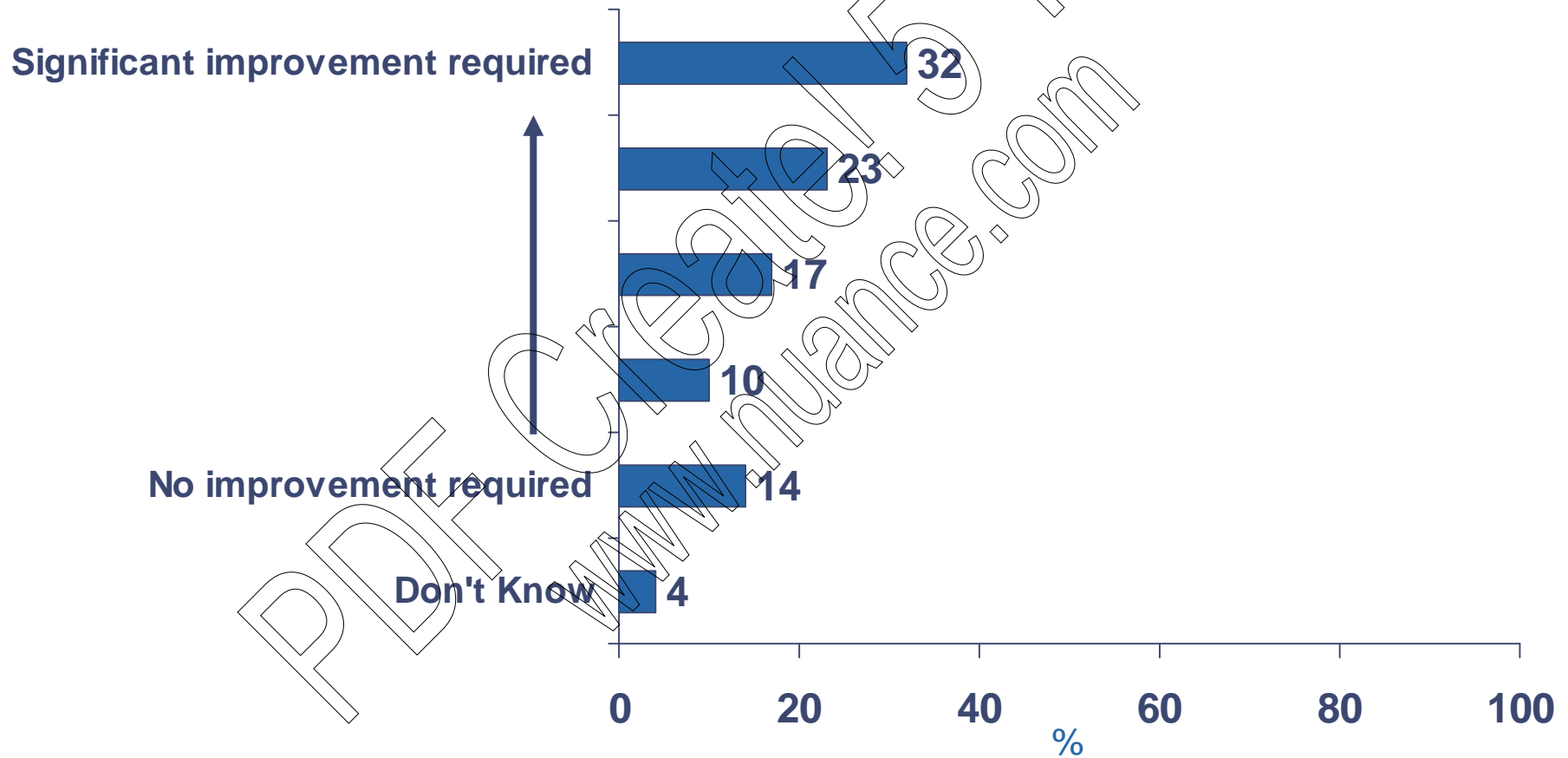
Base: 84

Q18b) What are the main aspects of Network Rail's Corporate Governance arrangements that require improvement? Please give up to 3 aspects requiring improvement (Open end question with multiple responses)

- 1) Clarity of the role of Members (39%)
- 2) More Member involvement in decision making (36%)
- 3) The selection process of Members (25%)
- 4) Members need to perform role more effectively
- 5) Members need to attend more meetings / participate more (15%)
- 6) Fewer Members (15%)
- 7) More board accountability (15%)
- 8) Wider skills / experience of new Members
- 9) More independent advice (13%)
- 10) Closer relations between Members and stakeholders (12%)
- 11) Wide representation of Non-Executive directors (8%)
- 12) Greater transparency (8%)
- 13) More diversity (6%)
- 14) Not answered or don't know (9%)

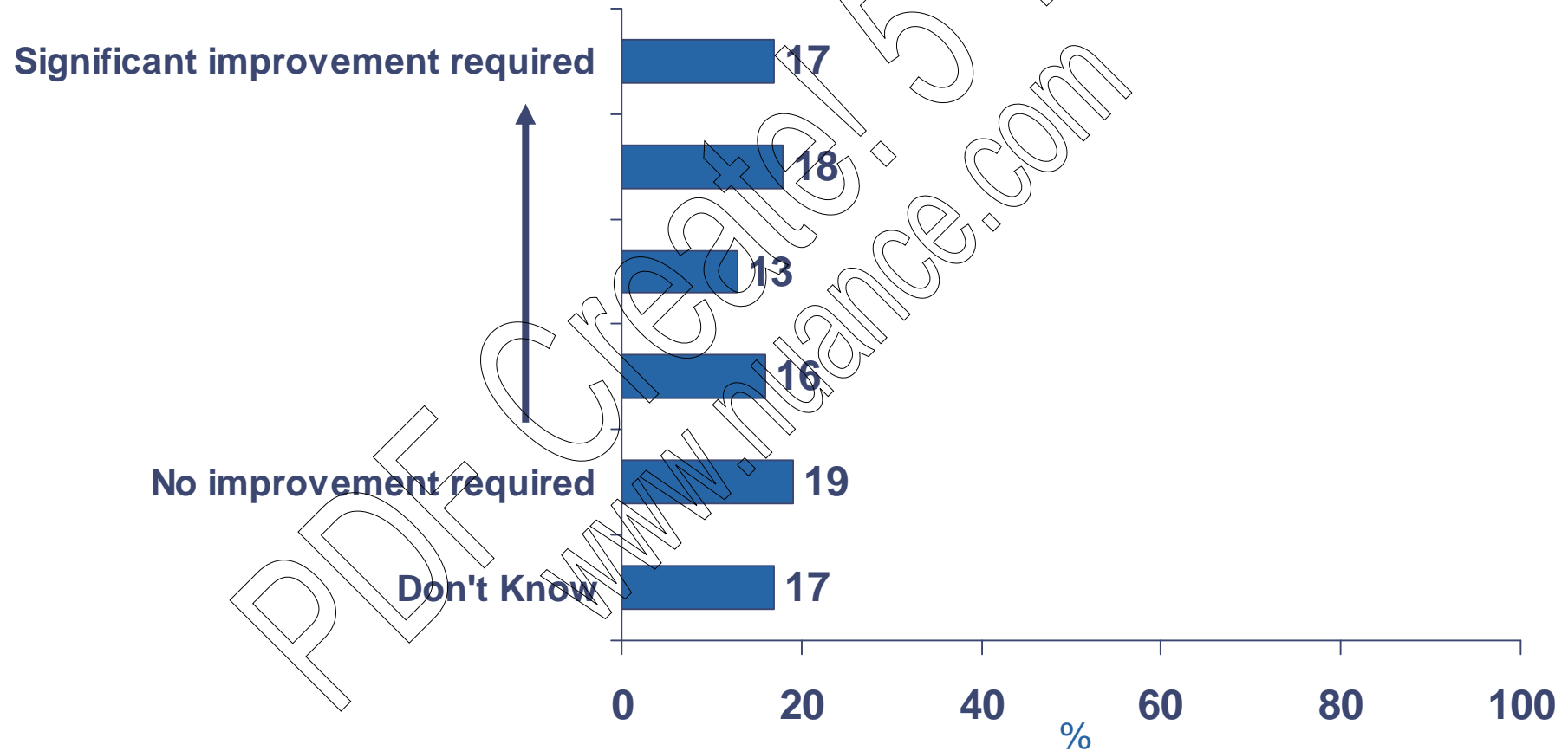
Base: 67

Q19a) To what extent do you feel the **clarity of roles of different parties involved in Network Rails' governance** requires improvement?



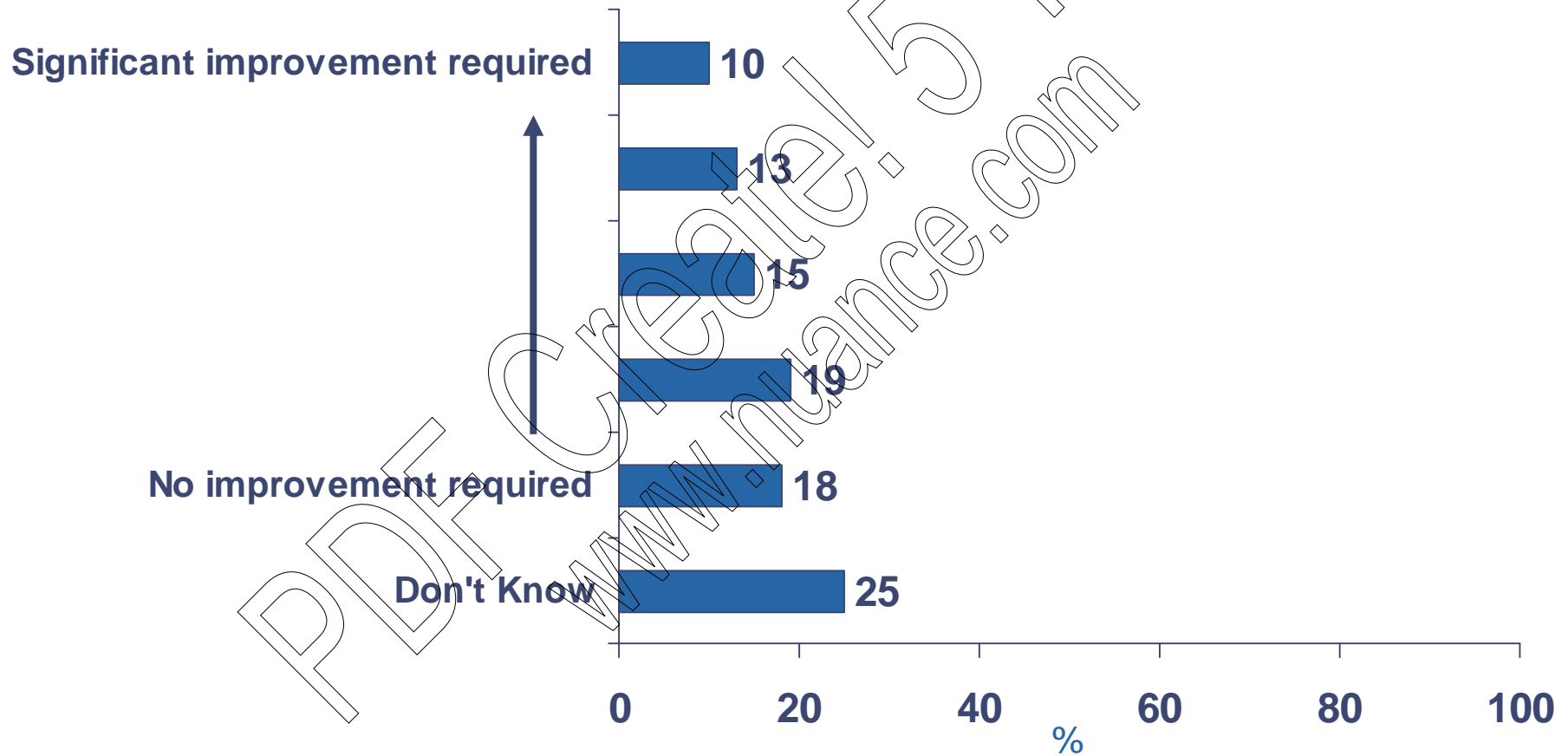
Base: 84

Q19a) To what extent do you feel the **holding to account of the executive directors by the non-executive directors** requires improvement?



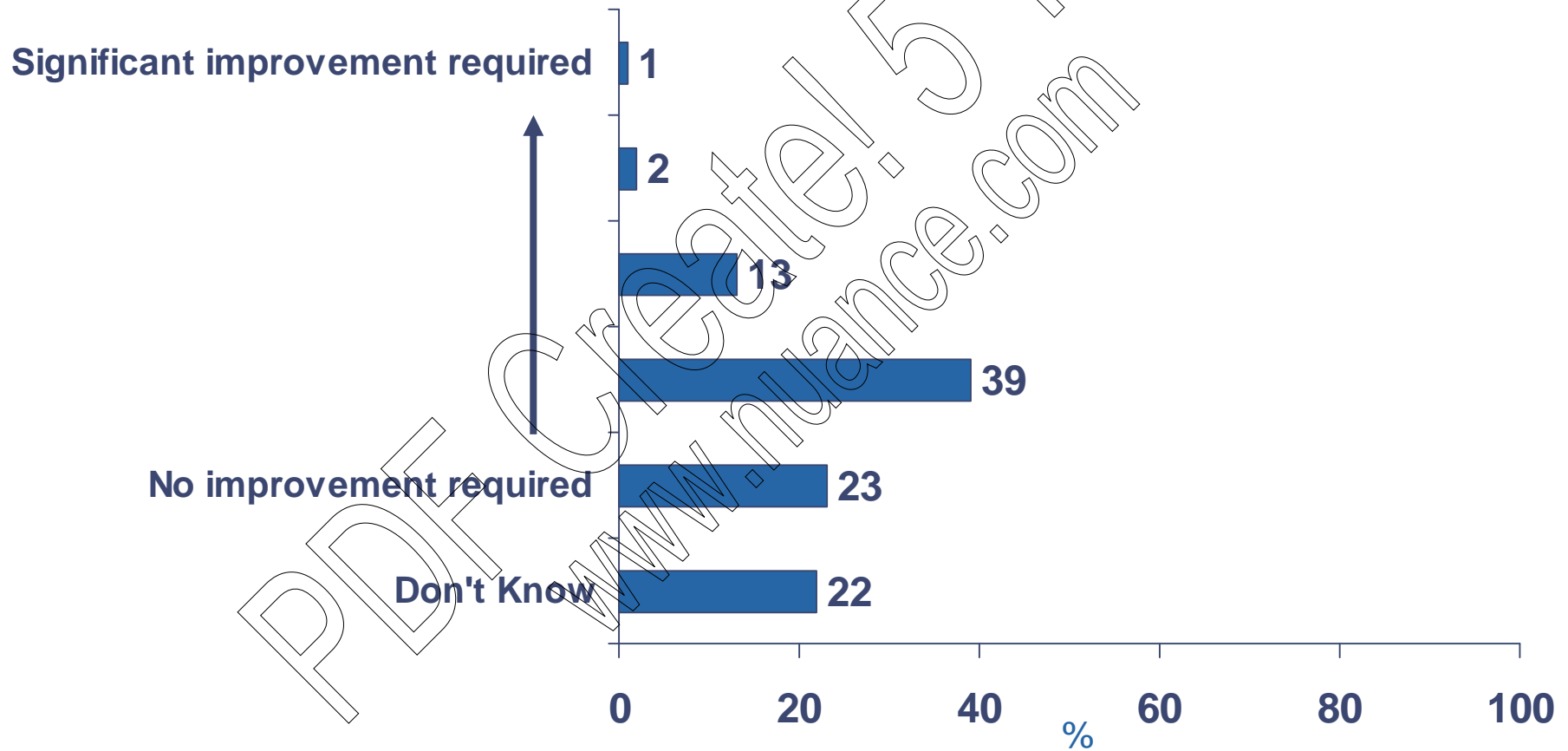
Base: 84

Q19a) To what extent do you feel the **oversight of the executives by the non-executive directors** requires improvement?



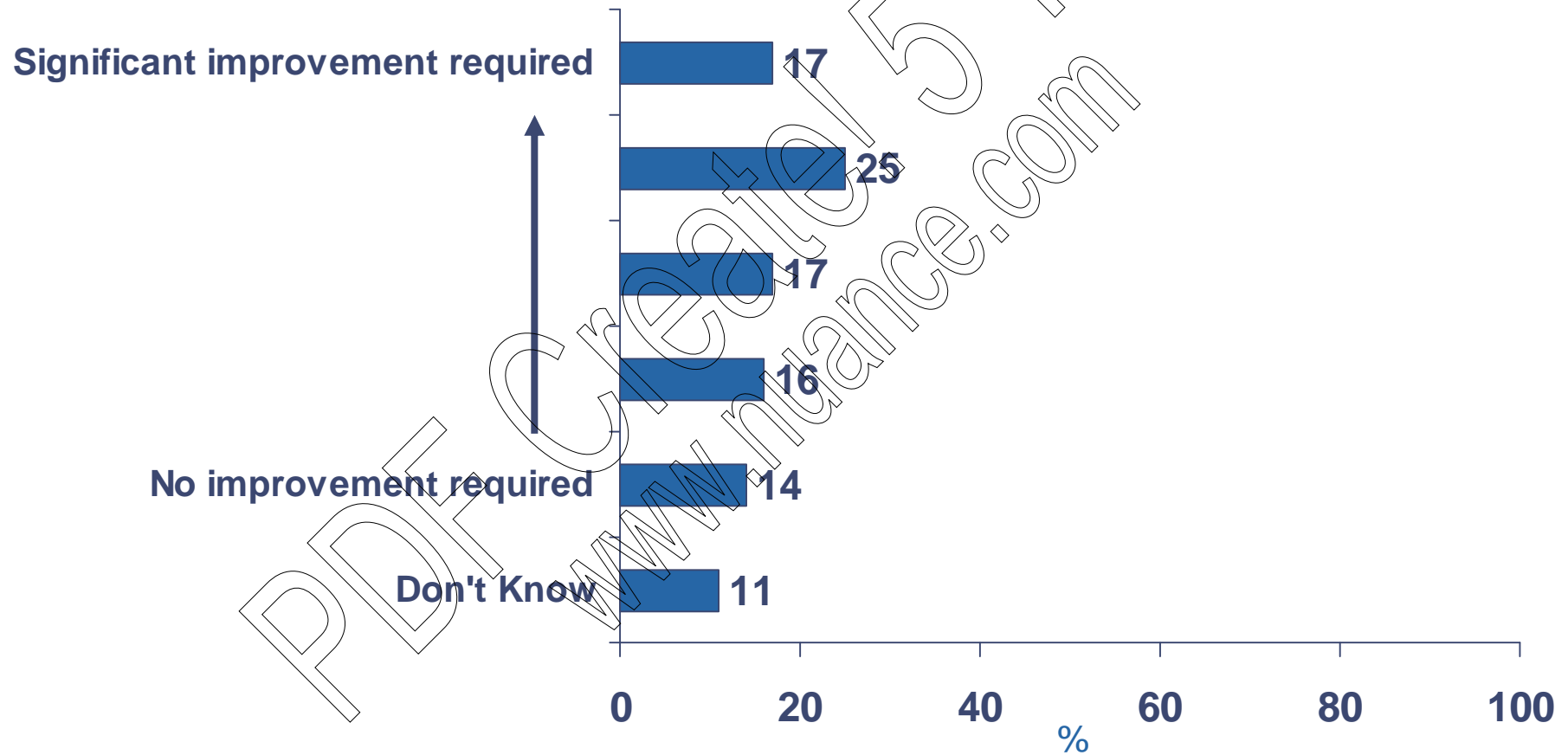
Base: 83

Q19a) To what extent do you feel the **internal control mechanisms** require improvement?



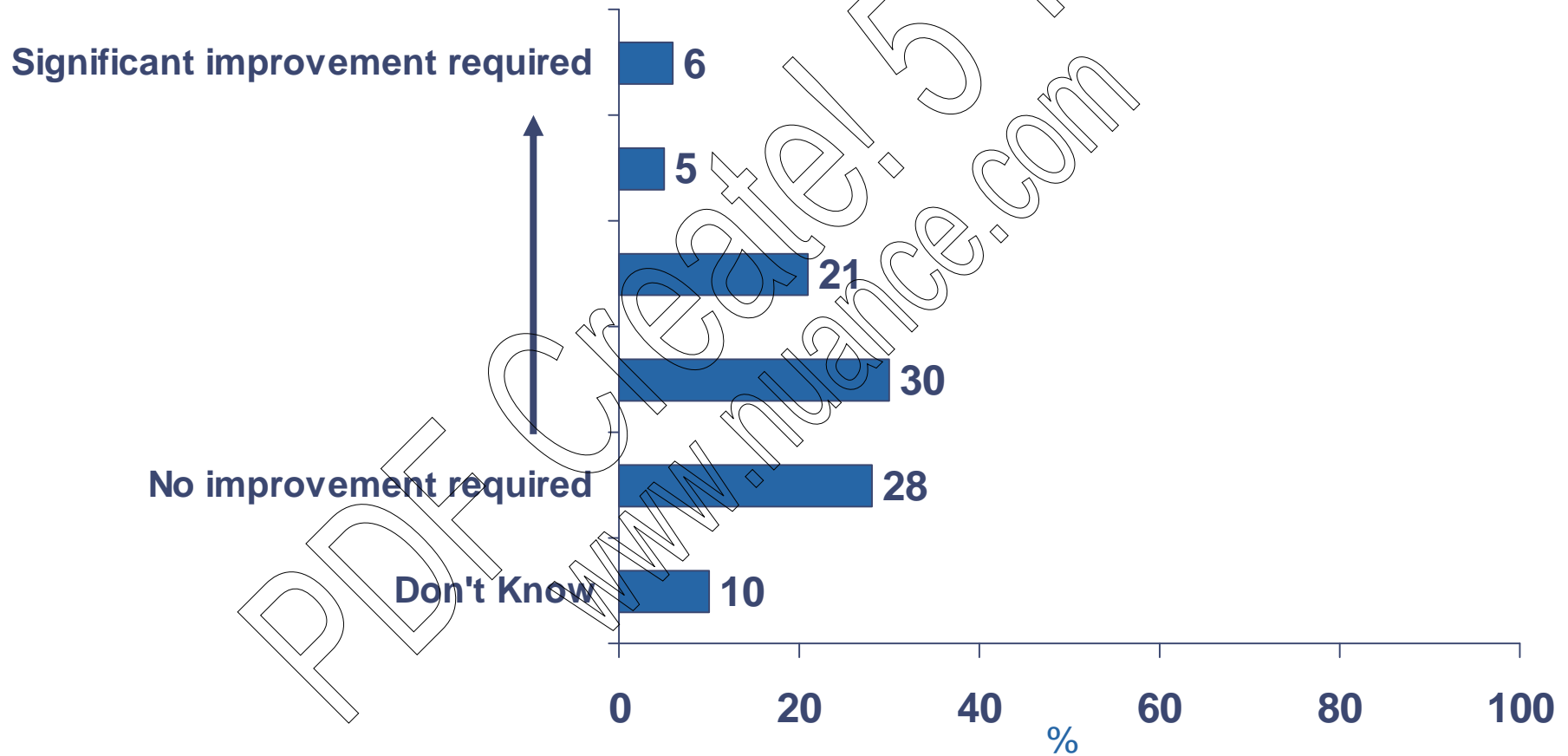
Base: 83

Q19a) To what extent do you feel the **selection and appointment of Network Rail non-executive directors** requires improvement?



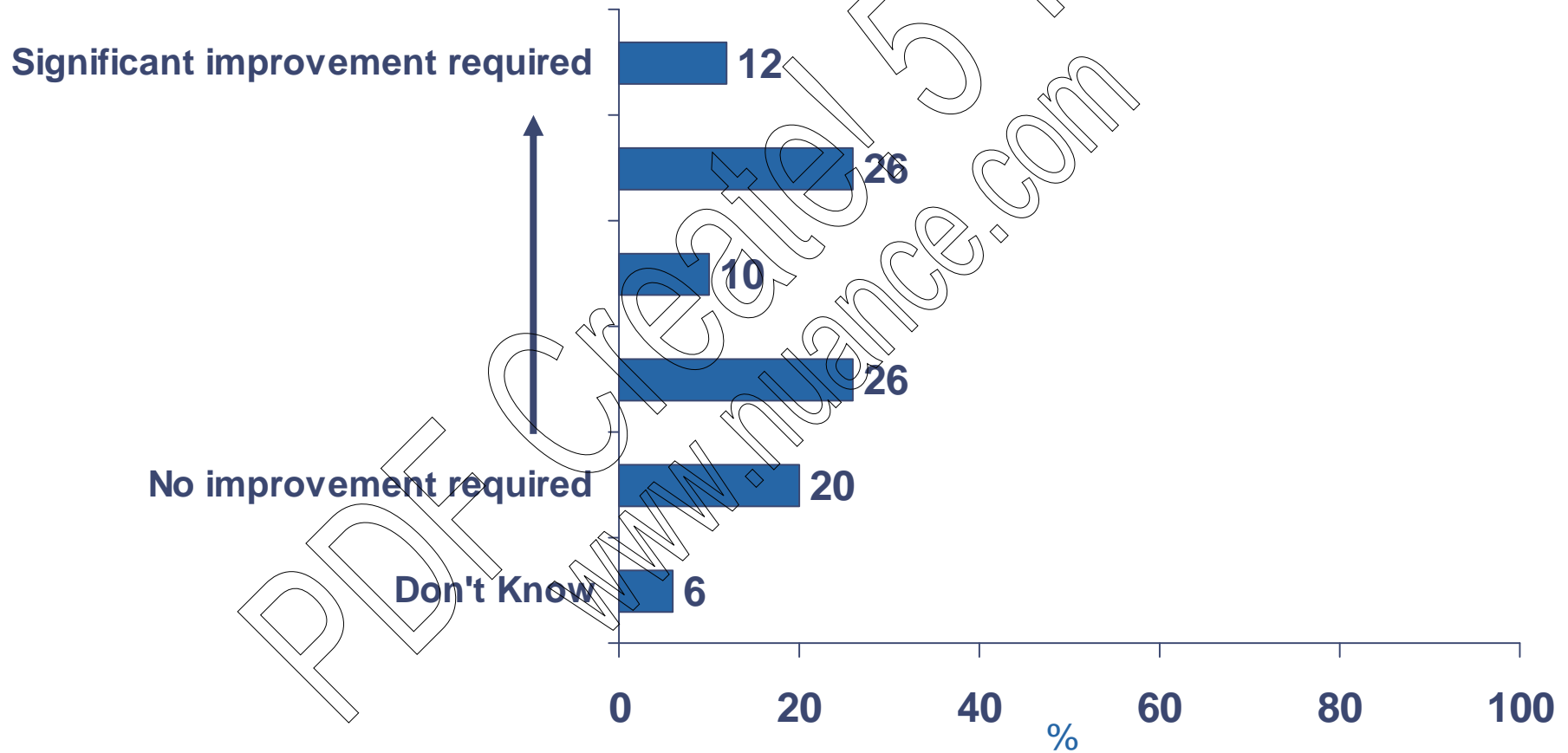
Base: 84

Q19a) To what extent do you feel the **selection and appointment of Network Rail executive directors** requires improvement?



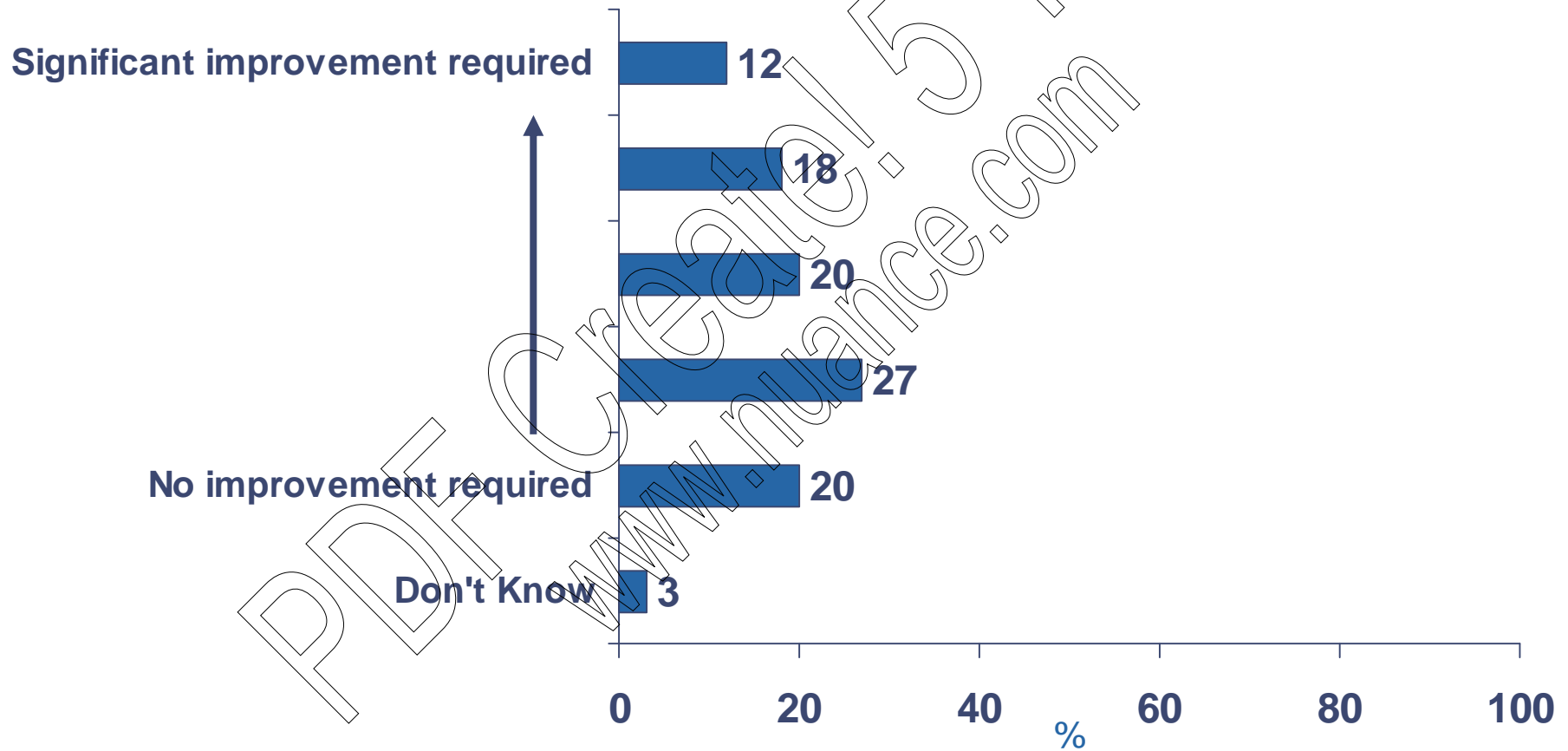
Base: 83

Q19a) To what extent do you feel the **setting and approval of executive remuneration** requires improvement?



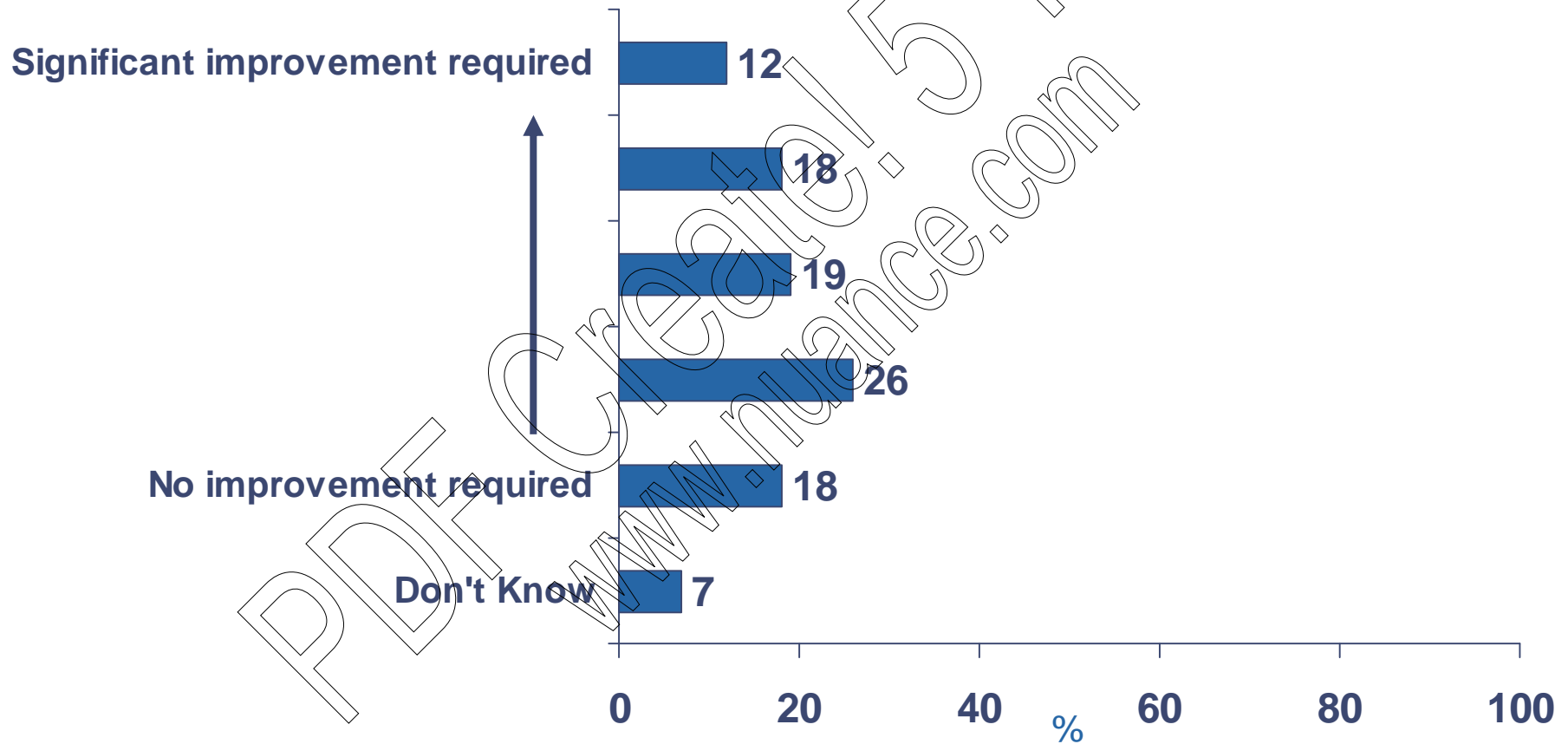
Base: 84

Q19a) To what extent do you feel the **provision of information to and the dialogue with Members** requires improvement?



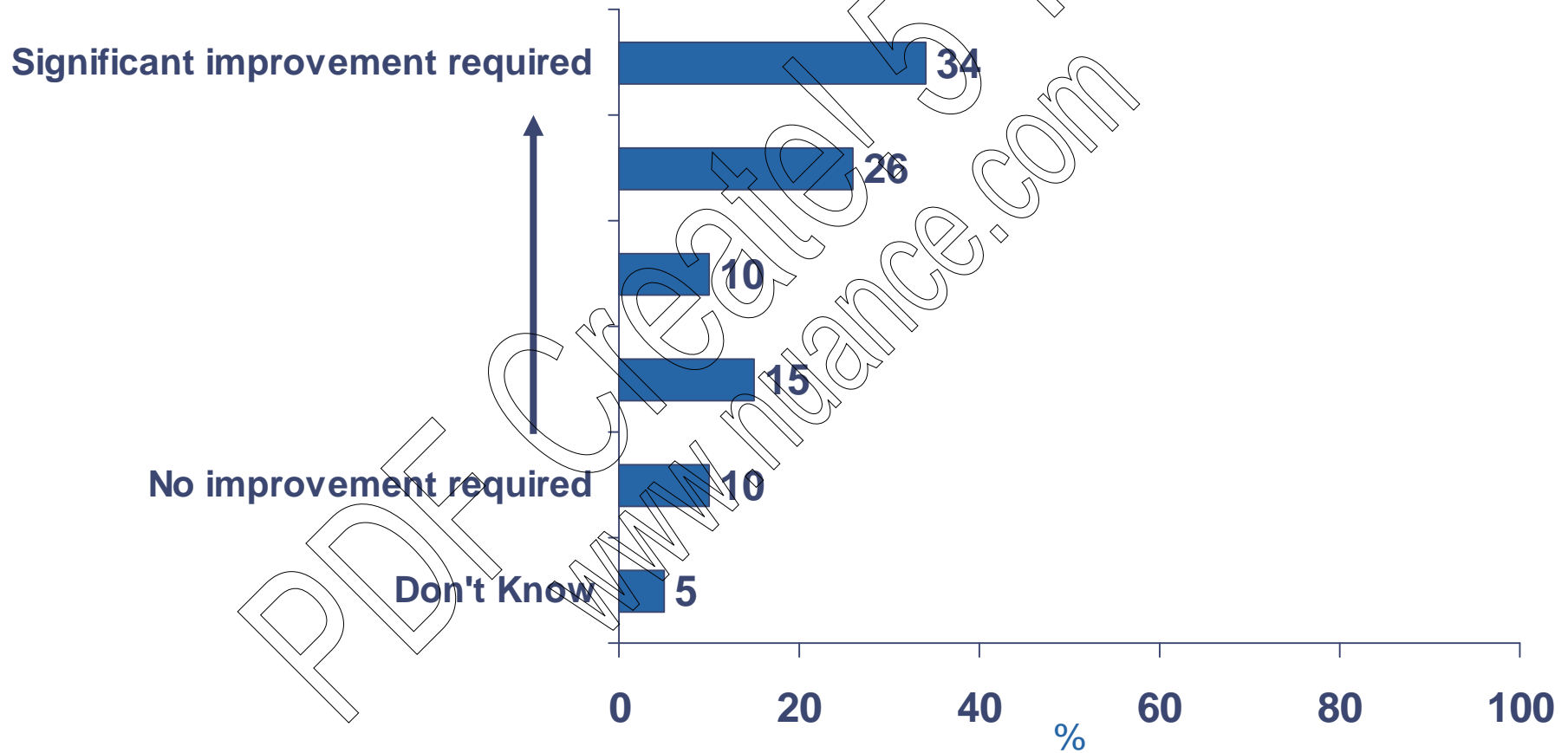
Base: 84

Q19a) To what extent do you feel the **incentivisation of Network Rail to improve its performance** requires improvement?



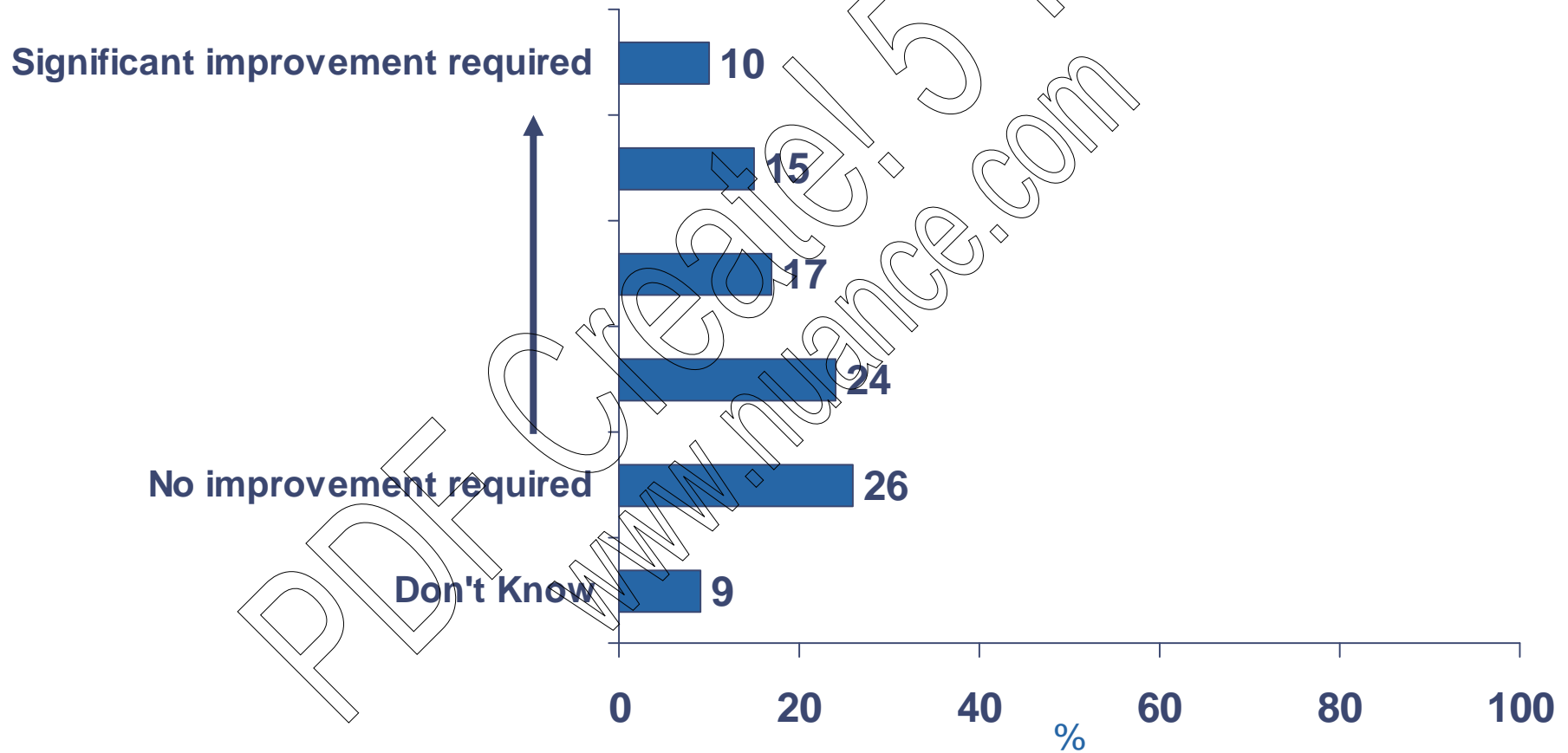
Base: 84

Q19a) To what extent do you feel the **ability of Members to hold the Board to account in practice** requires improvement?



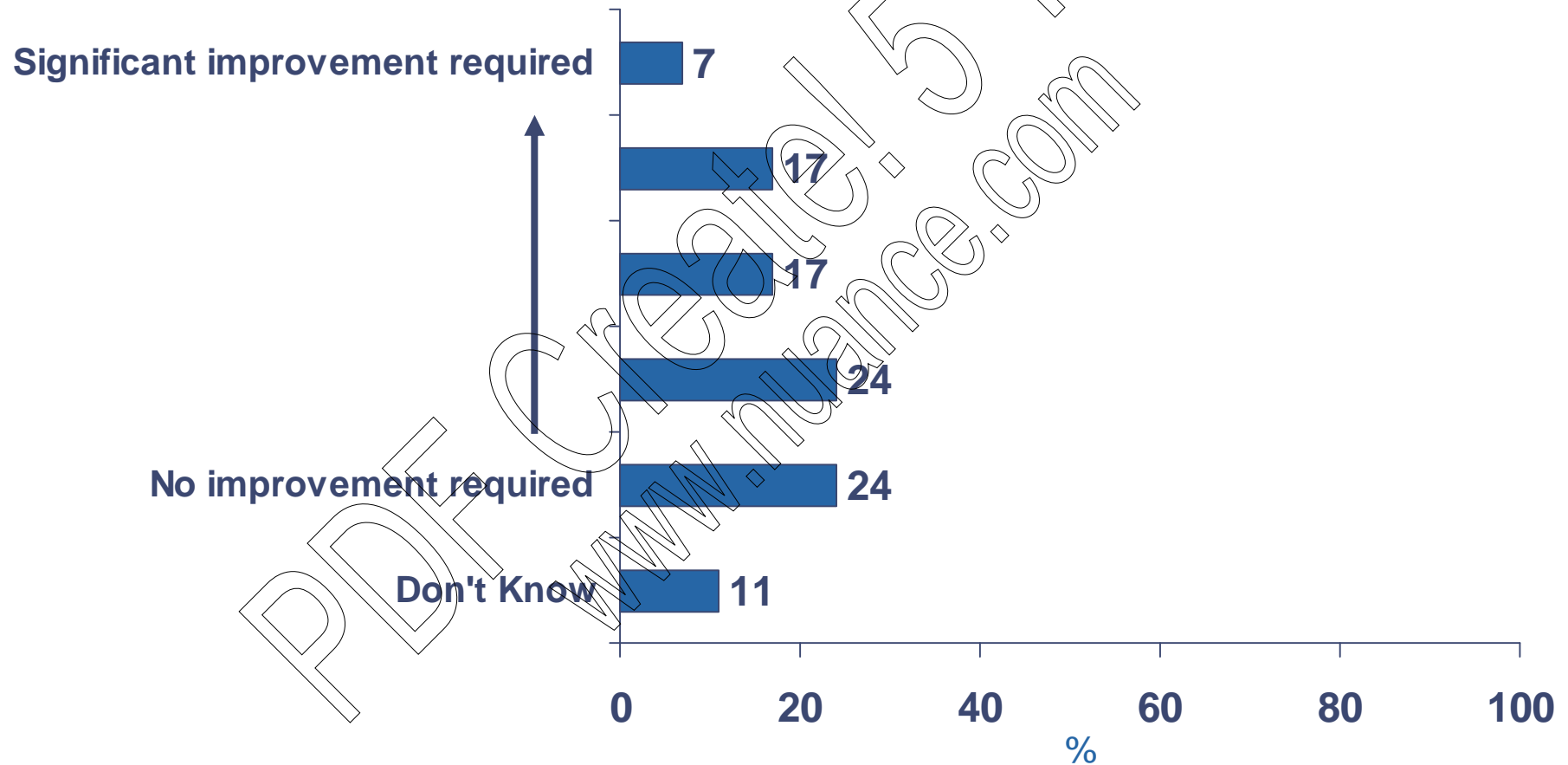
Base: 82

Q19a) To what extent do you feel the **degree of openness of the Network Rail Board to Members** requires improvement?



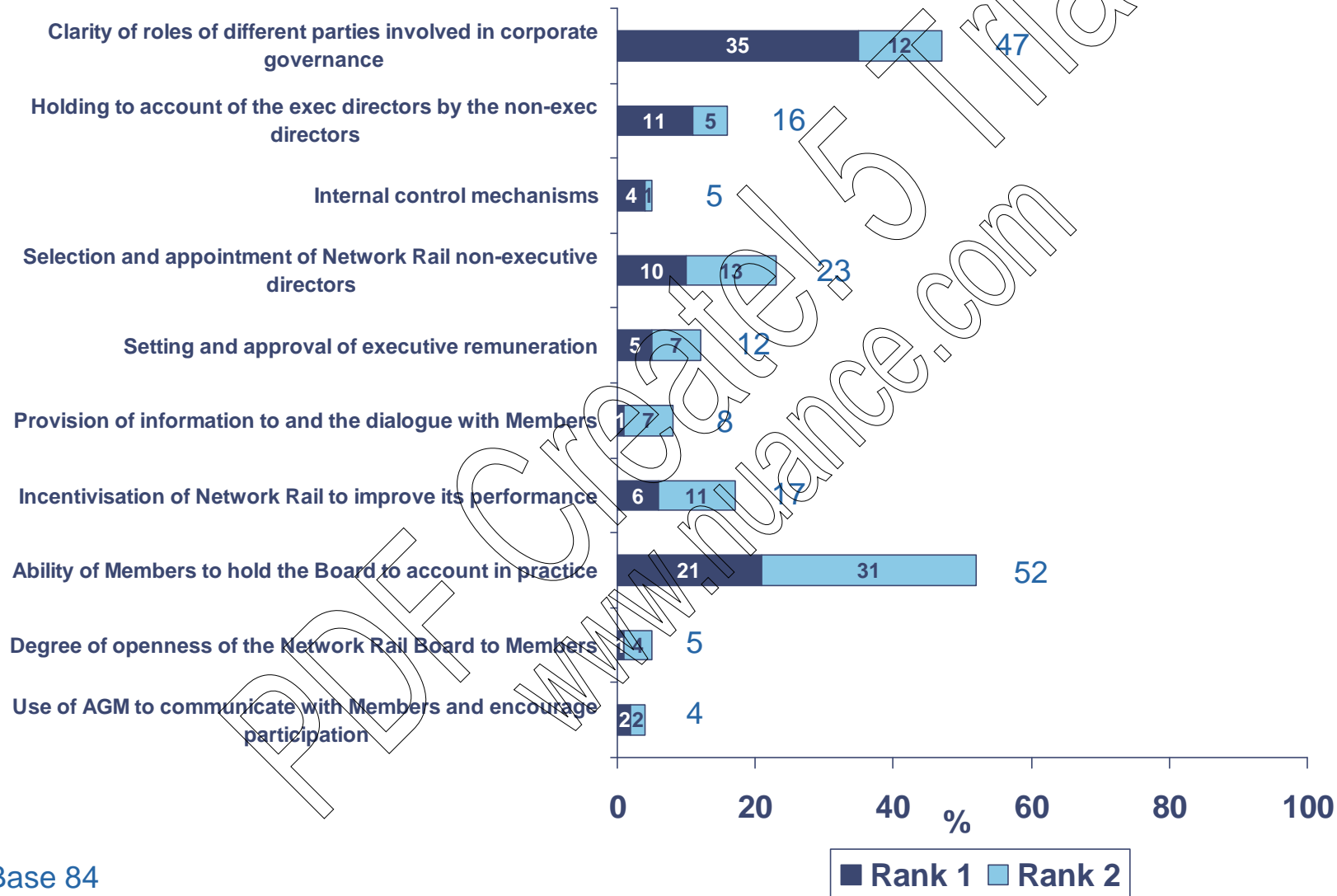
Base: 82

Q19a) To what extent do you feel the **use of the AGM to communicate with Members and encourage their participation** requires improvement?



Base: 83

Q19b) Which of the previous statements should be the **main** priority for improvement?

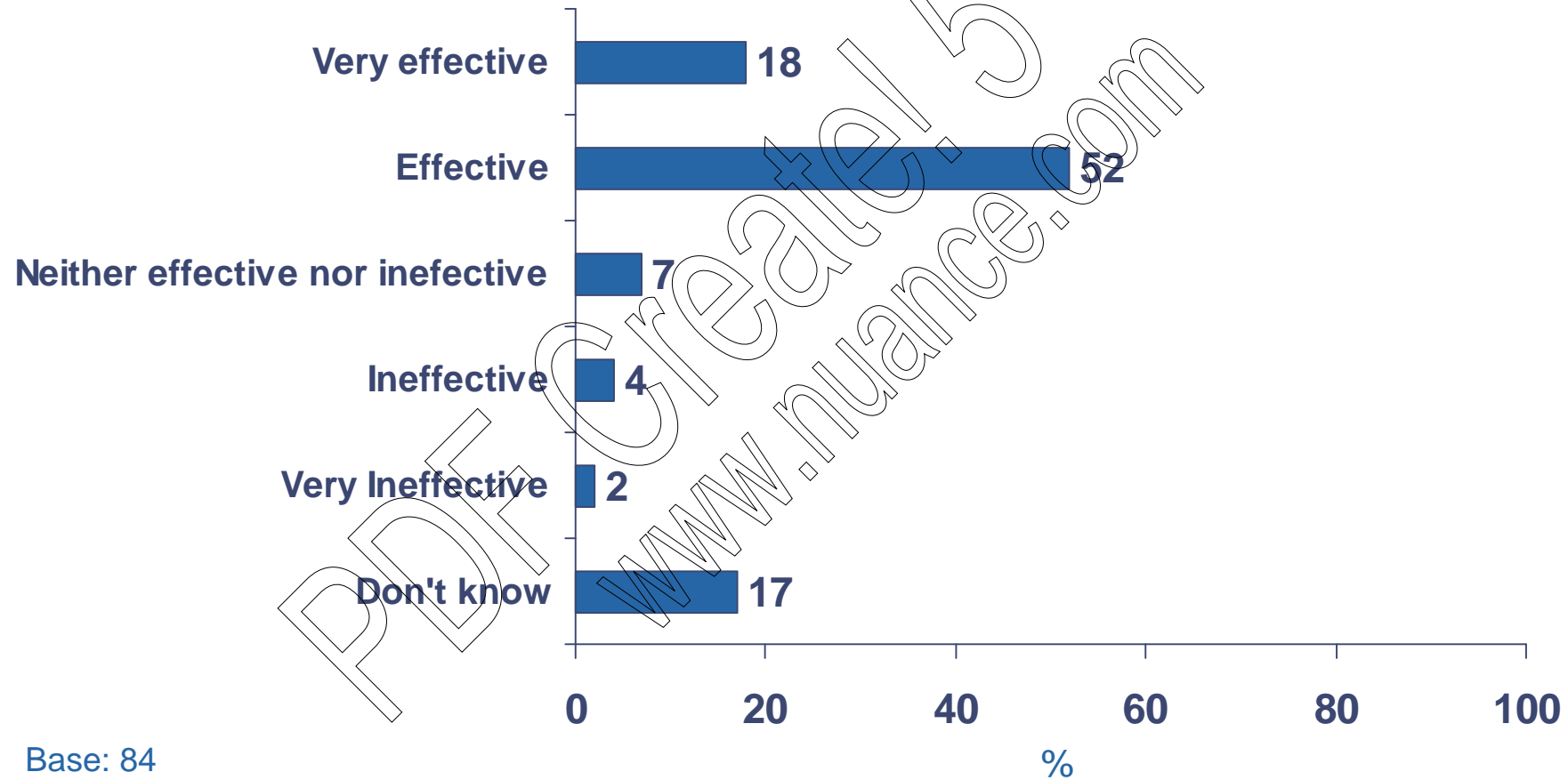


Base 84

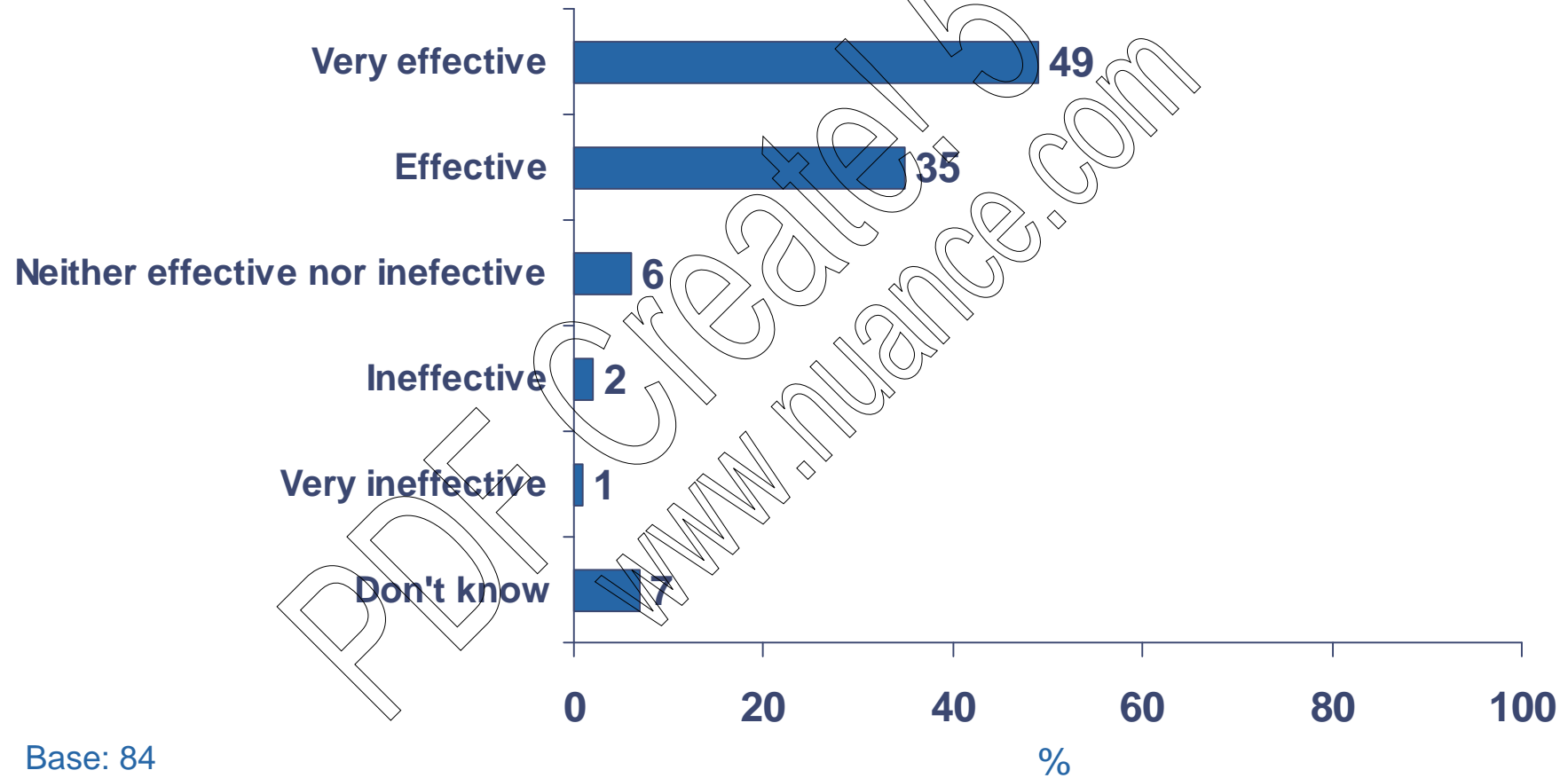
Q19d) What impact, if any, would this have on the performance of Network Rail? (Open end question with multiple responses)

- Improve relationships/communication (14%)
- It will give the ability to hold the board to account (11%)
- Reduce costs (8%)
- Lead to more effective/improved performance (6%)
- It will provide clearer guidelines (6%)
- It will create better focus / more efficient organisation (5%)
- Setting remuneration would prevent the Board awarding itself bonuses (5%)
- It will lead to greater transparency / clarity of role (5%)

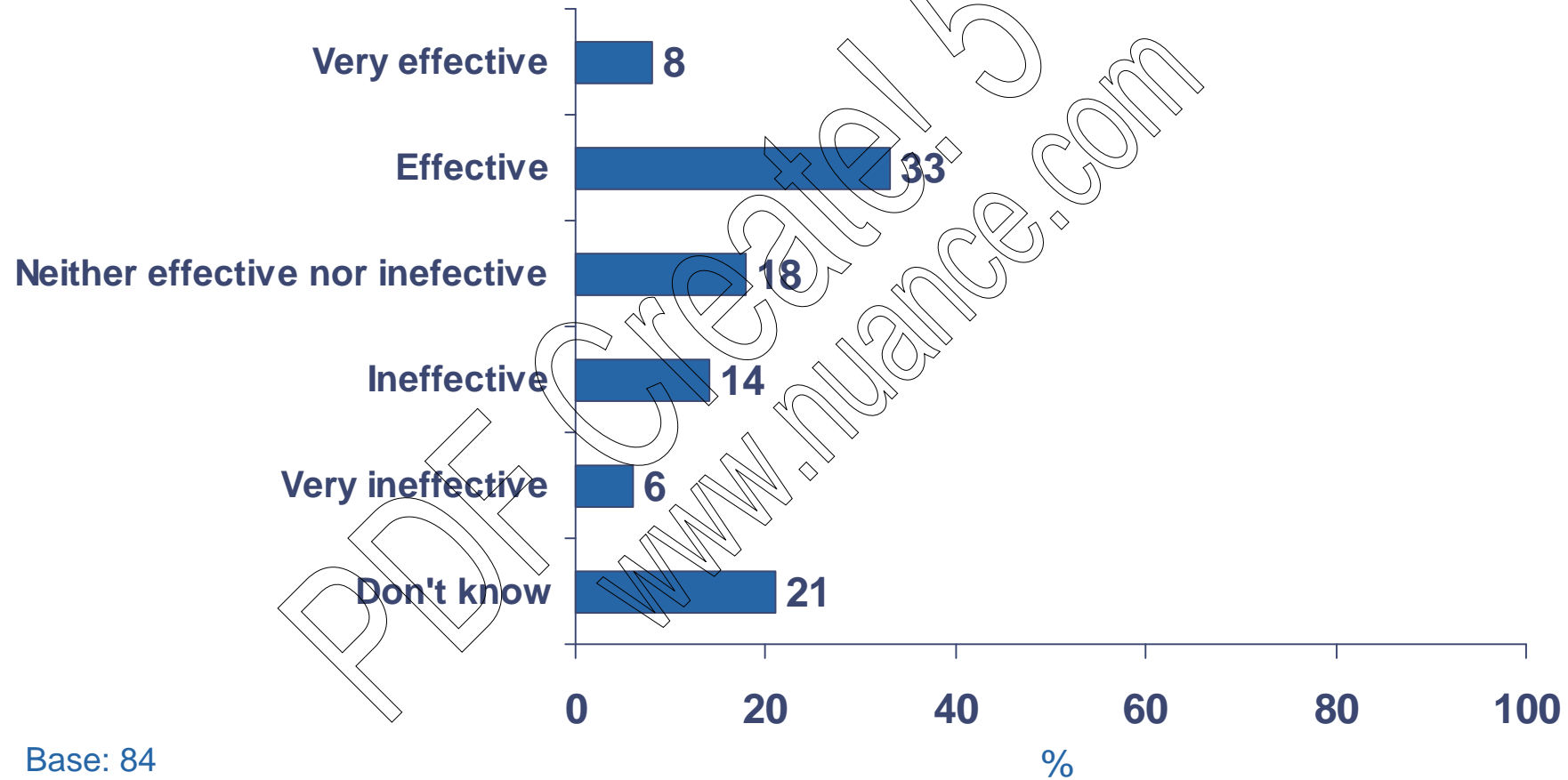
Q20a) In your opinion how effective or ineffective is the Board of Directors of Network Rail?



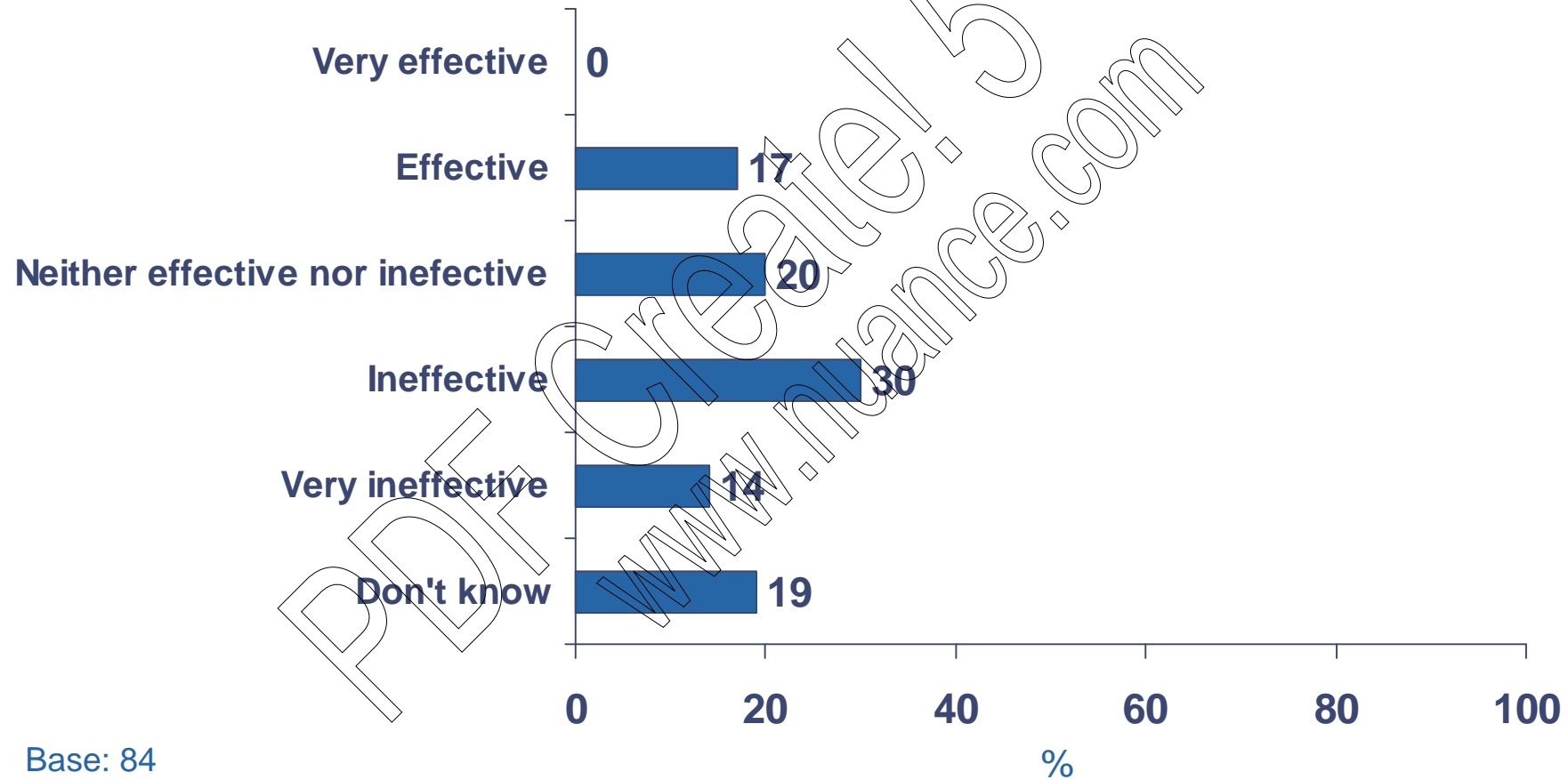
Q20b) In your opinion how effective or ineffective is the role of the **Chairman** as currently defined?



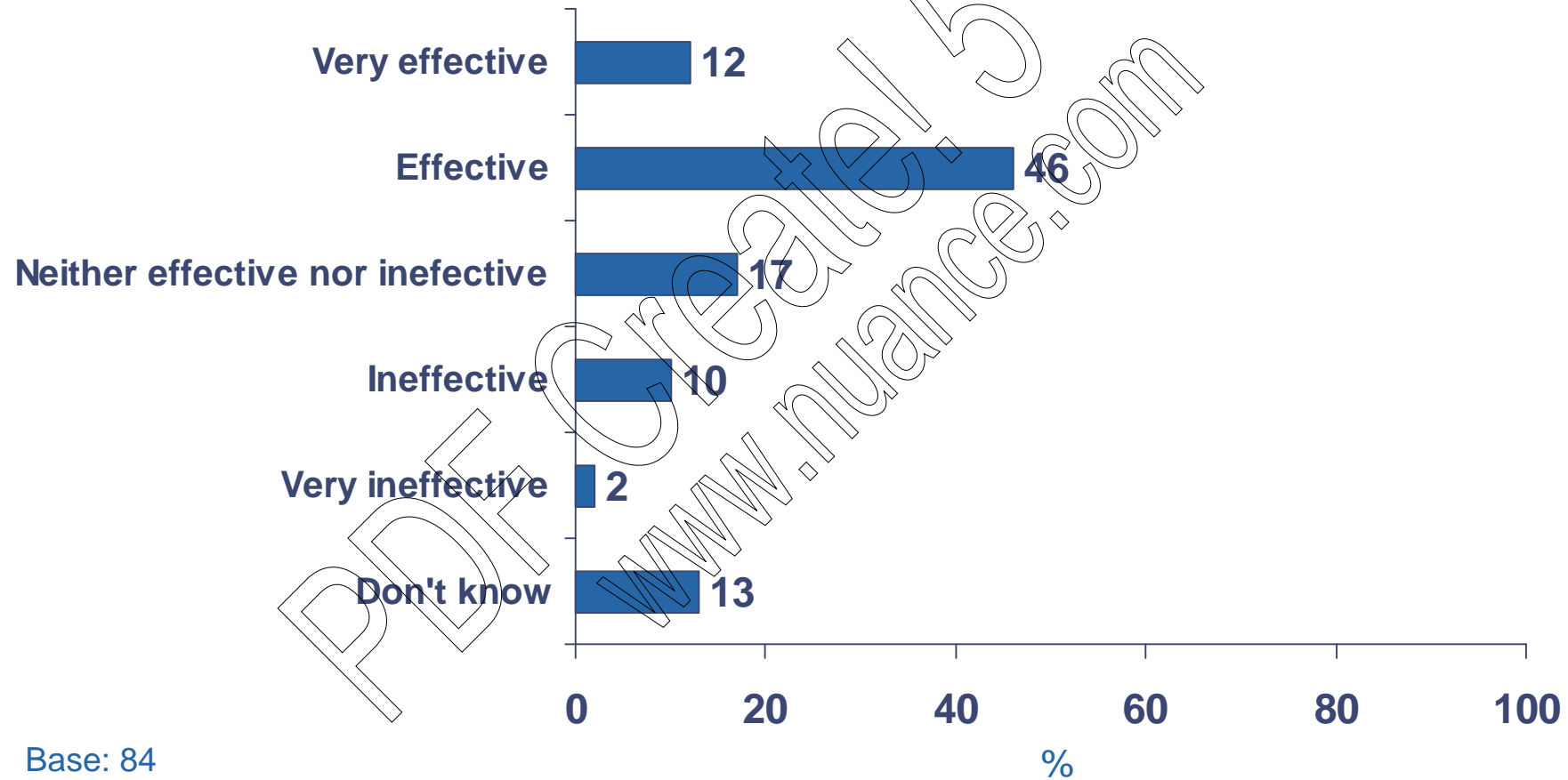
Q20c) How effective or ineffective is the **role of the non-executive directors as currently defined?**



Q20d) How effective or ineffective is the **relationship between the non-executive directors and the Members?**



Q20e) How effective or ineffective is the **relationship between the executive directors and the Members?**



Q 20f i) If you stated that the Board of Directors were 'ineffective or very ineffective' please indicate how they could be improved? (Open end question with multiple responses)

Of those that responded:

- One stated that the non-executive directors should be replaced; and
- One stated that there should be independent/greater representation

Base: 5

Q 20f ii) If you stated that the Chairman was 'ineffective or very ineffective' please indicate how they could be improved? (Open end question with multiple responses)

Of those that responded:

- Two stated that the chairman should be a non executive.

Base: 3

Q 20f iii) If you stated that the Non-Executive Directors were either 'ineffective or very ineffective' please indicate how they could be improved? (Open end question with multiple responses)

Of those that responded:

- Five stated that the Non-Executive Directors need to be more experienced/more proactive;
- Four stated that the Non-Executive Directors need clearer roles/responsibilities;
- Two stated that the Non-Executive Directors need more diversity;
- One stated that there needs to be independence/greater representation;
- One stated that there needs to be more direct communication;
- One stated that there needs to be more meetings/contact with members;
- One stated that the Non-Executive Directors needs to be replaced; and
- One stated that the Non-Executive Directors are ineffective

Base: 17

Q 20f iv) If you stated that the relationship between the Non-Executive Directors and Members was either 'ineffective or very ineffective' please indicate how this could be improved? (Open end question with multiple responses)

Of those that responded:

- 19 stated that there needs to be more meetings/contact with members;
- 11 stated that there needs to be more direct communication;
- Five stated that there needs to be more experience/more proactivity;
- One stated that there needs to be independence/greater representation; and
- One stated that the Non-Executive Directors needs to be replaced.

Base: 37

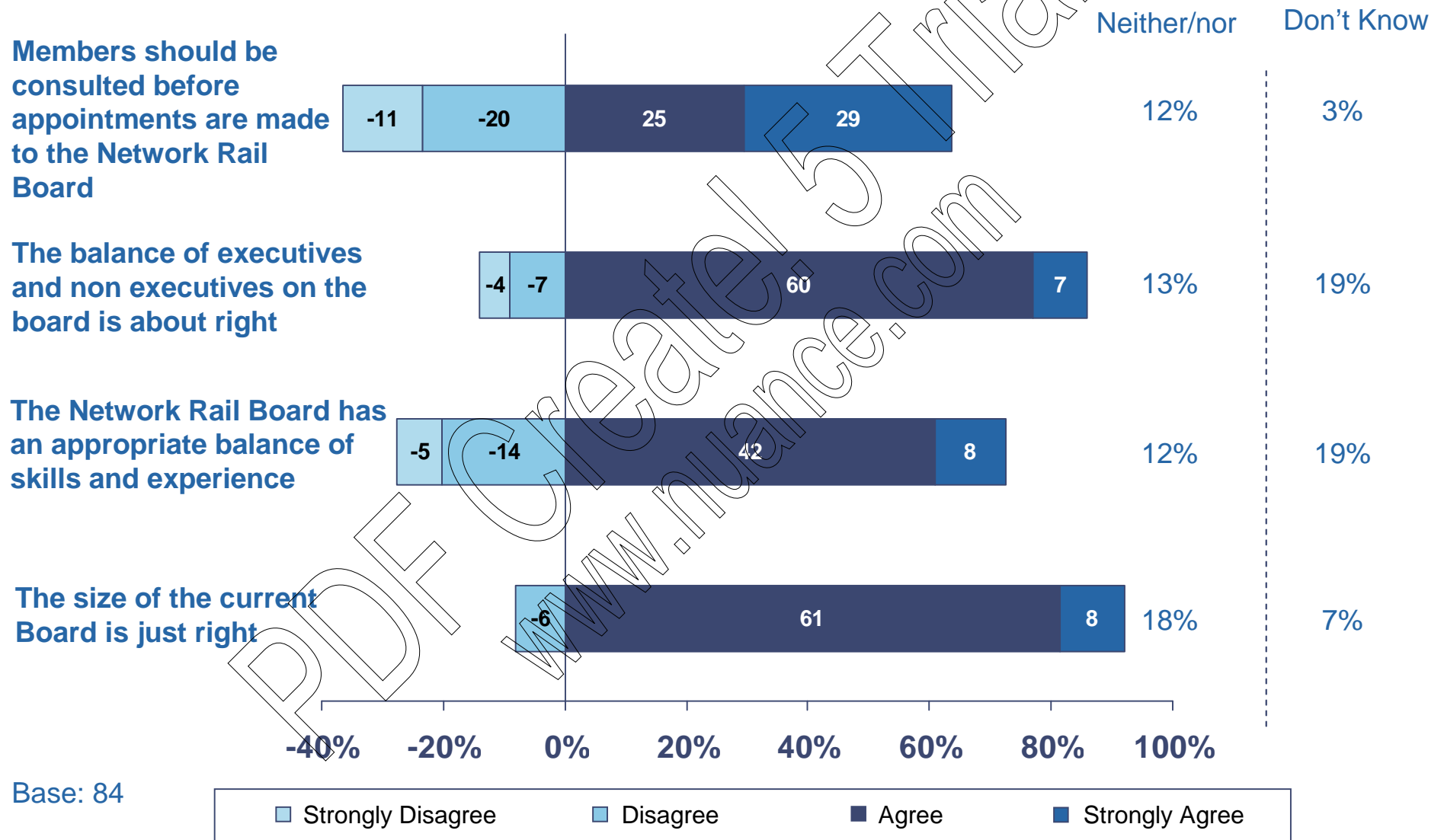
Q 20f v) If you stated that the relationship between the Executive Directors and Members was either 'ineffective or very ineffective' please indicate how this could be improved? (Open end question with multiple responses)

Of those that responded:

- Three stated that there needs to be more direct communication;
- Two stated that there needs to be Clearer roles/responsibilities; and
- One stated that there needs to be independence/greater representation.

Base: 10

Q21a) Please indicate whether you agree or disagree with the following statements?



Q21b) If you disagree that the Board size is just right: What size should it be?
(Open end question with multiple responses)

Of those that responded;

- One felt there should be 7 Board Members,
- Two felt there should be 10 Board Members; and
- One felt there should be 12 Board Members.

Base: 4

Q22. Do you have any particular comments regarding the role of the Chairman of the Board? (Open end question with multiple responses)

- Very effective / successful(45%)
- Accessible/spends time with members (10%)
- Strong Leader (8%)
- Should be a non-executive (6%)
- Great Communicator/motivator (5%)
- A Part-Time Chairman doesn't work (5%)
- Reluctant to listen to Members (4%)
- Spends too much time with Members / on Members issues (4%)
- Knowledgeable (2%)
- Too controlling (2%)
- Needs to manage the board (2%)
- Roles of members are unclear (1%)

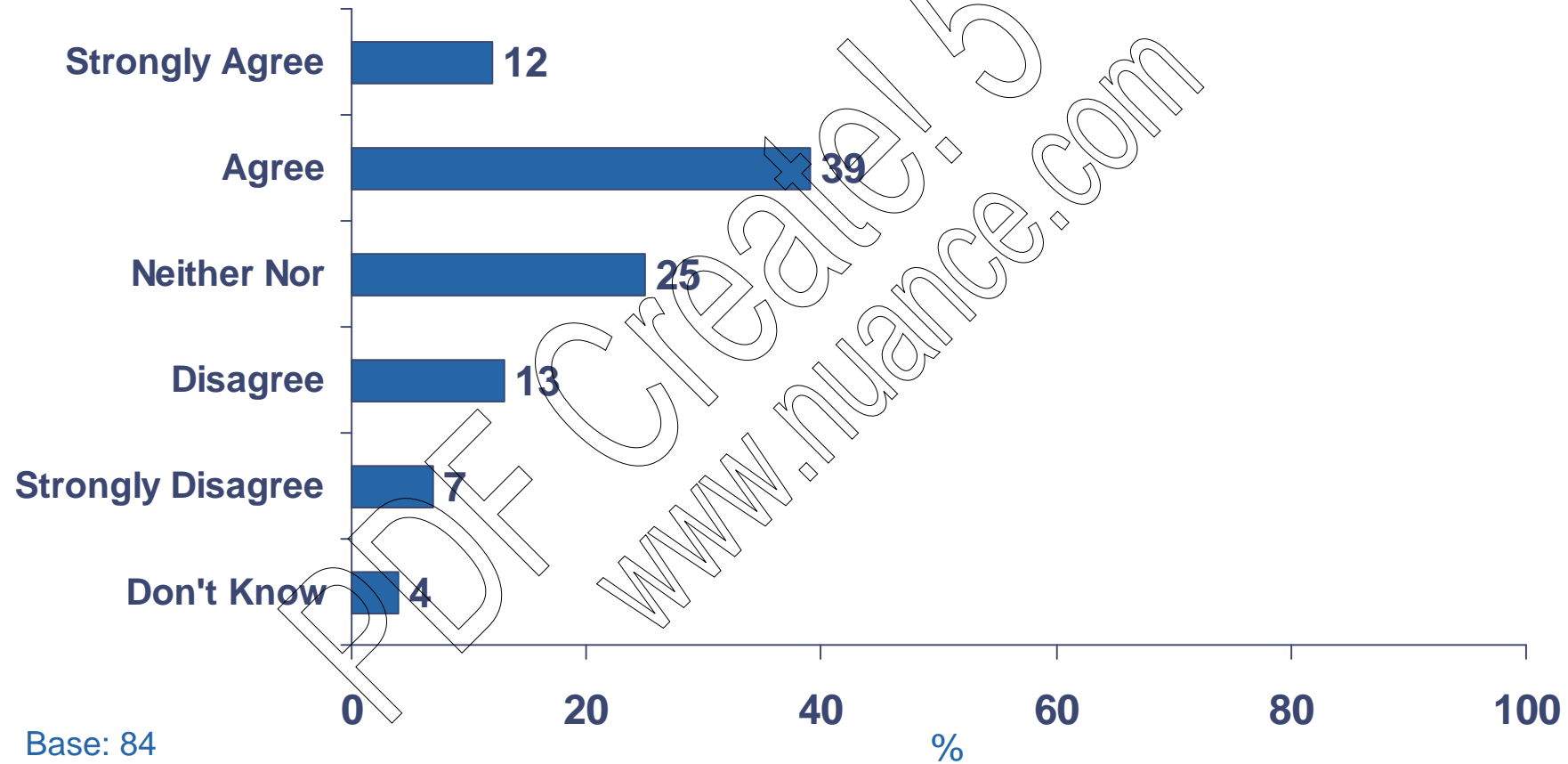
Base: 84

Q23. Do you have any particular comments regarding the role of the Senior Independent Director (SID) (Open end question with multiple responses)

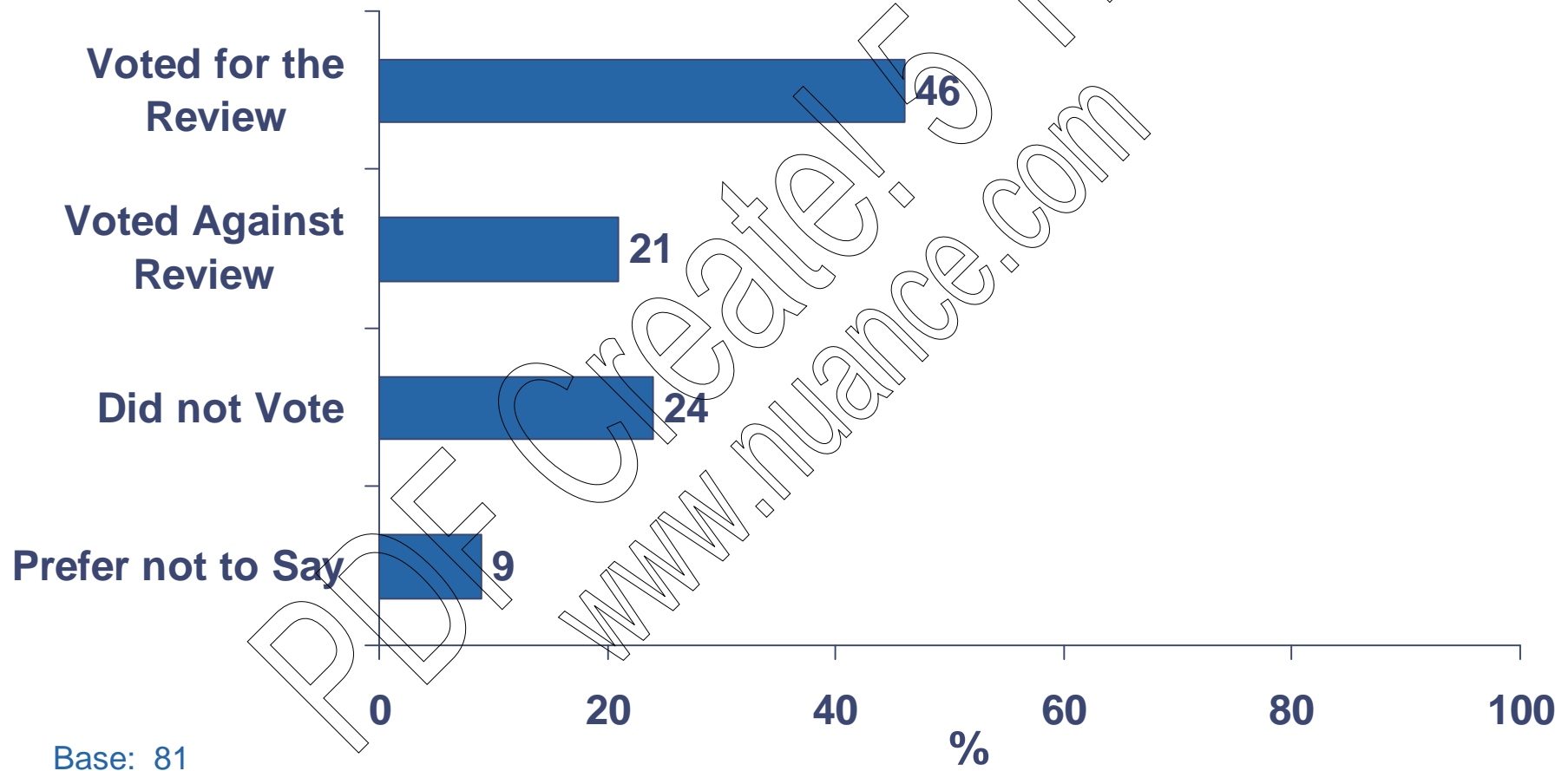
- Low profile (15%)
- Needs to spend with Members (13%)
- Don't know who he/she is (11%)
- Role is not clear (8%)
- He's very accessible / approachable (7%)
- Ineffective / lacks experience (6%)
- Not really viewed as independent (4%)
- Other (2%)

Base: 84

Q24. To what extent do you agree or disagree that Network Rail's overall business performance over the last six years is a measure of its effective governance?



Please indicate how you voted at the AGM on the question calling for a Members Review of Corporate Governance



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III. Appendix C: Responses to stakeholders interviews

Responses to the stakeholder interviews and workshops

This Appendix outlines the views of the stakeholders who attended one of our workshops, who were interviewed on a one to one basis, or who submitted a written response. All 28 interviews and the two board workshops were facilitated by senior level staff within PwC. The discussion guide was designed in collaboration with the Members' Review Group team who were provided with a detailed briefing in advance of any interviews taking place.

In addition the House of Commons Transport Committee submitted its July 2008 report entitled *'Delivering a sustainable railway: a 30-year strategy for the railways'* for inclusion in this review.

It is important to mention that a number of our stakeholder interviewees are also Members of Network Rail and as such were in a position to reveal more detailed insights into the internal workings of the company's corporate governance. In our description of the views of stakeholders we have, where appropriate, identified instances where the viewpoint or observation was made only by Members, rather than the wider stakeholder group.

Overall effectiveness of Network Rail's Corporate Governance

Divergent views were encountered in relation to the question 'how effective are Network Rail's corporate governance arrangements?' Stakeholders' opinions on this issue ranged from 'very effective' to 'very ineffective'.

"If you tried to come up with the worst possible model, this would be it."

"This is the most suitable model, with significant advantages over a plc and other governance models."

On balance however the majority view was that the arrangements are not as effective as they could be and require considerable improvement. Notwithstanding this however, Network Rail is considered to have made significant progress in the past six years and is viewed as far superior to its predecessors Railtrack and British Rail. Most stakeholders had considerable praise for the manner in which Network Rail turned around the situation that the company inherited in 2002.

Whilst Network Rail has made significant progress, there is a view amongst stakeholders that progress has been slow and needs to be ramped up going forward. In addition there is a strong feeling amongst operators that the current arrangements were established to recover from a crisis situation and are considered to be no longer relevant. More focus is required on expanding and developing the railways.

"They did a very good job in the beginning but they have failed to move from those sort of battle conditions they were in, to a much more forward looking customer focussed horizon. The targets were set at a time of chaos but they are not going to help the railway move forward."

"They have moved from the Railtrack scenario and there have been improvements...what we are complaining about is that it hasn't been fast enough."

In addition some stakeholders commented that the governance arrangements are effective when Network Rail is performing well, however the options for holding the board to account if it underperforms are inadequate.

"There is a problem if Members are not very happy with Network Rail, they have a limited number of options in holding the Board to account ... there is an issue with the range of measures that Members can take."

Main strengths of the current arrangements

Again there were mixed views on this issue amongst the stakeholders interviewed. Many of the regional stakeholders were unable to comment as they felt that they were not close enough to the internal governance arrangements of Network Rail. Amongst the stakeholders who were in a position to comment, a number found it difficult to name any strengths.

In general the arrangements were considered to run quite well but are in need of improvement. Some described the company's corporate governance setup as a good basic framework that works well at strategic level. Others believe that it is overly complex and in need of simplification.

The Board

When asked to name the main strengths of Network Rail's corporate governance, stakeholders often referred to the Board's positive performance, commenting that the Board 'must be doing something right'. However few were able to link this 'spectacular performance' to the corporate governance practices of the organisation.

Some comments were made with regard to the amount of time that the Chairman spends with the Members, and this was considered a key strength. Others challenged this, and questioned whether this should be part of the role of an effective Chairman.

A number of stakeholders commented on the background and experience of the Board members, stating that their extensive industry experience was a strength. Comparisons were made with the Railtrack board, which was viewed as being too engineering focussed, without enough experience of the railway industry.

Members

In relation to the Members, stakeholders identified a number of key strengths of this aspect of the company's governance. The diverse nature of the group, with representation from most aspects of the railway industry such as passenger groups, trade unions, train and freight operators, was considered a key strength by many stakeholders. Stakeholders who are also Members commented that the quality and effectiveness of the Members group has improved considerably since it was set up in 2002. This is thought to be a result of Members now being clearer and more aware of their role, and the perception that a number of strong Members from the rail industry have emerged.

Again those stakeholders who are also Members commented that there have been some effective Member meetings, with strong challenging questioning by some of the stronger Members. The regular meetings are considered to be a good forum for communicating with the board.

Examples of some of the more effective meetings include those called to discuss the New Year '08 issues, and the questioning of the remuneration committee in 2008. In addition many stakeholders, both Member and non-Members, commented that calling and organising the current review of the corporate governance arrangements is an example of the group being effective.

"I have seen examples of where they have made a difference. Quite recently there was a discussion on remuneration....there was real expertise on this from the Members... and it was clear to me that the Network Rail representatives were listening attentively."

In relation to the information provided to Members by Network Rail, a number of Member stakeholders commented that this is very comprehensive, interesting and useful. Some also held the view that the information provided can be quite technical and difficult to understand. This led to discussions around the need for analysis or secretariat support for the Member group.

Whilst many stakeholders were able to identify a number of key strengths in relation to the Members and the way in which they operate, on balance, the majority view was that Members as a group have not been terribly effective.

The role of the regulator

The role of the regulator in the corporate governance arrangements was named as a strength by a number of stakeholders.

Regional issues

Some of the regionally based stakeholders commented that Network Rail has recently begun meeting with regional and local authorities. This is viewed as a significant improvement, and prior to this the organisation was viewed as too London centric with little interest in regional issues.

Not all regional stakeholders agreed with this perceived improvement however and many hold the belief that the regions and devolved economies are not a priority for Network Rail. This viewpoint will be explored further later in this section (paragraphs xxx).

Key issues and areas requiring improvement

All of the stakeholders who participated in the interviews and workshops were asked to outline any areas that they believed were in need of improvement. A considerable amount of consistency was encountered in the feedback provided by stakeholders, and as a result a number of common themes have emerged. The themes can be grouped under three main headings: Members, the Board and other key issues. The table below summarises the stakeholders' key issues. Each theme is then explored in detail in the following paragraphs.

Members

- Clarity of roles
- Effectiveness of Members
- Accountability of Members
- Continuing existence of Members
- Number of Members
- Member involvement in decision making
- Independent information
- Clearly defined decision making process
- Payment/resources
- Selection of Members

The Board

- Role of the non-executives
- Effectiveness of the non-execs
- Chairman's role
- Narrow focus on ORR targets

Other Issues

- Regional accountability
- Funder's role
- Options for change
- The change process

Clarity of Members' Role

This was one of the most widely discussed issues amongst all types of stakeholders, including those who are Members themselves. The majority of stakeholders believe that the role of Members is unclear to the outside world. Most also hold the view that Members do not understand their own role and that this has restricted their ability to be truly effective.

This viewpoint also emerged as a key issue in the e-survey of Members and stakeholders. In addition both the regulator and the Board of Network Rail commented that clarifying the role of Members ought to be a key priority for improvement.

"The Members bit is an enigma. They are totally in-effective, which is just as well because there is absolutely no clarity about what they are supposed to do."

There was some recognition that the clarity of definition of the role of Members has improved over time, as Members have begun to understand their role. However, there is clear evidence that both Members and stakeholders would welcome further clarity on the roles and responsibilities of the Members as a group.

Accountability of Members

Allied to the clarity of role point, stakeholders believe that there is a lack of clarity on who Members should be accountable to. There is also a belief that Members themselves are not clear on who they are accountable to.

The view amongst those stakeholders who have an opinion on this, is that Members should be accountable to Network Rail's customers and the general public.

Effectiveness of Members

Amongst those who are familiar with Network Rail's corporate governance arrangements, most hold the view that the Members as a group are generally ineffective. When probed on why this perception is held a number of reasons were put forward:

- **Clarity of role** - there is consensus that the role of Members is unclear.
- **Size and diversity of opinion** - most agree that the Member group is too big, and too diverse in its opinions.
- **Lack of structure** - it has no structure, such as sub-committee or specialist working groups and the group has no Chairman or spokesperson.
- **Ability to challenge the Board** - it is recognised that there are some good Members, but there is a strong view that there are not enough people with the expertise to challenge the Board effectively.
- **Lack of power** - the Members group is widely viewed as lacking in power – it was remarked by some stakeholders that if an issue arises, they would side-step the Members and go direct to the Board. There is also a perception that some Members work outside the Membership and liaise directly with the Network Rail Directors. There is also a view amongst stakeholders that the fact that Members are unable to influence budgets, targets and remuneration and have no role in strategic decision making or the appointment of Directors, leaves the group weak with little power. It is important to point out however that some stakeholders believe that this should not be the role of Members.
- **Motivation to challenge** – a number of stakeholders commented that Members do not suffer the consequence of underperformance, nor do they feel the benefits of a good performance. It is felt that this limits their motivation to challenge the Board and hold it to account.

"I can't think of anything that the Board has done differently because of anything that the Members have said. Even if some Members are very good at coming up with good points, because the Members are so disparate in their views, and disruptive Members ask stupid things, they don't have any influence' (a stakeholder and Member)."

"In short, reduce the number, increase the calibre and have a tightly defined role."

Continuing existence of Members

Whilst this was not a specific question asked in the interviews, many stakeholders chose to comment on whether or not the Members group should continue to exist. A small number believe that the Members should be disbanded and replaced with different type of structure, such as a supervisory board. (We have expanded further on this point in section X).

However, the prevailing view amongst stakeholders is that the Member group should continue to exist, but not in its current form. A number of suggestions were put forward regarding how the group could be made more effective:

- Clarify the role of Members.
- Reduce the number of Members – 20-30 was the preferred number.
- Give the group a structure, for example select committees, and a Chairman.

- Review the selection and appointment process.
- Give careful consideration to the quality of Members.

In addition, a few stakeholders who are also Members commented that the group would benefit from having more support. This could include analysis support to assist with the interpretation of the large volume of information that is made available to Members. It was also suggested that Members should be provided with a secretariat function.

The House of Commons Transport Committee report *'Delivering a sustainable railway: a 30-year strategy for the railways'*¹ also comments on the effectiveness of Members, particularly in relation to the award of 'huge financial bonuses' in the wake of the New Year '08 engineering issues.

"If Network Rail's Members cannot, or will not challenge and block such a move, they are a body not worth having."

The report calls for robust oversight and challenge by the Members, which would be best achieved by a smaller more independent group.

'The range and seriousness of management failings identified will only be rectified through very strong leadership from the Board combined with robust oversight and challenge by Members. This would require a structure that brought accountability for passengers and the public and created a smaller independent group to whom the Board was answerable for operational matters'

The number of Members

We have already alluded to the fact that the size of the Member group was a much debated issue in our discussions with stakeholders. The prevailing view is that there are too many Members. Most believe that the size of the group limits its effectiveness, mainly because of the wide diversity of Member viewpoints. There is a widely held perception, that the group rarely reaches agreement on anything.

"Its quite clear that the bigger the number of Members, the easier it is for the company to control them."

"The best thing is to make the Members more effective and in smaller numbers and give them something to do... they would then have a better chance of holding the Board to account."

Member involvement in decision making

There were mixed views on the issue of Member involvement in decision making. Many agreed that not being able to influence key decisions leaves the Member group weak and lacking in power. Many stakeholders believe that an effective Member group should have a role in key decisions such as setting annual budgets, agreeing targets in the company business plan, setting Directors' remuneration and the appointment of the Chairman.

Some stakeholders pointed out however that an increased level of involvement in such decisions would be inappropriate for the Member group in its current form, composition and level of ability. Reducing the number of Members, clarifying the role and increasing the calibre of the Members as a group, were all considered a prerequisite of greater involvement in Network Rail's Board level decision making processes.

Clearly defined decision making process

Many stakeholders remarked on the fact that the Members group lacks a clearly defined decision making process. The group has no structure and no Chairman or spokesperson.

¹ House of Commons Transport Committee: *'Delivering a sustainable railway: a 30-year strategy for the railways.'* Tenth report of session 2007-08, para 66.

This is perceived to restrict the Members' ability to act effectively in its dealings with the Network Rail board.

Payment and resources

A number of stakeholders believe that Members ought to be paid. A number of suggestions were put forward such as an attendance allowance or an annual salary. It was felt that this would both increase the calibre of applicants to the Membership, and improve the level of attendance at meetings.

Some of the stakeholders who are also Members, commented that Members need more support. As mentioned earlier, time commitments required from Members were described as very onerous, including attendance at 18 meetings a year and reviewing a considerable amount of documentation.

The provision of analysis support or a form of secretariat was considered to be the best way of resolving this issue.

A point was made by some Member respondents that those who have the most time available to review the documentation provided, and attend the meetings are the least likely to understand the issues.

The selection and appointment of Members

Members are appointed by an independent Membership Selection Panel, containing five members who are appointed by the Board of Network Rail. In addition a non-executive Director from Network Rail sits on the panel.

Regarding the issue of the selection and appointment of Members, many respondents are unfamiliar with the process.

Amongst those who are aware of the procedures involved, almost all are opposed to it, mainly because of the involvement of the Board.

This viewpoint is also reflected in the House of Commons Transport Committee report² highlights this issue and points out that indirect Board involvement in the selection procedure 'makes the appointment of critical Members who are likely seriously to challenge management of Network Rail less likely'.

Some stakeholders suggested that Network Rail's customers, the train and freight operators, should play a role in the selection and appointment of Members.

The Board – non-executive Directors

The role and effectiveness of the non-executive Directors was widely criticised by stakeholders. They are perceived to be weak and ineffective at carrying out their role of challenging the Board. Visibility is also an issue with many stakeholders stating that they are unclear about what the non-executives do, and can see little evidence of them having had any impact.

Amongst those stakeholders who know the non-executive Directors, most criticised the calibre of the individuals rather than their role. The skills, business acumen and effectiveness of the current non-execs was called into question.

"They haven't got the sharp edged intellectual fire power that you would find in a FTSE 100 company."

"If you compare them with the non-execs of (a large plc)³ there is a difference in quality....you do not get a sense that the non-execs have held Network Rail to account on major issues that have occurred, so I guess we ought to be clear about the role and the selection criteria for the non-execs."

² House of Commons Transport Committee: 'Delivering a sustainable railway: a 30-year strategy for the railways.' Tenth report of session 2007-08, para 63.

"The quality of the people is important and the people on the Network Rail board at present are not big enough for the job... its about business acumen and that's what is missing."

"The non-execs have the same views as the Board and some are non-entities."

Stakeholders who are familiar with the selection and appointment procedures for non-executive Directors were unimpressed and indicated that improvement is required. Some suggested that the non-execs should be appointed by key stakeholders, and that the focus ought to be on finding people who have the skills to effectively challenge the Board. Some also suggested that Members should play a role in the appointment of the non-executive Directors.

There is also confusion around the role of the Senior Independent Director (SID). Stakeholders, who are Members of Network Rail, commented on the lack of clarity around the role of the SID and the SID's low profile and lack of visibility.

The Board – narrow focus on ORR targets

A common view amongst stakeholders is that the Board of Network Rail is too focussed on meeting the regulator's targets, and going forward needs to take a more holistic approach to running the company. Many believe that the board should have a wider focus on meeting the needs of customers (operators and the public) and developing Britain's railway.

"The board has been effective in delivering the targets it has been set. They are very target focussed – that's what their bonus is based on and that's what they are delivering. The ORR targets tend to be very narrow. In a normal company they would be much wider because they would have to consider everything and their targets might move a bit more."

The regulator's objectives and targets, taken in isolation, are considered to be outdated and no longer relevant. In addition it was stated that there is no apparent incentive to outperform the regulator's targets.

"If they were a regular plc, then meeting the regulators targets would not be adequate. Most of the regulated plcs have to outperform their regulated performance."

It is interesting to note that the regulator also commented that the Network Rail board is overly focussed on meeting its regulatory targets.

Network Rail is considered to be too risk averse, and too focussed on operations rather than capital projects. This is approach is believed to be holding back the development of the railway infrastructure. As an example of this, a comment was made that Network Rail is unsupportive if the Cross Rail project, because of the increased risk of delays and disruption to the network during its construction.

"There is an issue about risk. The Chairman told me that he needs Cross Rail like a hole in the head."

"The big difference between Network Rail and a plc is how they deal with risk, because Network Rail's preferred option is to have no risk at all and put it on every one else. Network Rail is very risk averse in a way that doesn't help develop the railway."

"We see the consequences of the corporate governance arrangements and the difficulty that we have is the it give the impression of a very risk averse organisation that is treating us and others like a minor third party, when in effect we are a major stakeholder and deserve to be treated as such. We are treated as a risky organisation to trade with.... They need basic agreements in place for virtually everything we do."

³ Name withheld for reasons of confidentiality.

Regional Accountability

A common theme emerged from the interviews with the Regional Development Authorities (RDA) and the devolved stakeholders. Network Rail is believed to be too centralised, and too focussed on London and the south-east. There is a strong perception, especially in Scotland and the North-east of England, that the regions are not a priority for Network Rail.

Regional stakeholders commented on Network Rail's targets and bonuses which are perceived to be geared towards the south east. There was a call for greater accountability and scrutiny at regional level, along with specific regional targets. Regarding bonuses, comments were made that 90% of the Director's bonuses are geared towards achieving the DfT targets, and just 10% for the achievement of Scottish targets.

"There needs to be some accountability within the regions, and the regions should have the opportunity to scrutinise their performance within the region. In setting high level regional targets you can meet most of those in the south east without giving time and attention to the regions. There needs to be some regionalisation of those targets."

Network Rail is viewed as being reactive rather than proactive. Some regional stakeholders made the point that the board of Network Rail will listen but is not responsive. In addition some regions feel that communication is poor both from the Board and the Members. An example was given of Network Rail ignoring the views of an RDA in the construction of a new regional train station.

In general the regional and devolved stakeholders hold the view that communication from Network Rail is poor, there is a lack of proactivity in consulting with the regions over matters that affect them, and there is a general lack of visibility of board and Member activity at regional level.

"Engagement with Network Rail is quite difficult."

There was agreement at regional level that whatever lies ahead for the corporate governance arrangements in Network Rail, regional representation on any new or revamped structure was paramount.

The role of Funders

Many stakeholders believe that Network Rail ought to be more responsive to its funders, in particular the Department for Transport and Transport Scotland.

There was also a view that DfT should have a greater influence and should both take up its existing rights as a Member and take up a seat on the Board.

"The fact that DfT don't take up their board seat is a clear weakness."

Options for change

A number of options were put forward by stakeholders as a way of improving the effectiveness of the Members aspect of Network Rail's corporate governance. The suggestions can be summarised under 3 headings:

- Strengthening the Members' group.
- Super Members.
- Supervisory Board.

Strengthening the Members

This is the least radical suggestion and would involve the implementation of a number of steps:

- Clarify the role.
- Reduce the number.
- Introduce structure, including a Chairman, and possible specialist select committees.
- Change the composition and improve the calibre.
- Create a more independent selection process.
- Provide support.

Super Members

This option would involve appointing approximately ten 'super-members' similar to trustees. The ten could potentially be selected by and from the current membership, and would be chosen on the basis of calibre. The type of experience considered to be critical included experience of managing a board, business acumen, ability to challenge. A background in the railways was not considered to be essential. In addition, the inclusion of industry Members who have a contractual relationship with Network Rail was questioned, due to the potential conflict of interest. The provision of a support function was considered to be key to the success of such a group.

"What you need are some super members, such as your top ten members who are the people who are really involved in driving things. It may be that you need to invest in that and give them some support functions. That way, Members can have some real teeth and authority over the Board."

In such a system, the role of the remaining Members would be diminished to attending a small number of meetings a year, or attending the Annual General Meeting.

Supervisory Board

This option would require the most significant change, and as a number of stakeholders pointed out would, at present, be inconsistent with UK law.

The concept of a Supervisory Board is fairly common in Europe, and some stakeholders were very much in favour of this two tiered system of governance. Effectively the supervisory board would consist of 20-30 key stakeholders, nominated from each of the main stakeholder groups. It was suggested that the Board could consist of train operators, freight operators, Transport for London representatives, DfT, Transport Scotland, passenger groups, a Regional Development Association (RDA) representatives, along with others representing key groups such as trade unions and environment and heritage bodies.

As with the super members concept, the role of Members would be reduced, with some stakeholders suggesting that their role be purely one of attending the AGM and receiving the annual report.

In all three suggestions, it was emphasised that having a clearly defined role for Members, Super Members or Supervisory Board members was crucial to the success of any new structure.

The change process

Whilst many stakeholders agreed that change is required, they also questioned how this change can come into effect.

"who can change Network Rail's structure?"

IV. Appendix D: Responses to stakeholders e-survey

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Appendix D

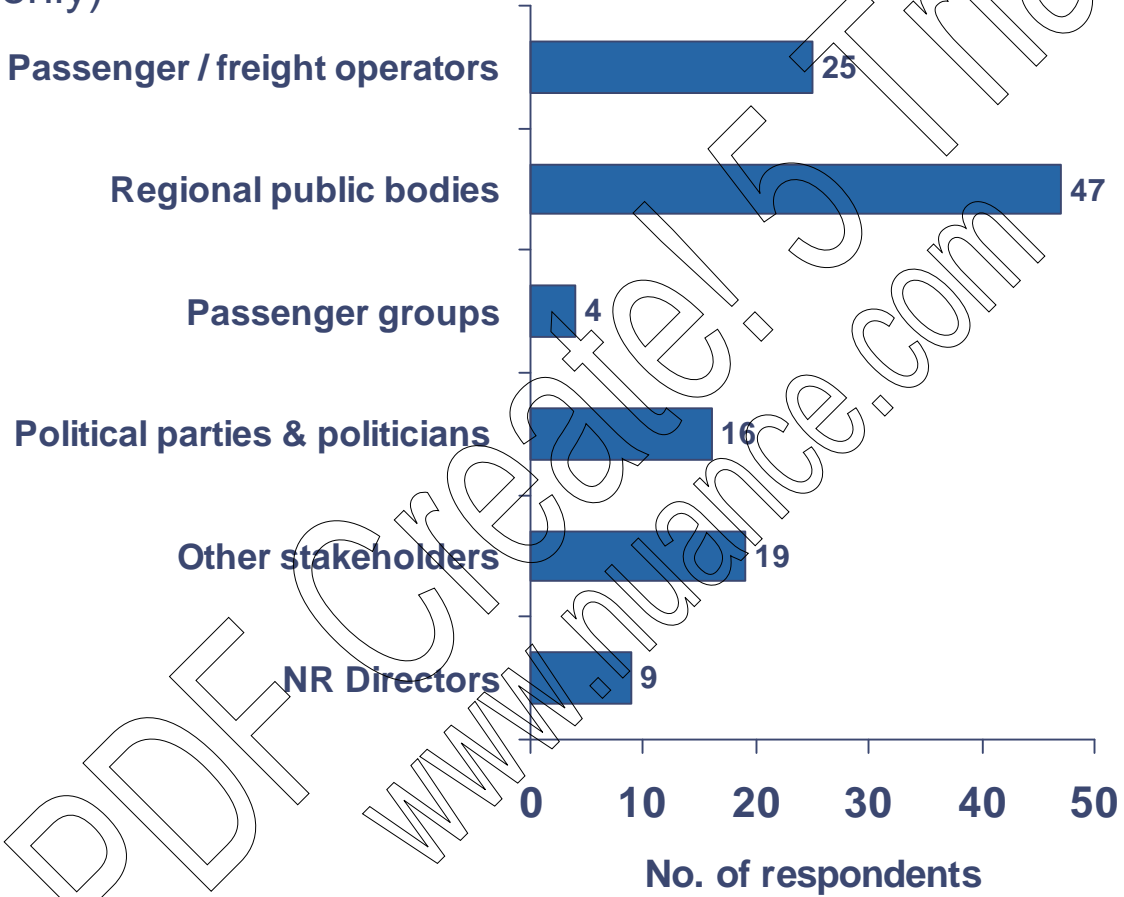
Results of Stakeholder Survey

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The Stakeholder Survey

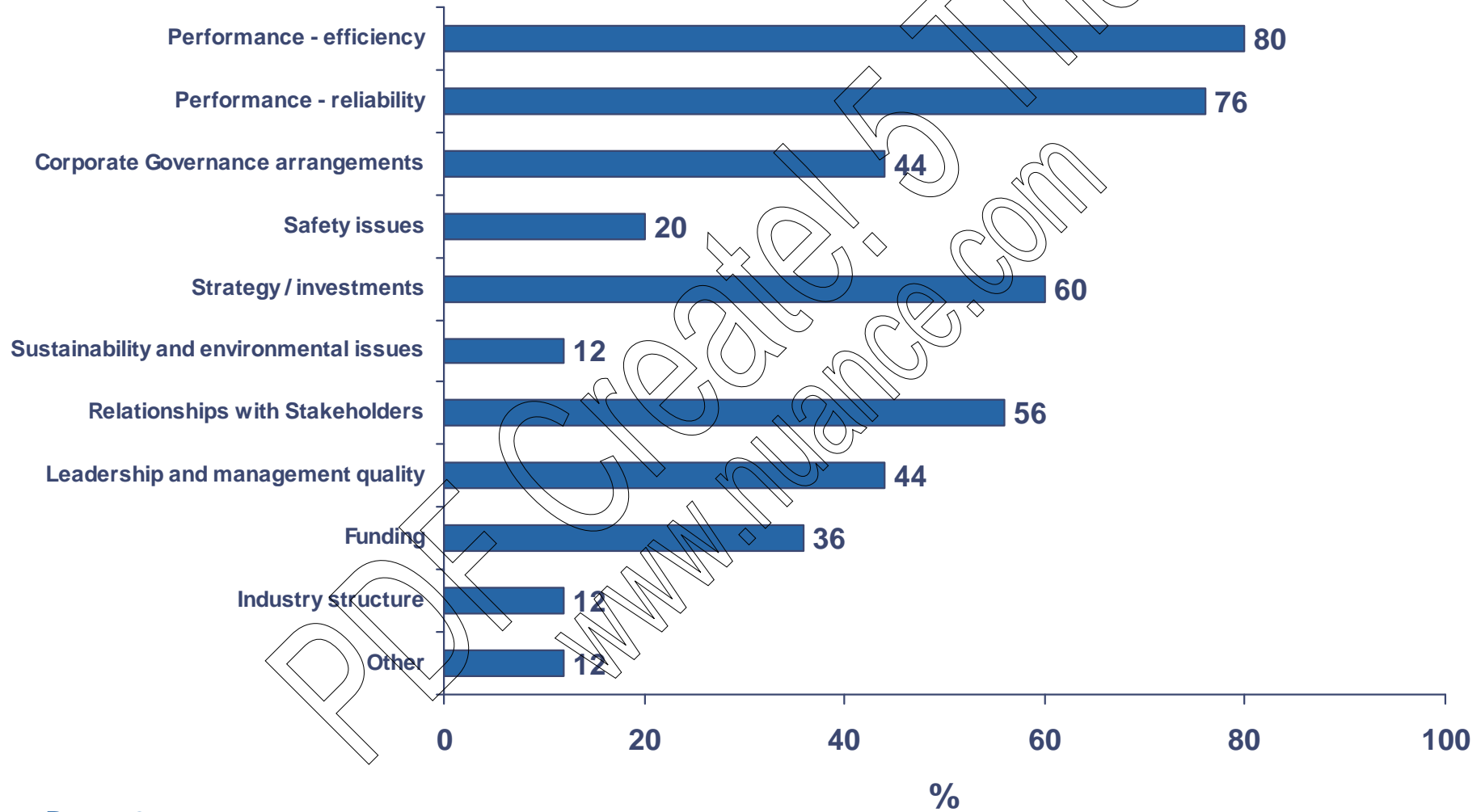
- The appendix details the results and findings from the e-survey that was distributed to a range of key Network Rail stakeholders including;
- *Passenger and freight operators, regional public bodies, passenger groups, politicians and other key stakeholders*
- *In addition, Network Rail Directors were invited to complete the stakeholder e-survey*
- The results are set out in graphical format, question by question and follow the order of questions asked in the questionnaire
- The e-survey took place between 8th December 2008 and 9th January 2009

Q1b) Please select the **main** group you are responding as
(Select one only)



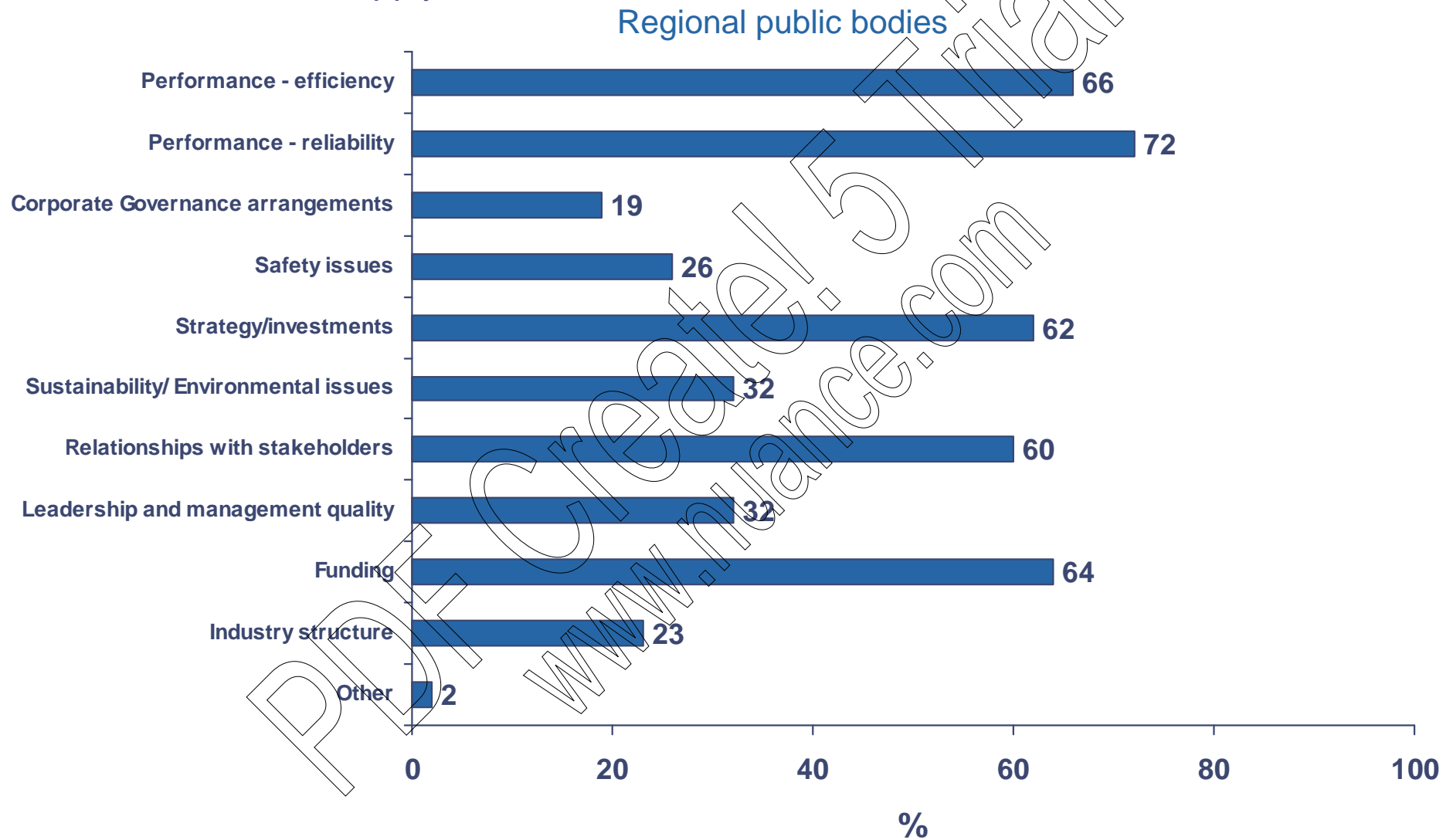
Q2a) What do you consider to be the main issues facing Network Rail at the present time? Select all that apply

Passenger / freight operators



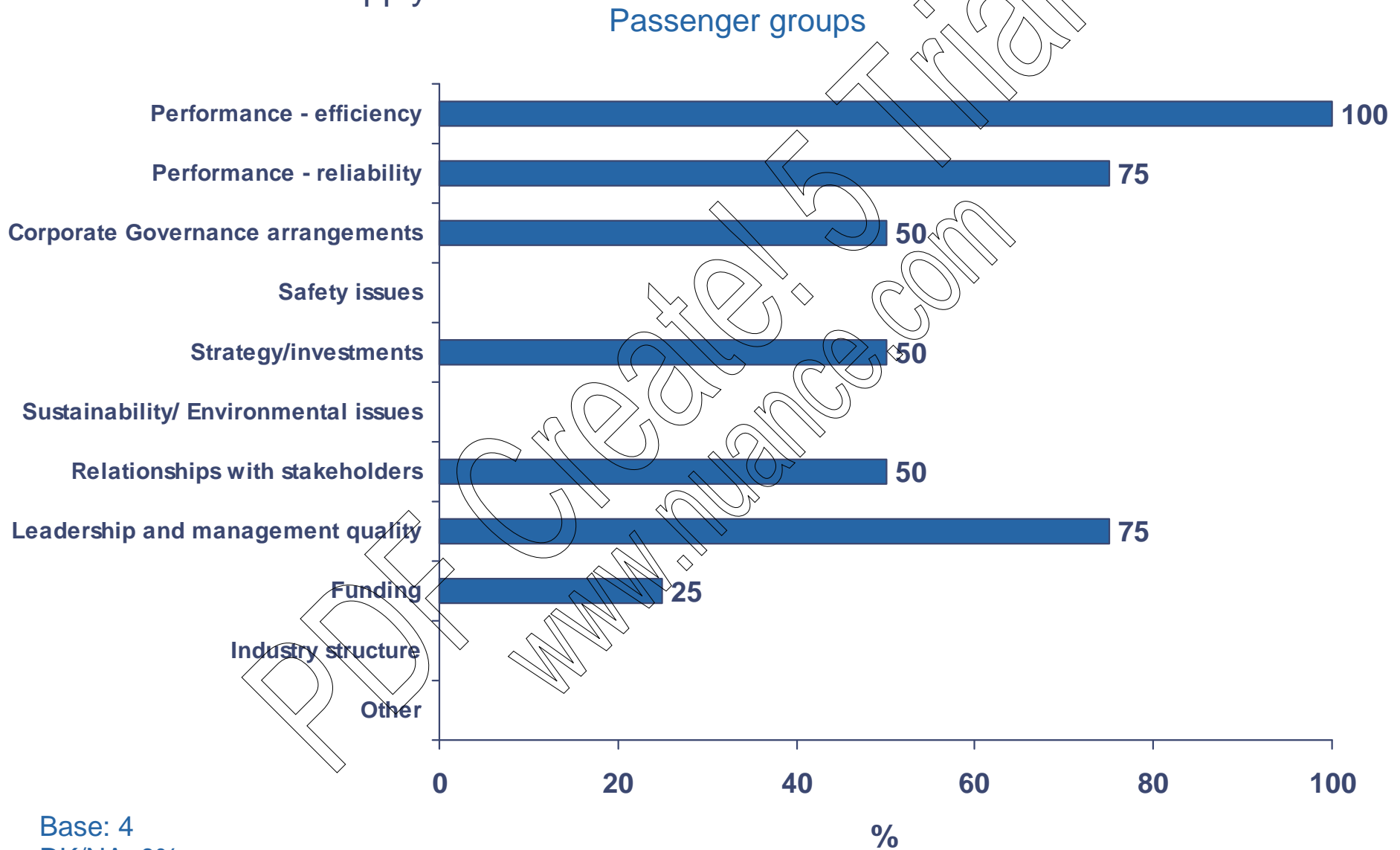
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DK/NA: 0%

Q2a) What do you consider to be the main issues facing Network Rail at the present time? Select all that apply



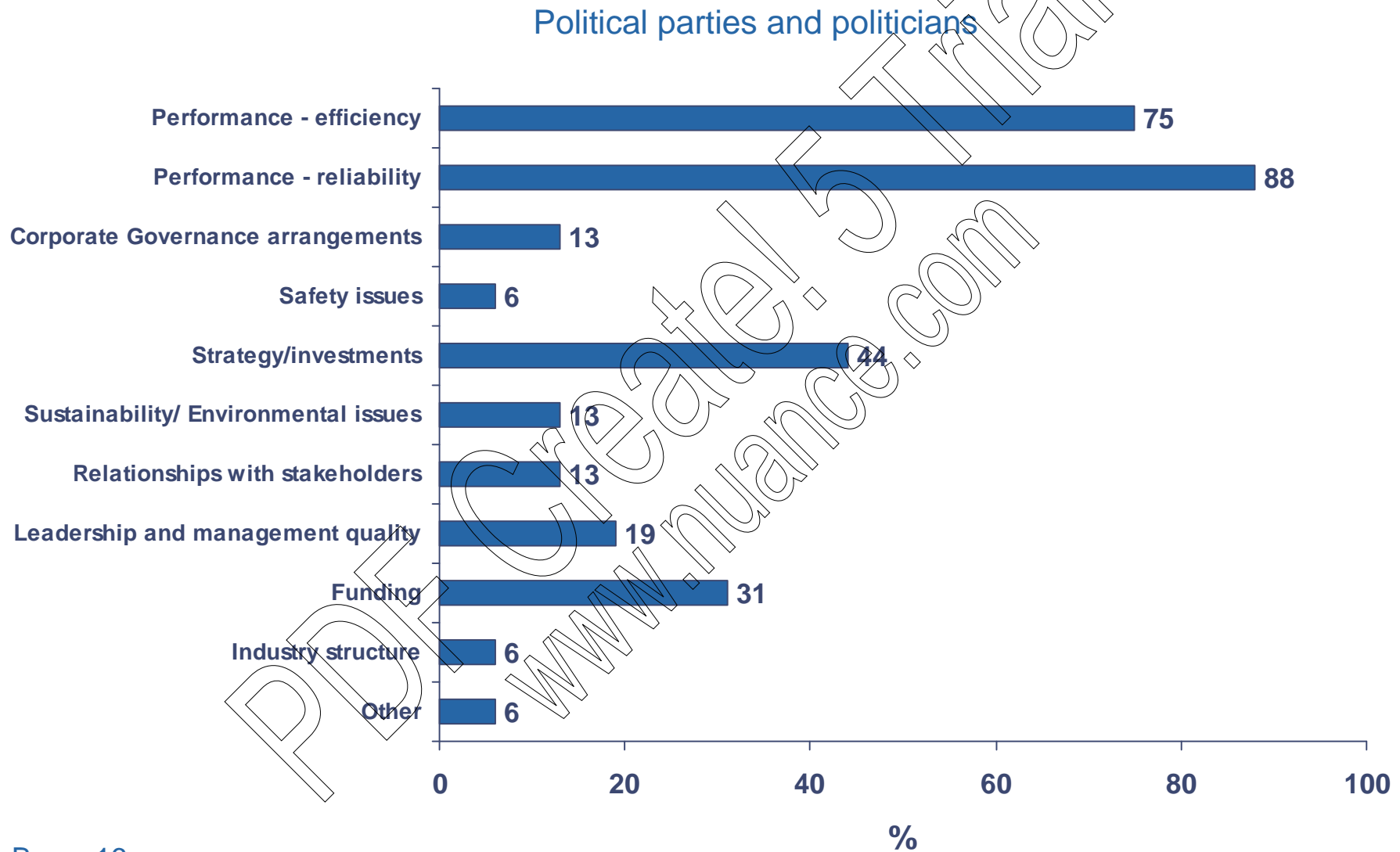
Base: 47
DK/NA: 0%

Q2a) What do you consider to be the main issues facing Network Rail at the present time? Select all that apply



Base: 4
DK/NA: 0%

Q2a) What do you consider to be the main issues facing Network Rail at the present time? Select all that apply



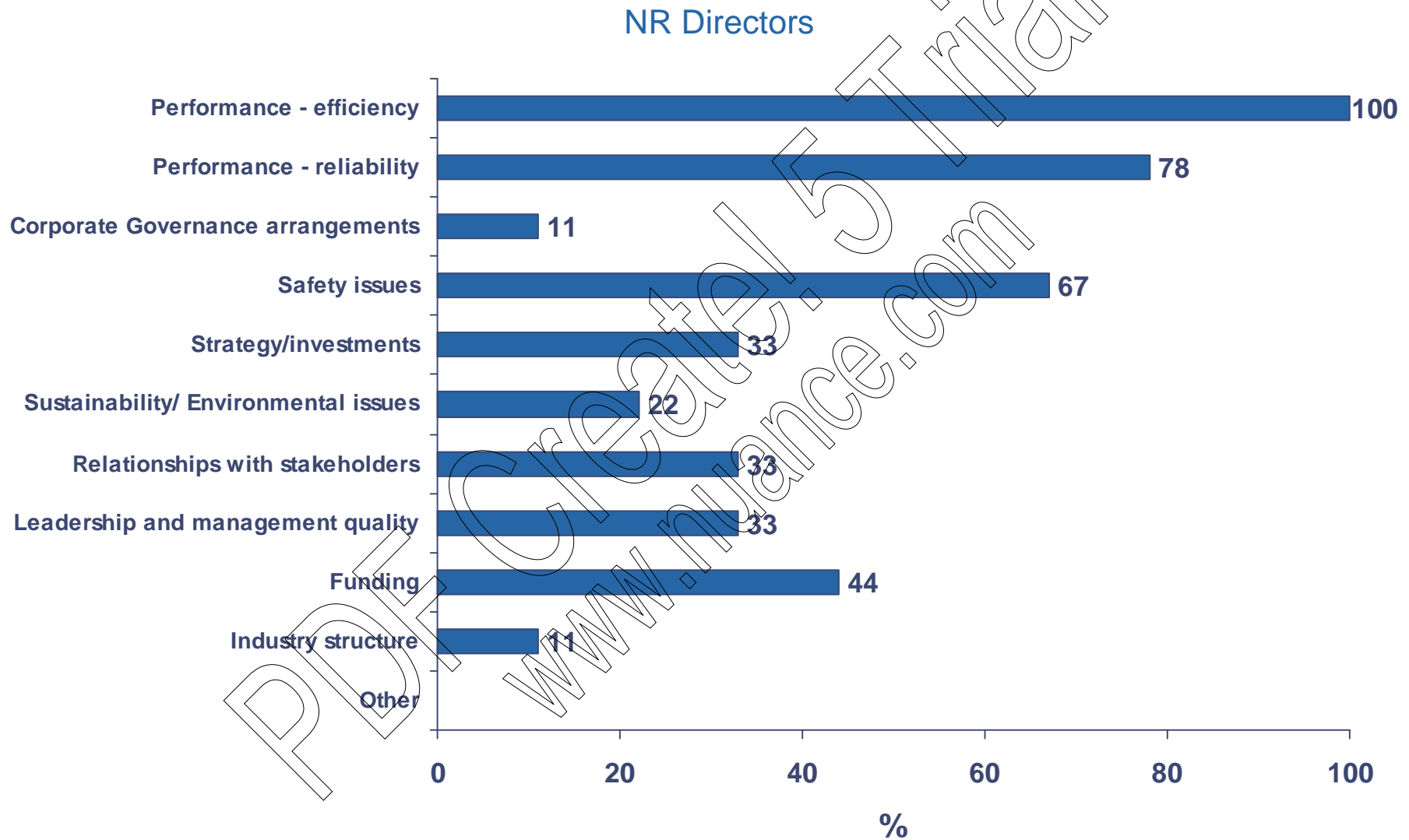
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Q2a) What do you consider to be the main issues facing Network Rail at the present time? Select all that apply



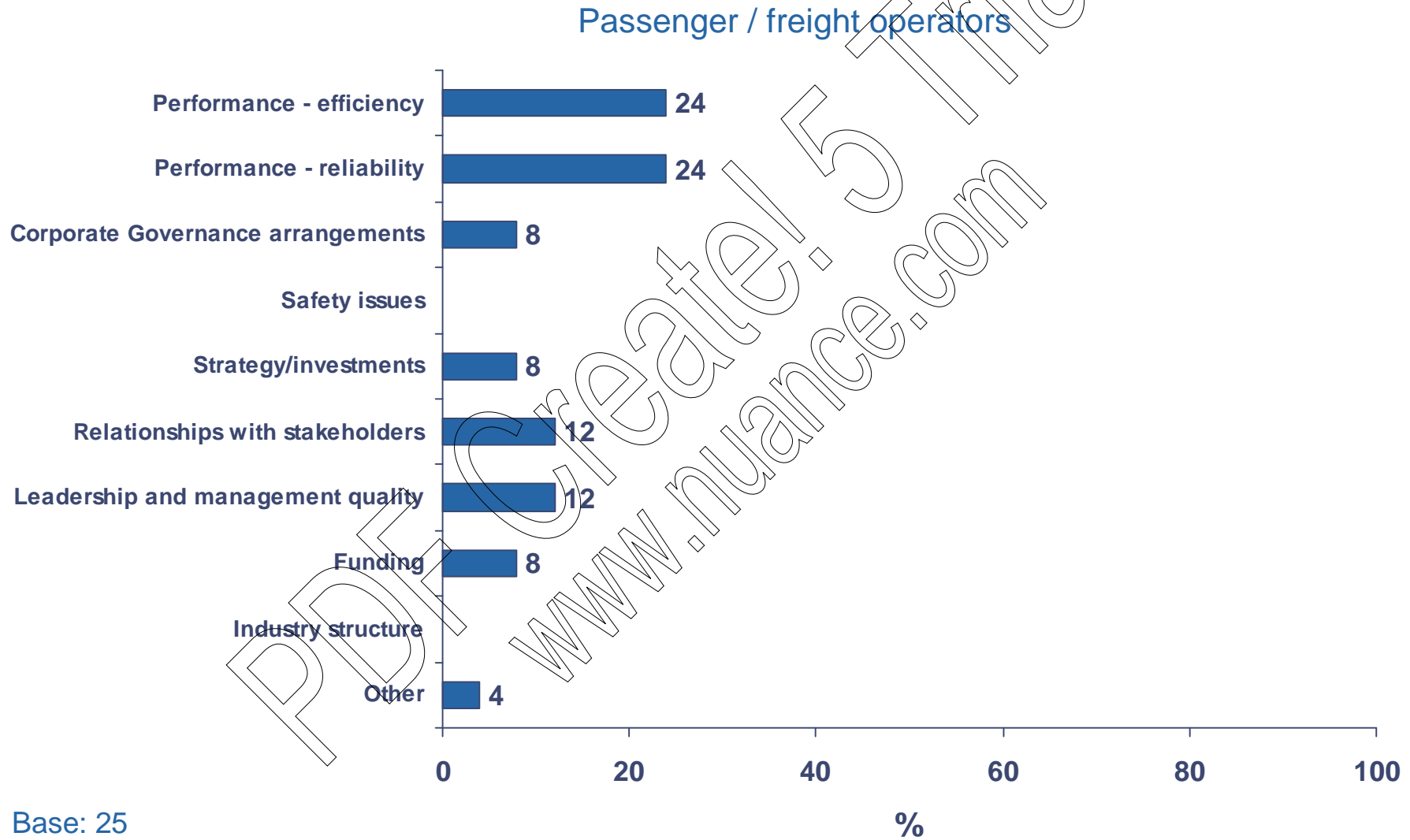
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DK/NA: 0%

Q2a) What do you consider to be the main issues facing Network Rail at the present time? Select all that apply



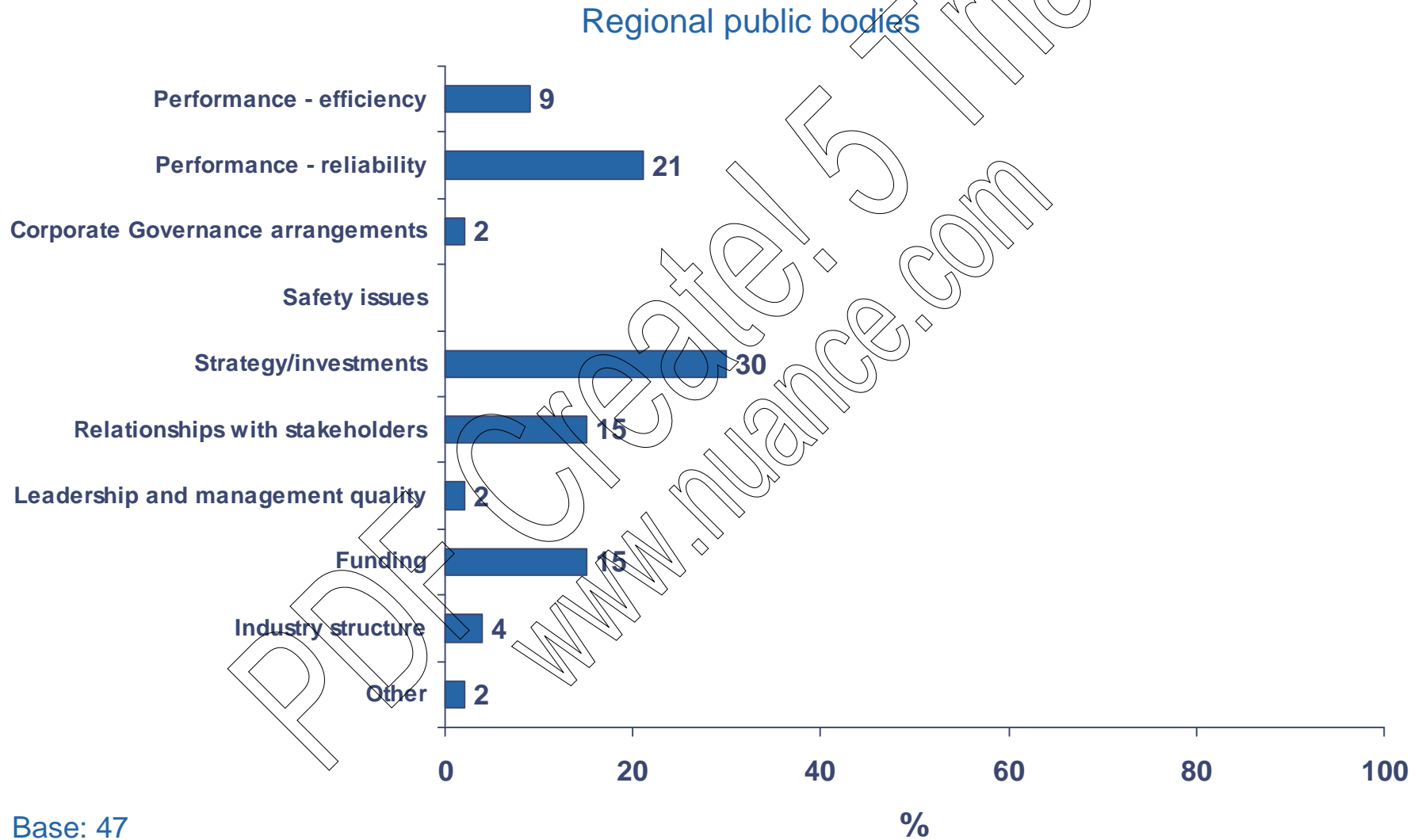
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Q2b) What do you consider to be the **single most important issue** facing Network Rail at the present time? Select one only



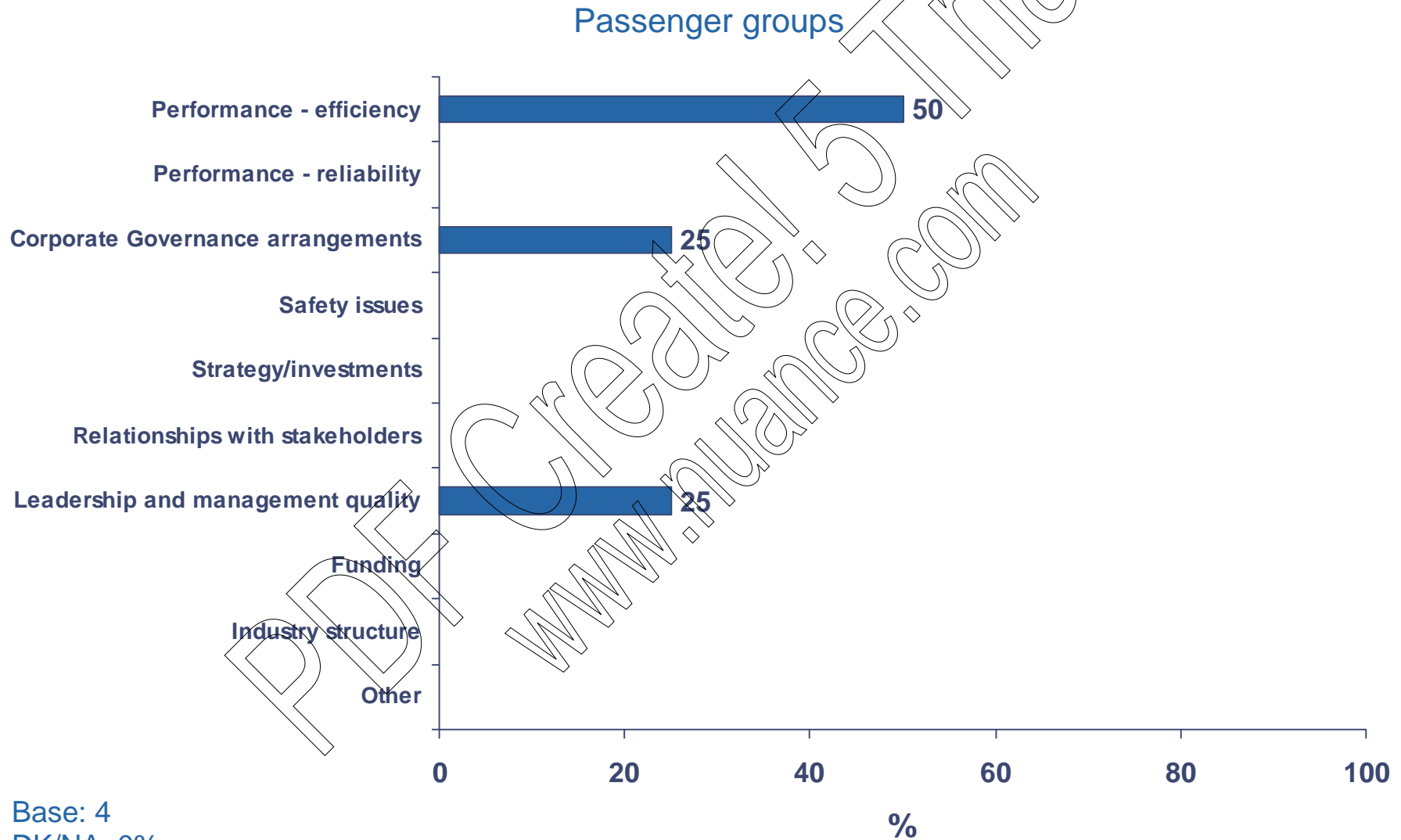
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DK/NA: 0%

Q2b) What do you consider to be the **single most important issue** facing Network Rail at the present time? Select one only



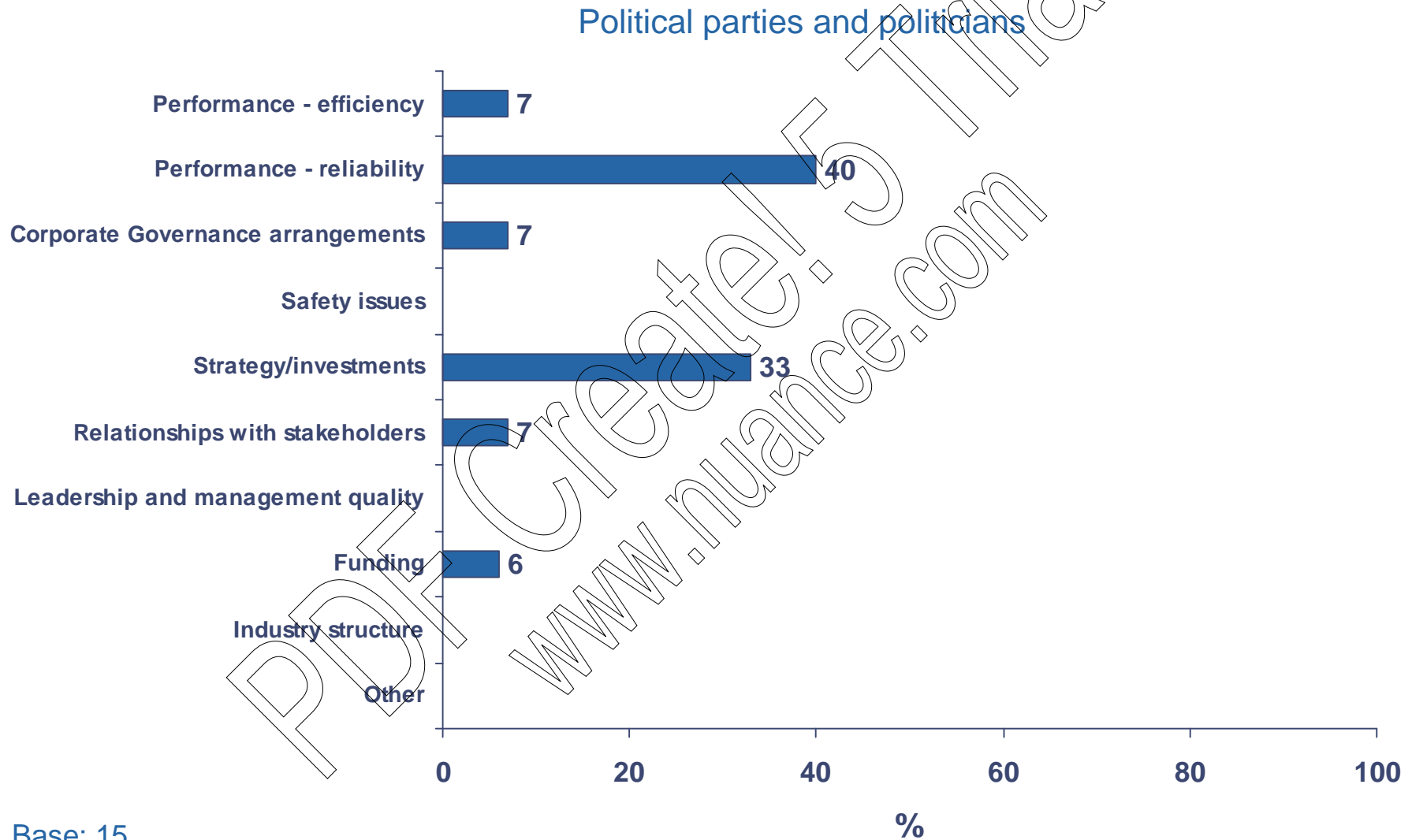
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DK/NA: 0%

Q2b) What do you consider to be the **single most important issue** facing Network Rail at the present time? Select one only



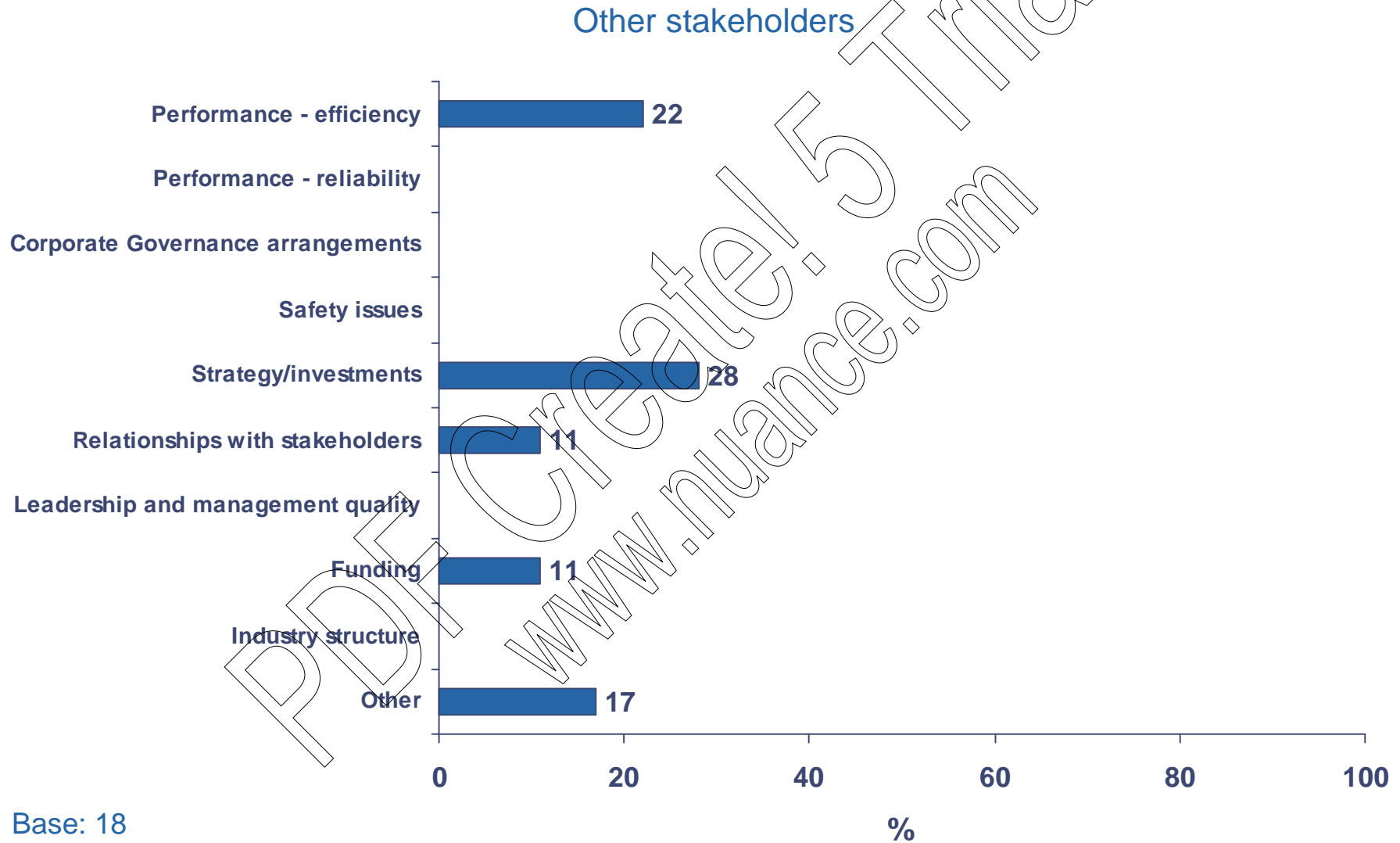
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DK/NA: 0%

Q2b) What do you consider to be the **single most important issue** facing Network Rail at the present time? Select one only



Base: 15
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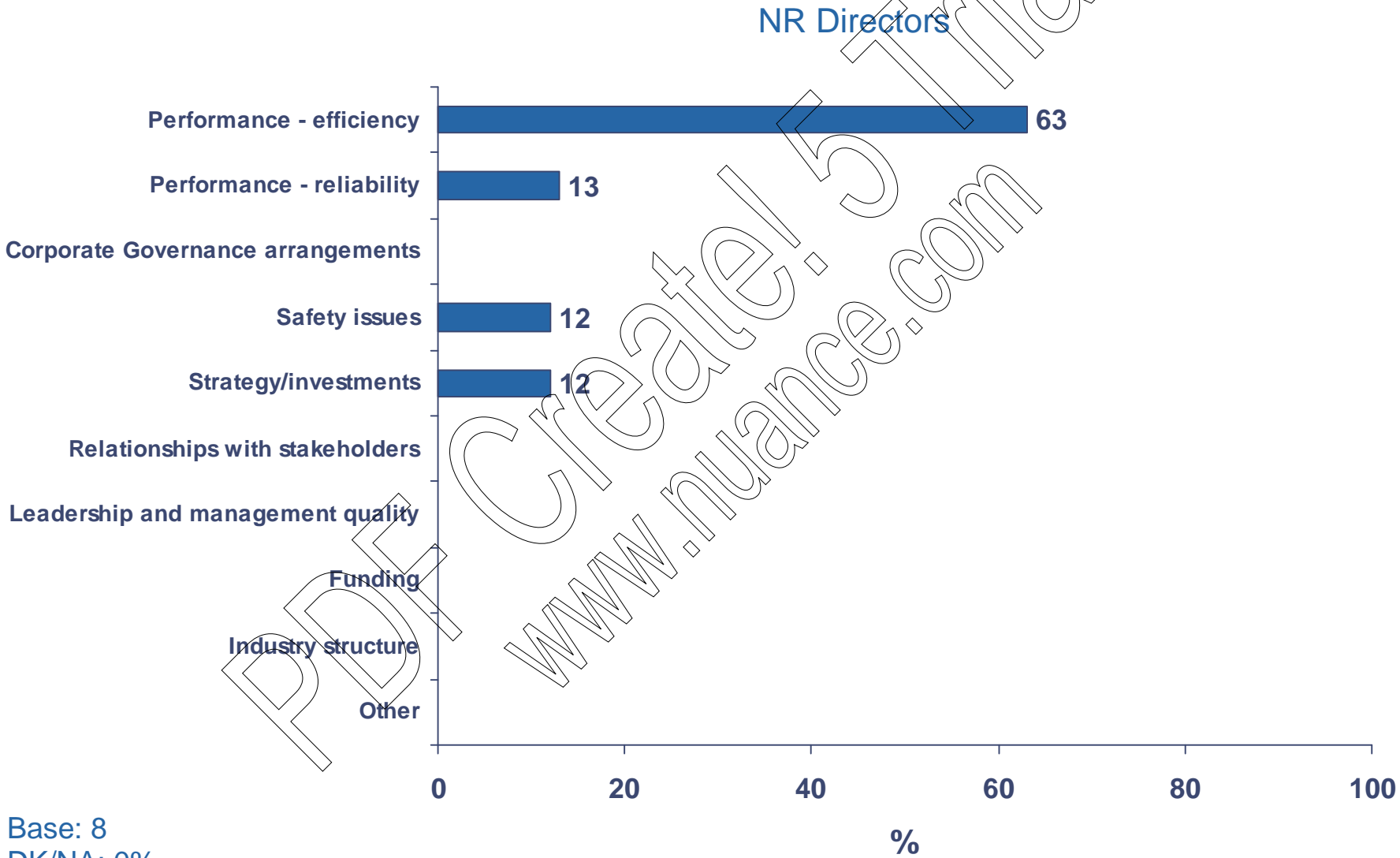
Q2b) What do you consider to be the **single most important issue** facing Network Rail at the present time? Select one only



Base: 18

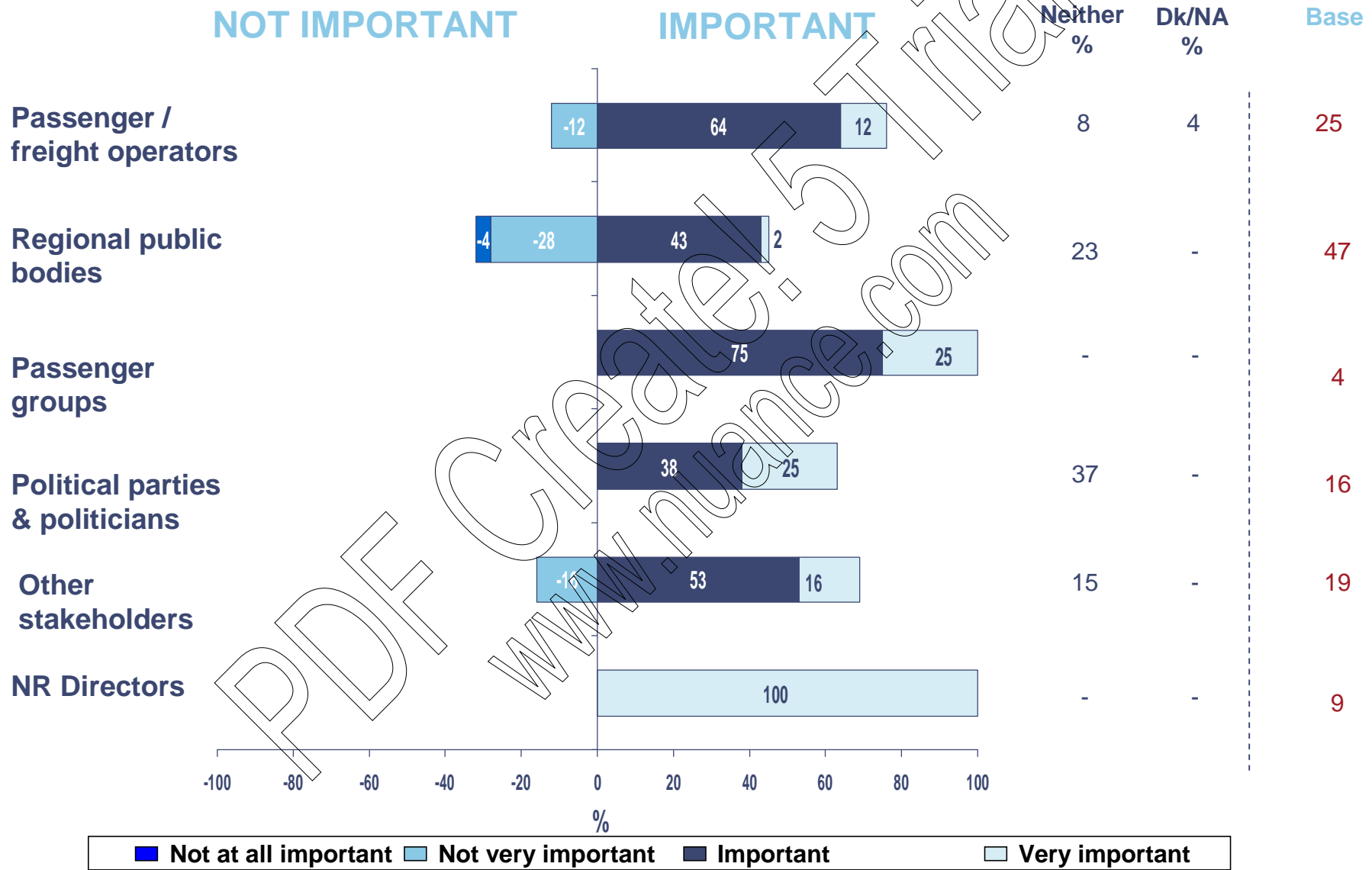
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Q2b) What do you consider to be the **single most important issue** facing Network Rail at the present time? Select one only

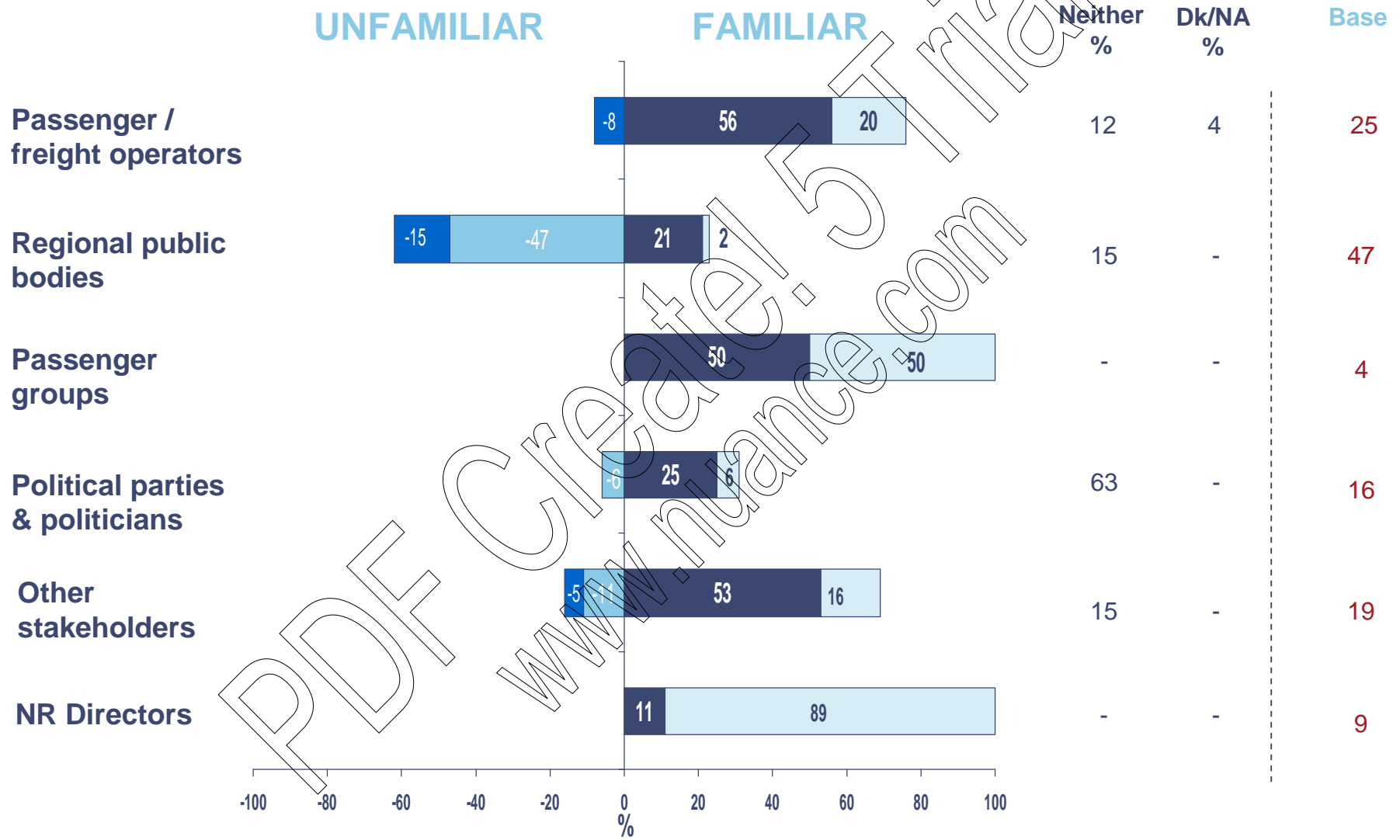


Base: 8
DK/NA: 0%

Q3a) How important is it for you to have a detailed knowledge of the corporate governance arrangements of Network Rail

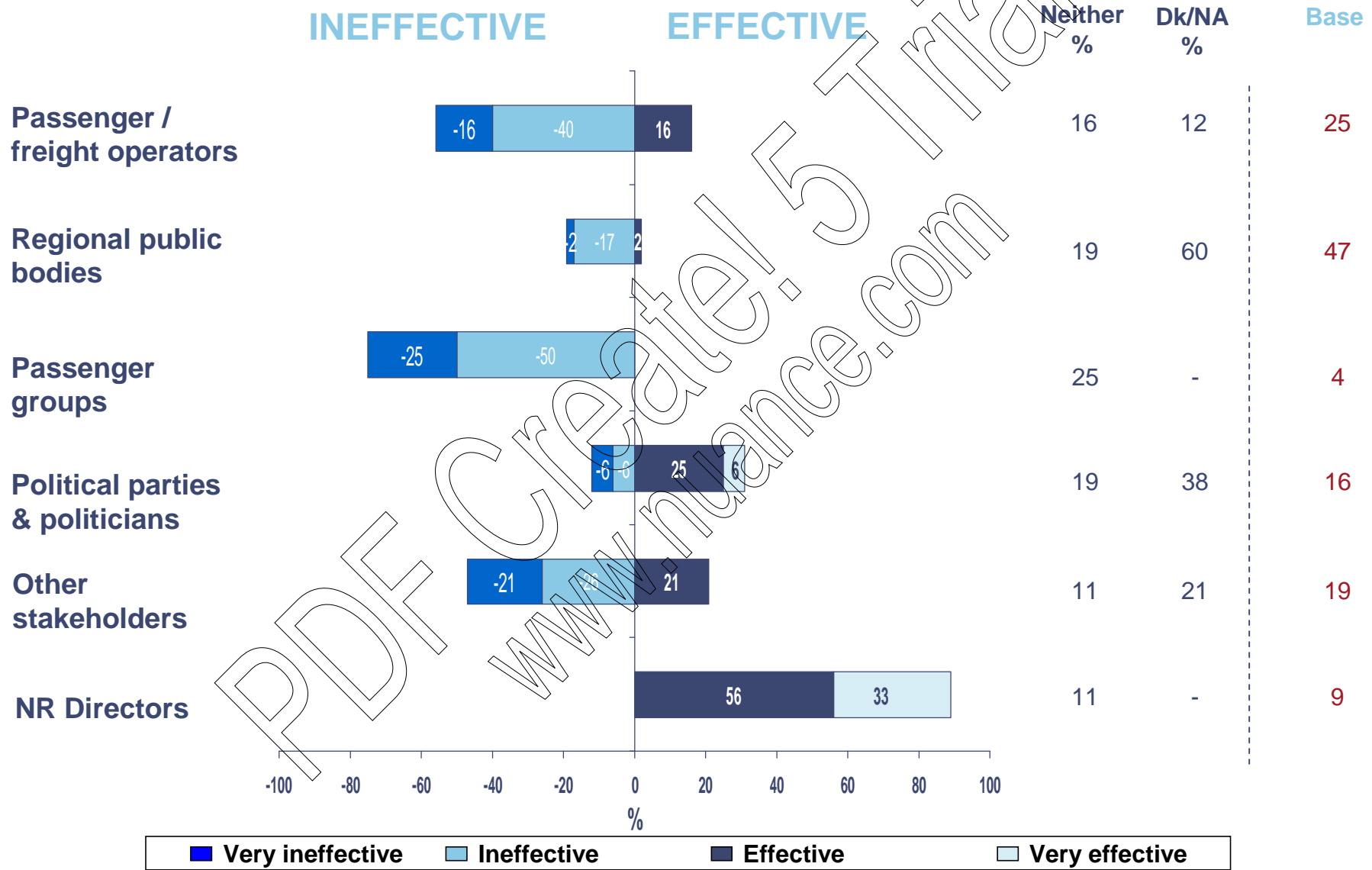


Q3b) How familiar are you with the corporate governance arrangements of Network Rail?



■ Not all all familiar
 ■ Not very familiar
 ■ Reasonably familiar
 ■ Very familiar

Q3c) How effective or ineffective are the corporate governance arrangements of Network Rail?



Q3d) Why do you say that? (Open-end question with multiple responses)



Base: 22

DK/NA: 0%

PricewaterhouseCoopers LLP

Q3d) Why do you say that? (Open-end question with multiple responses)

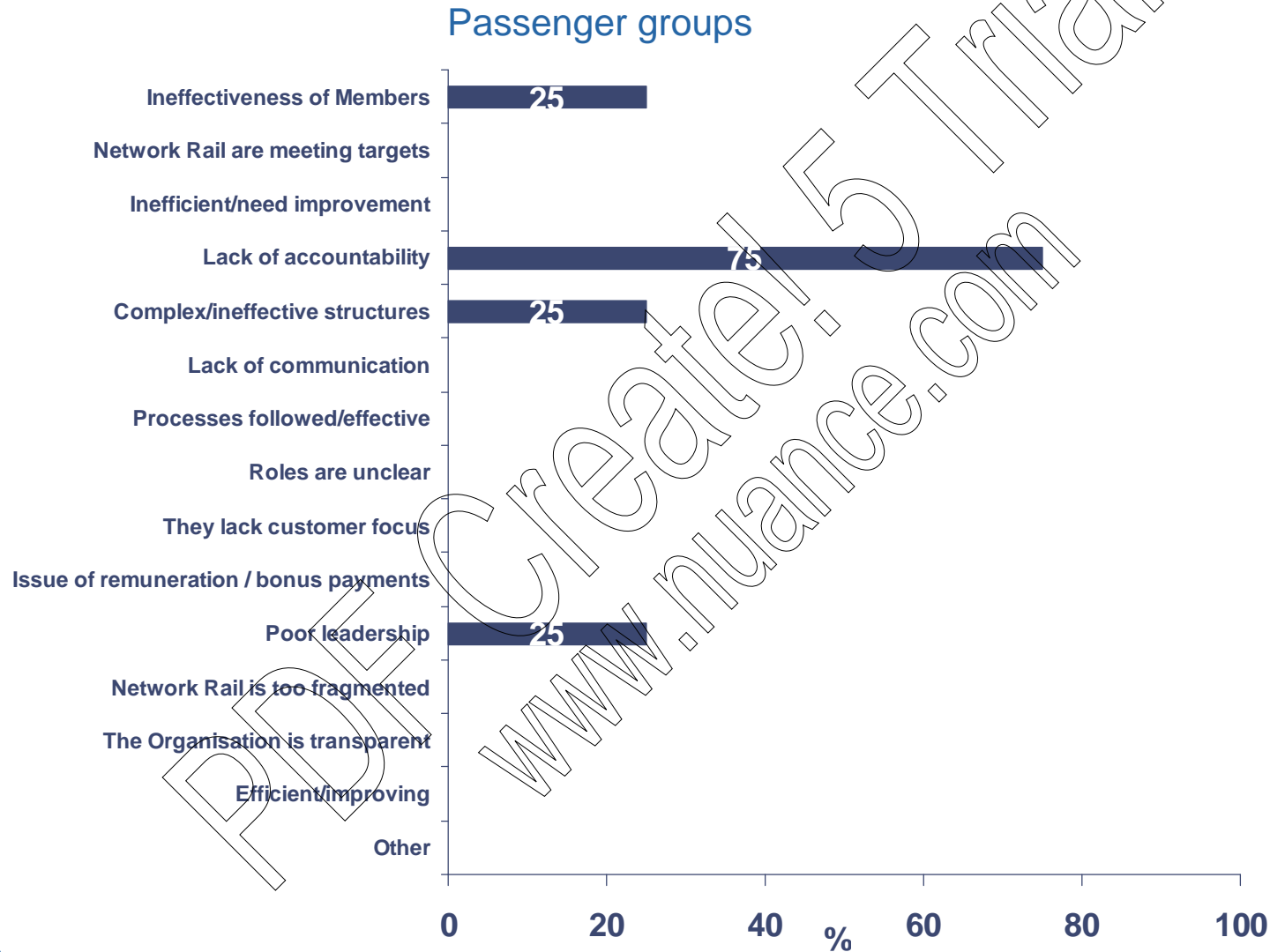


Base: 19

DK/NA: 11%

PricewaterhouseCoopers LLP

Q3d) Why do you say that? (Open-end question with multiple responses)

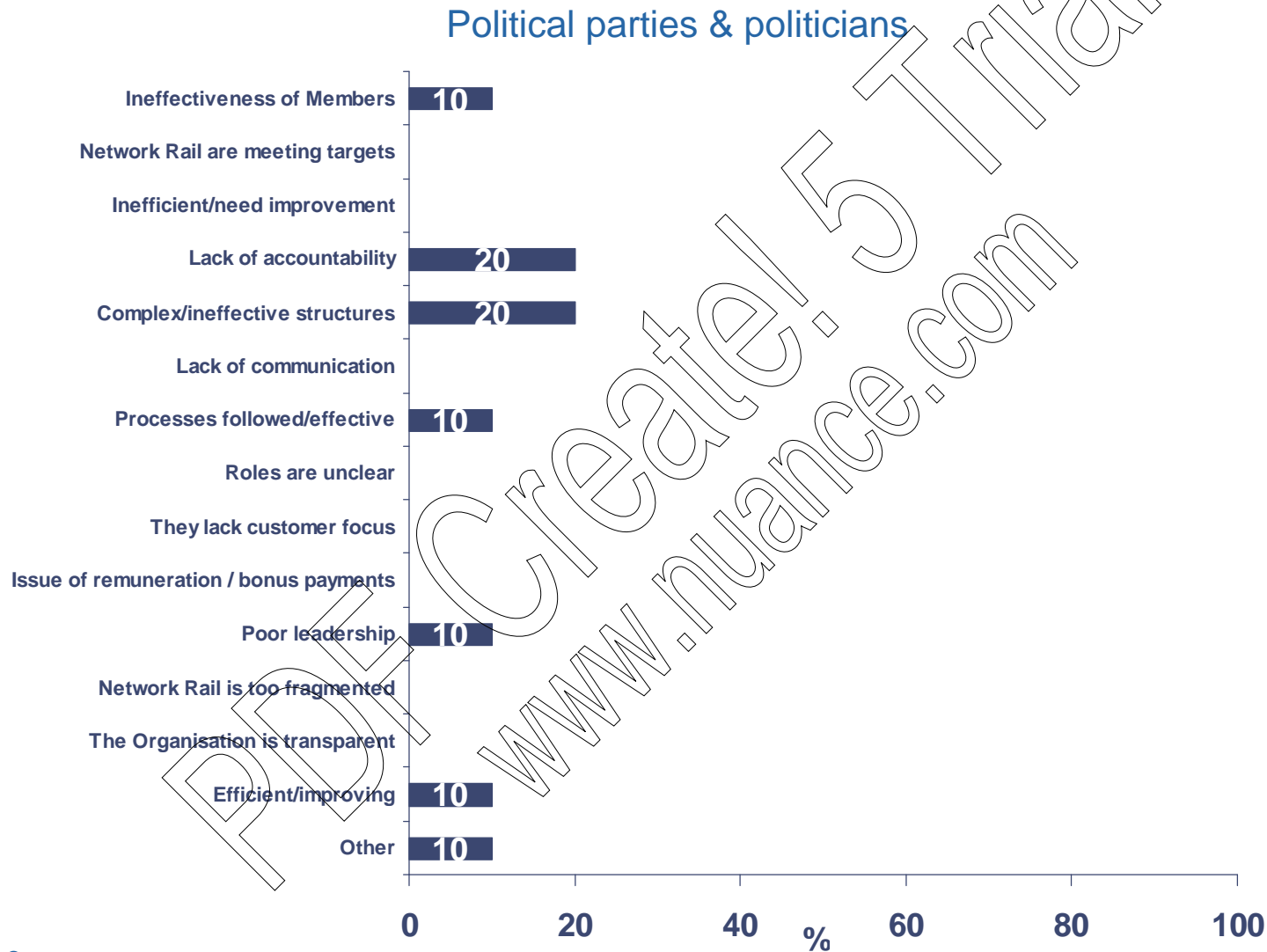


Base: 4

DK/NA: 0%

PricewaterhouseCoopers LLP

Q3d) Why do you say that? (Open-end question with multiple responses)

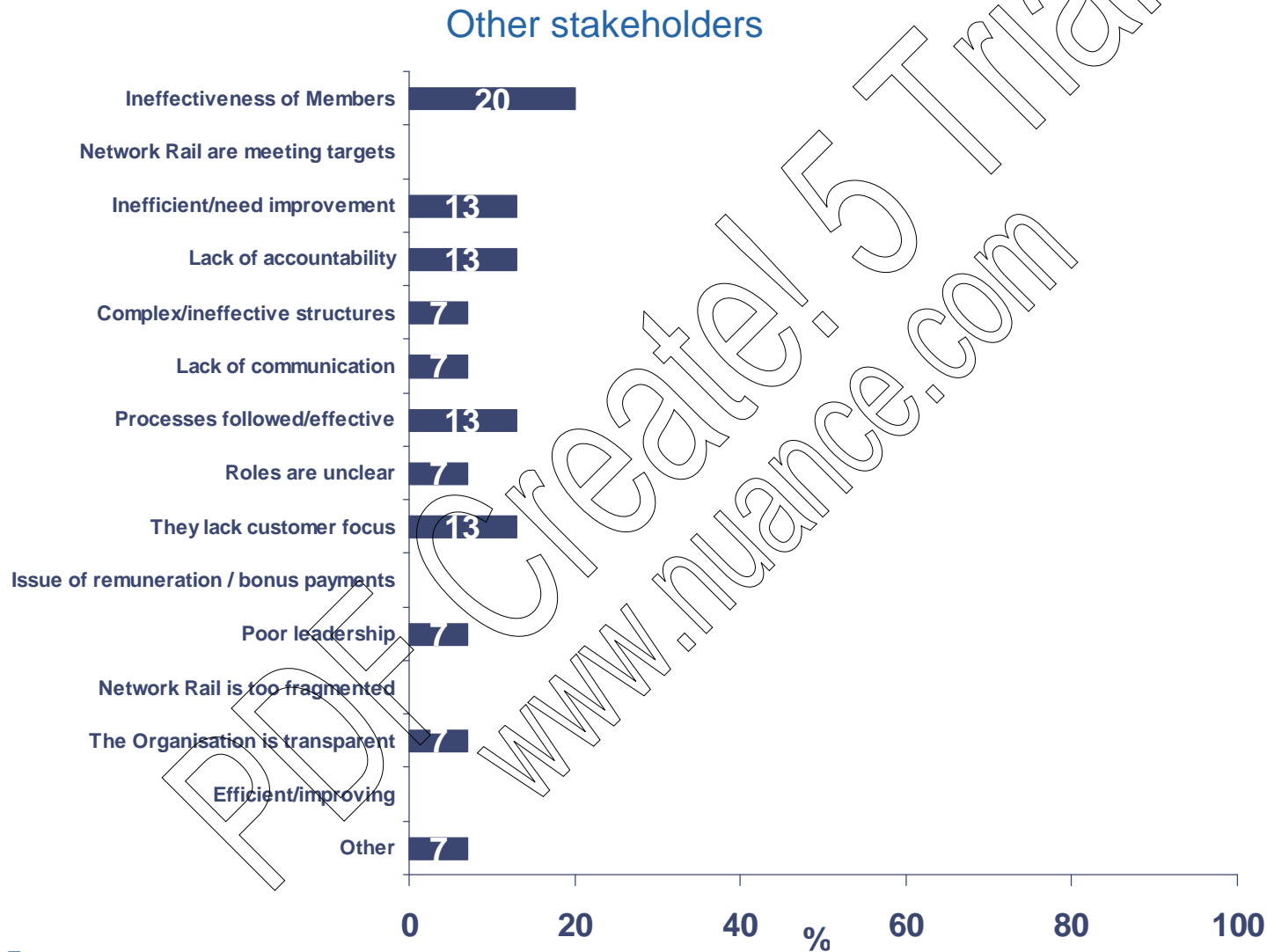


Base: 10

DK/NA: 20%

PricewaterhouseCoopers LLP

Q3d) Why do you say that? (Open-end question with multiple responses)



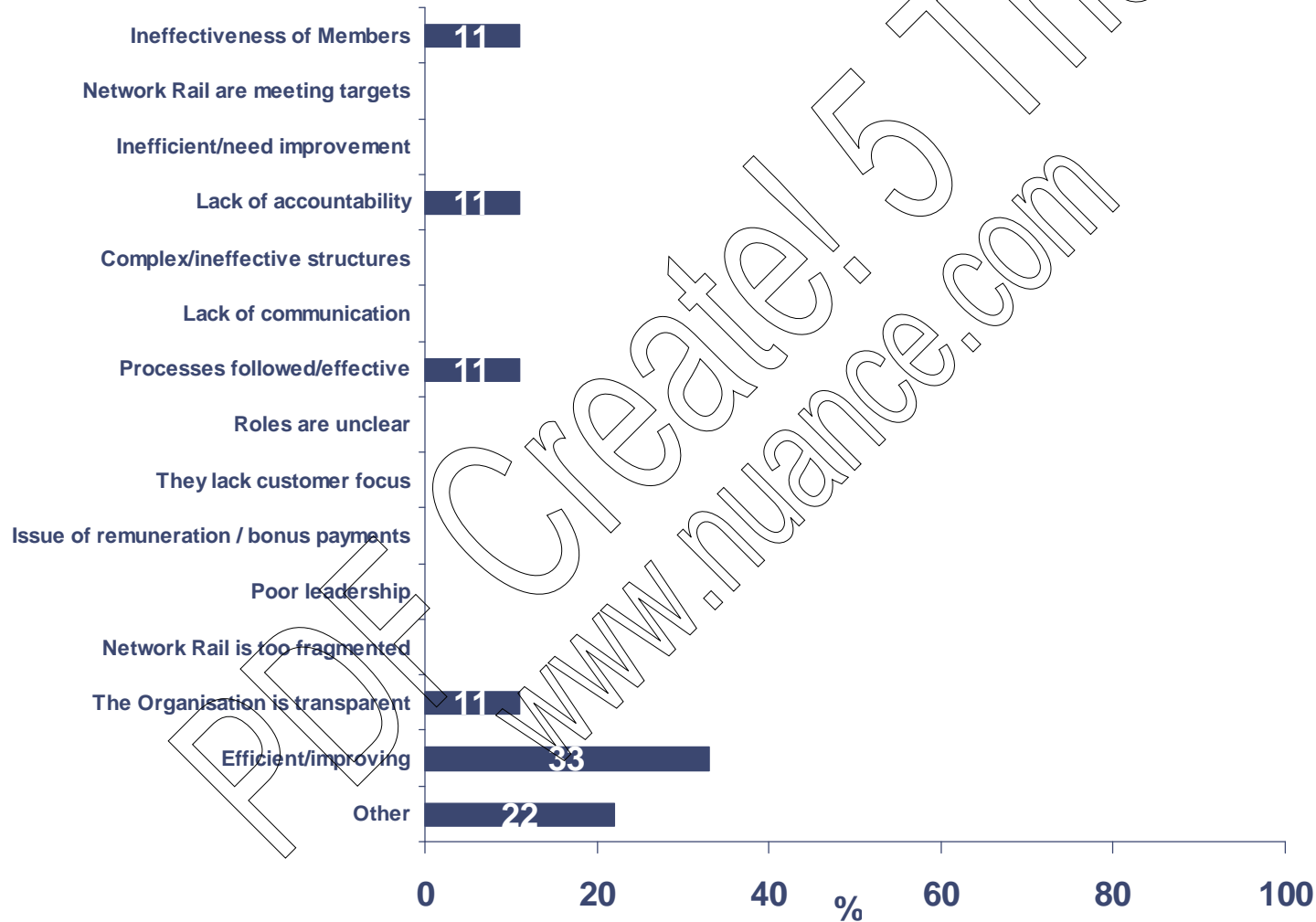
Base: 15

DK/NA: 7%

PricewaterhouseCoopers LLP

Q3d) Why do you say that? (Open-end question with multiple responses)

NR Directors



Base: 9

DK/NA: 11%

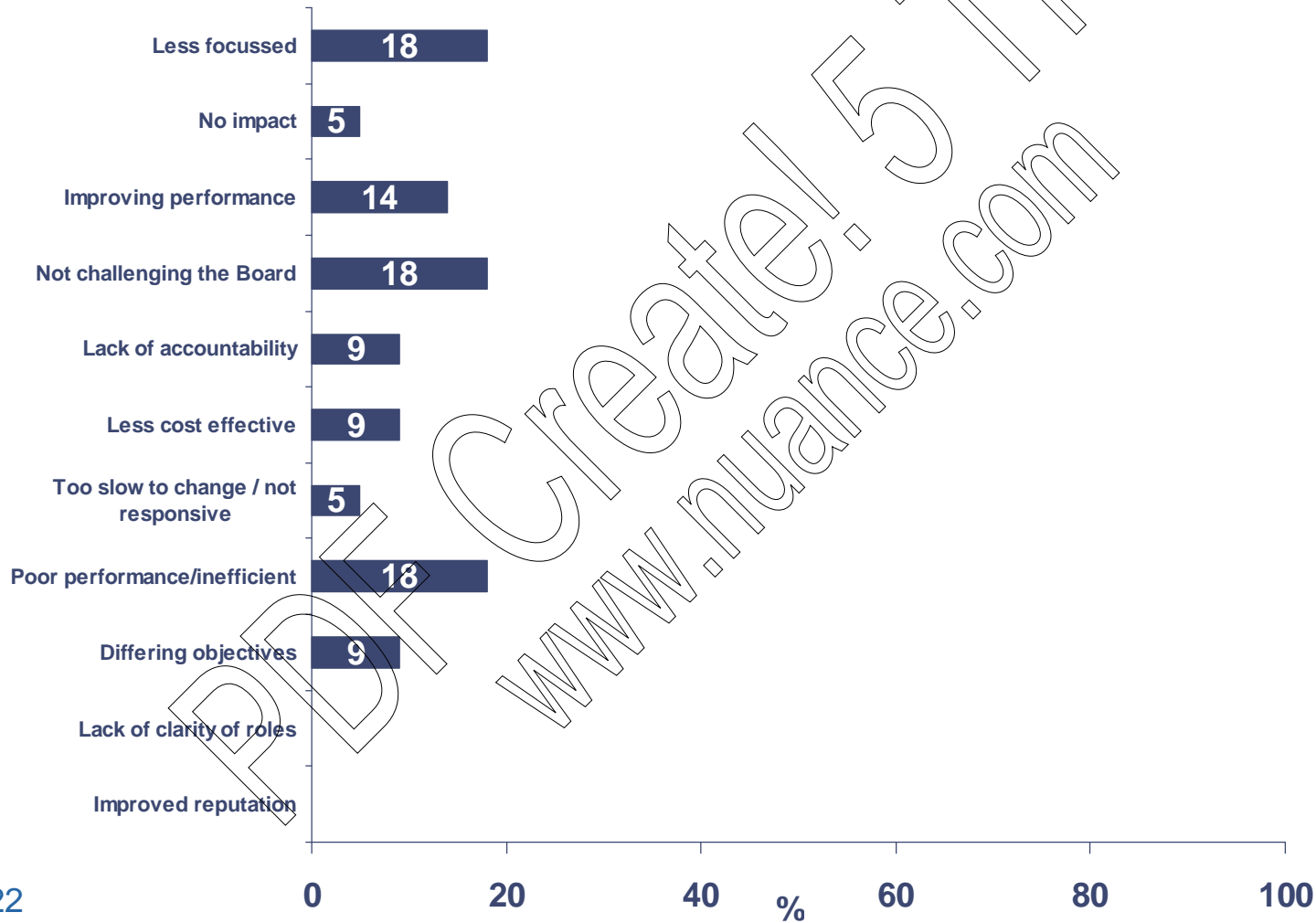
PricewaterhouseCoopers LLP

February 2009

Slide 24

Q3e) What impact is this having on the performance of Network Rail? (Open-end question with multiple responses)

Passenger / freight operators



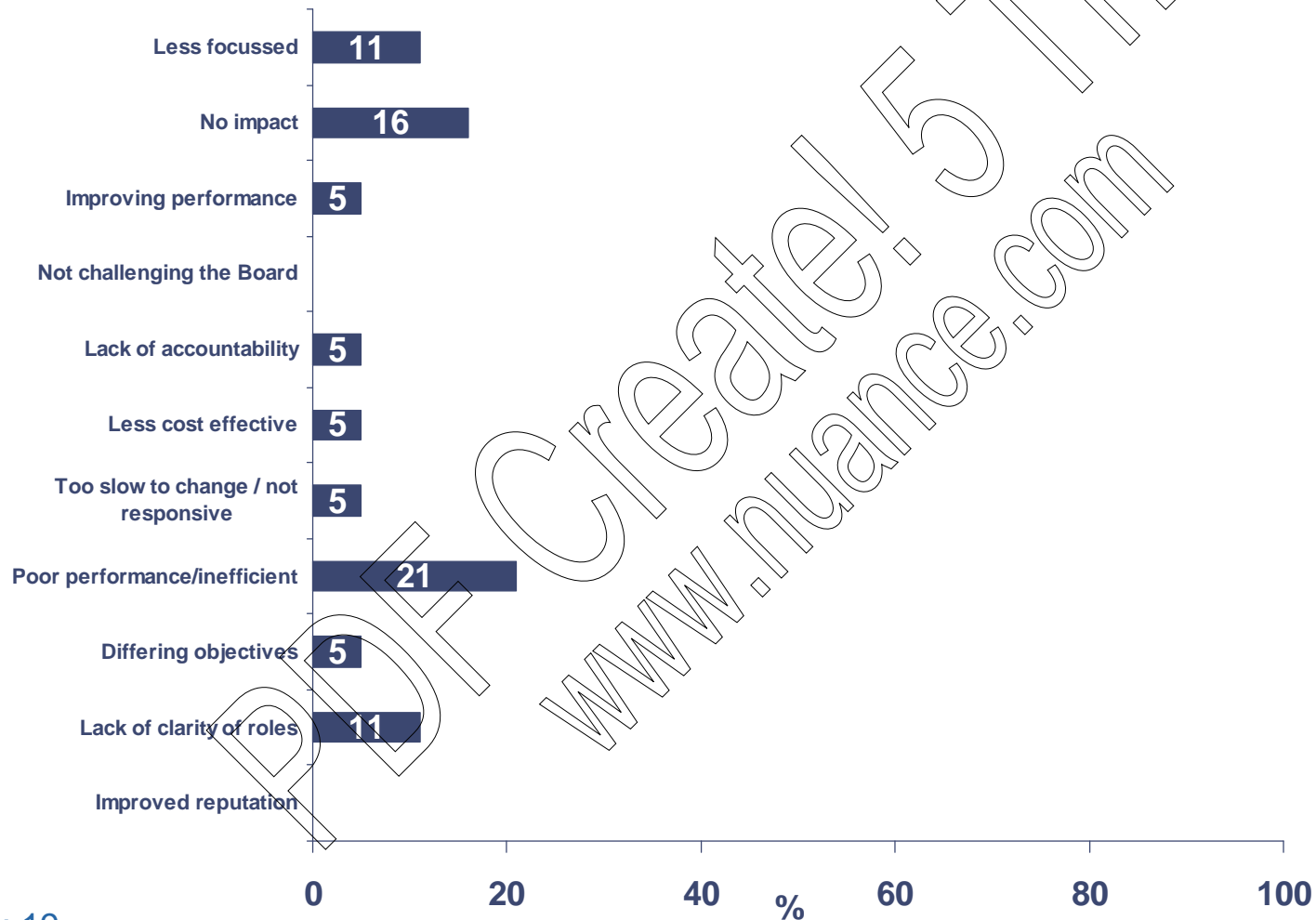
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DK/NA: 9%

PricewaterhouseCoopers LLP

Q3e) What impact is this having on the performance of Network Rail? (Open-end question with multiple responses)

Regional public bodies



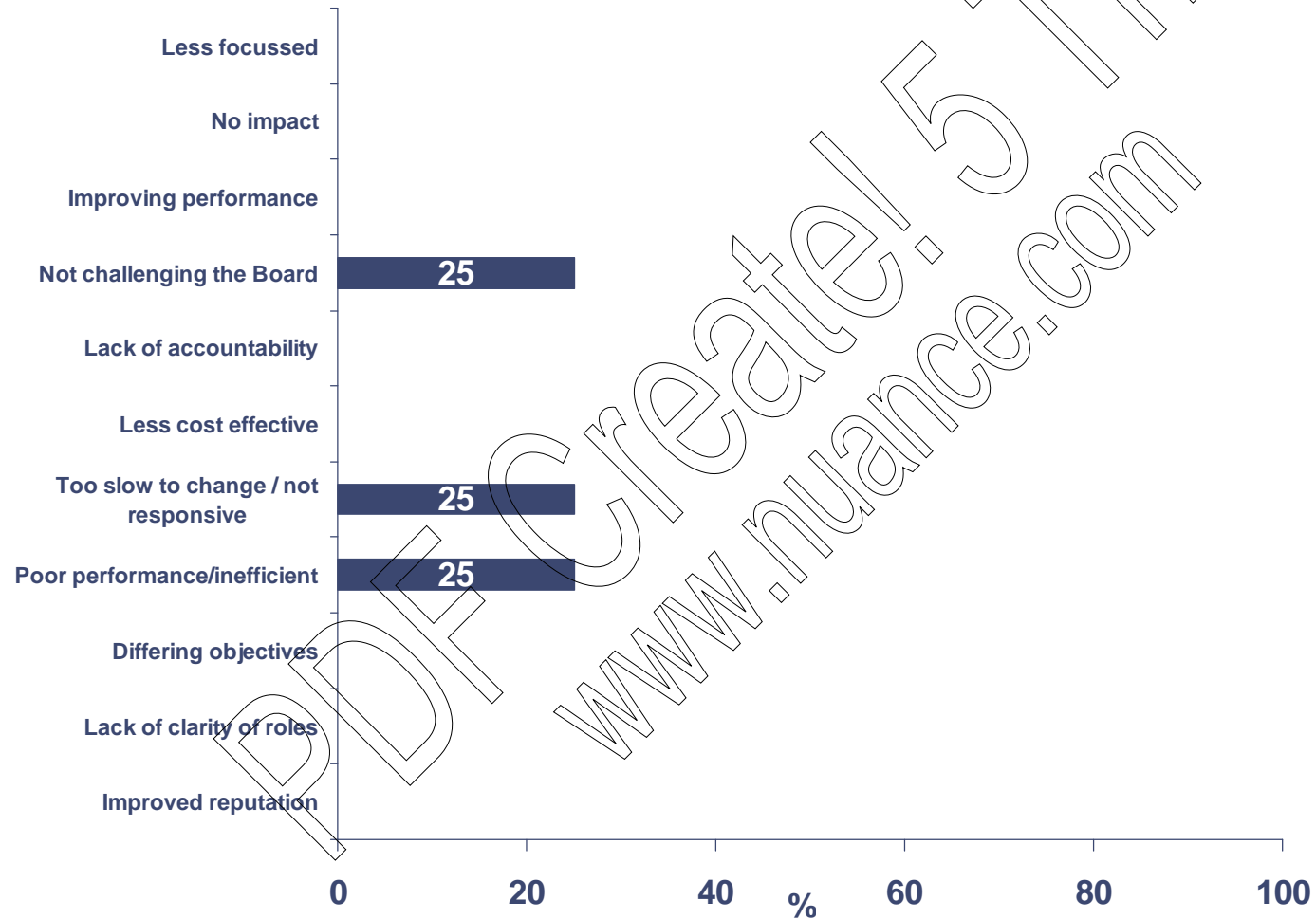
Base: 19

DK/NA: 16%

PricewaterhouseCoopers LLP

Q3e) What impact is this having on the performance of Network Rail? (Open-end question with multiple responses)

Passenger groups

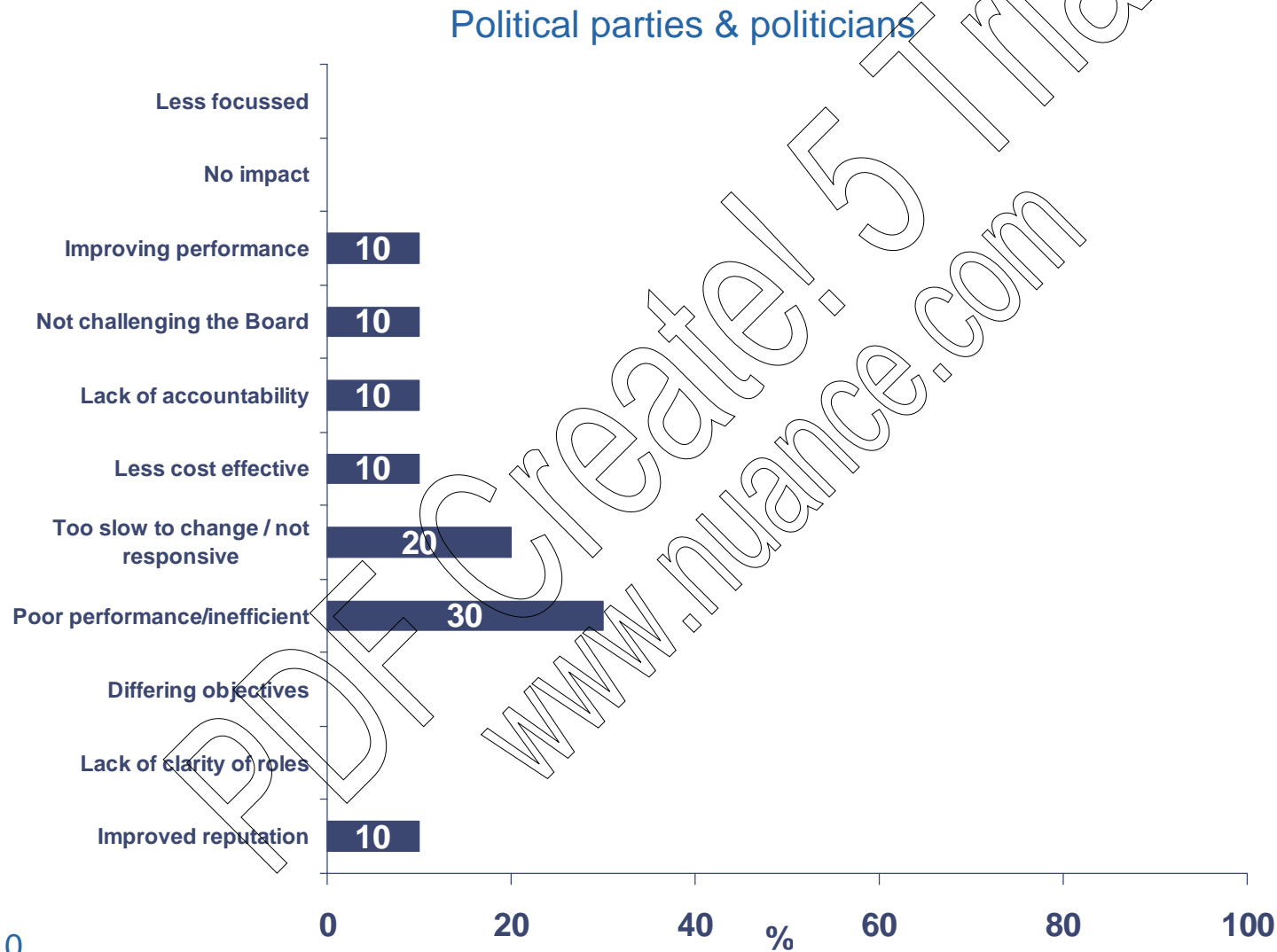


Base: 4

DK/NA: 50%

PricewaterhouseCoopers LLP

Q3e) What impact is this having on the performance of Network Rail? (Open-end question with multiple responses)

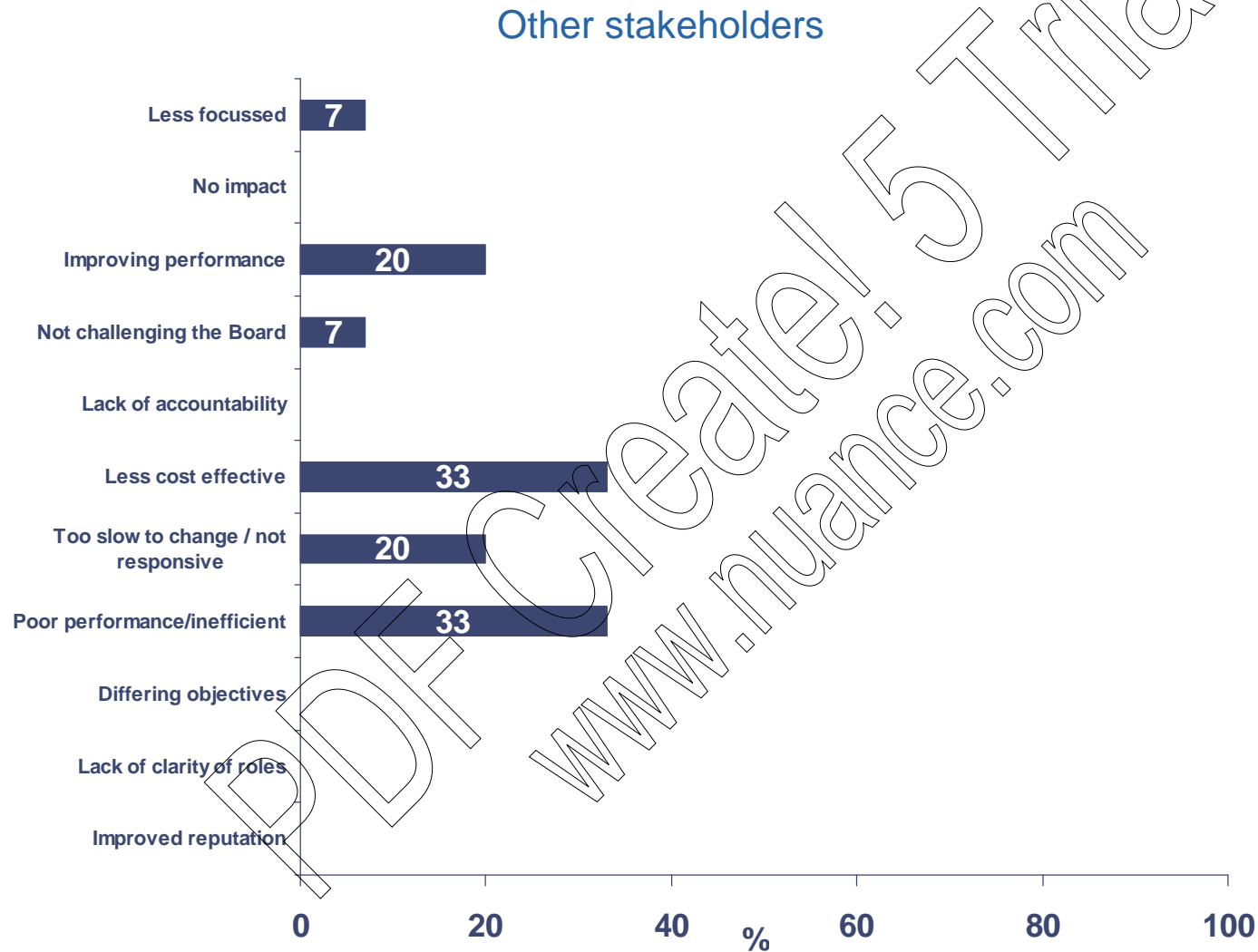


Base: 10

DK/NA: 20%

PricewaterhouseCoopers LLP

Q3e) What impact is this having on the performance of Network Rail? (Open-end question with multiple responses)



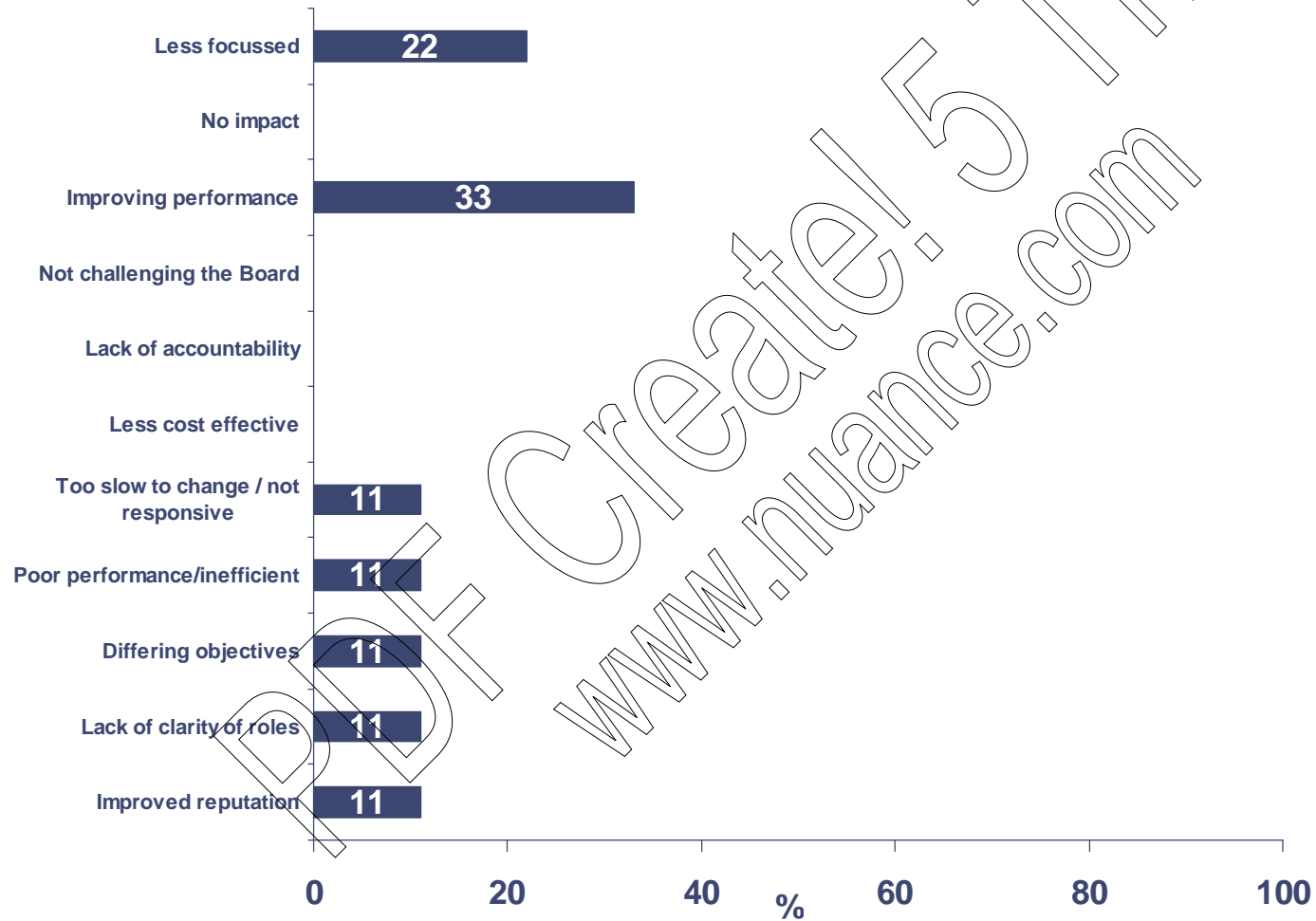
Base: 15

DK/NA: 13%

PricewaterhouseCoopers LLP

Q3e) What impact is this having on the performance of Network Rail? (Open-end question with multiple responses)

NR Directors



Base: 9

DK/NA: 0%

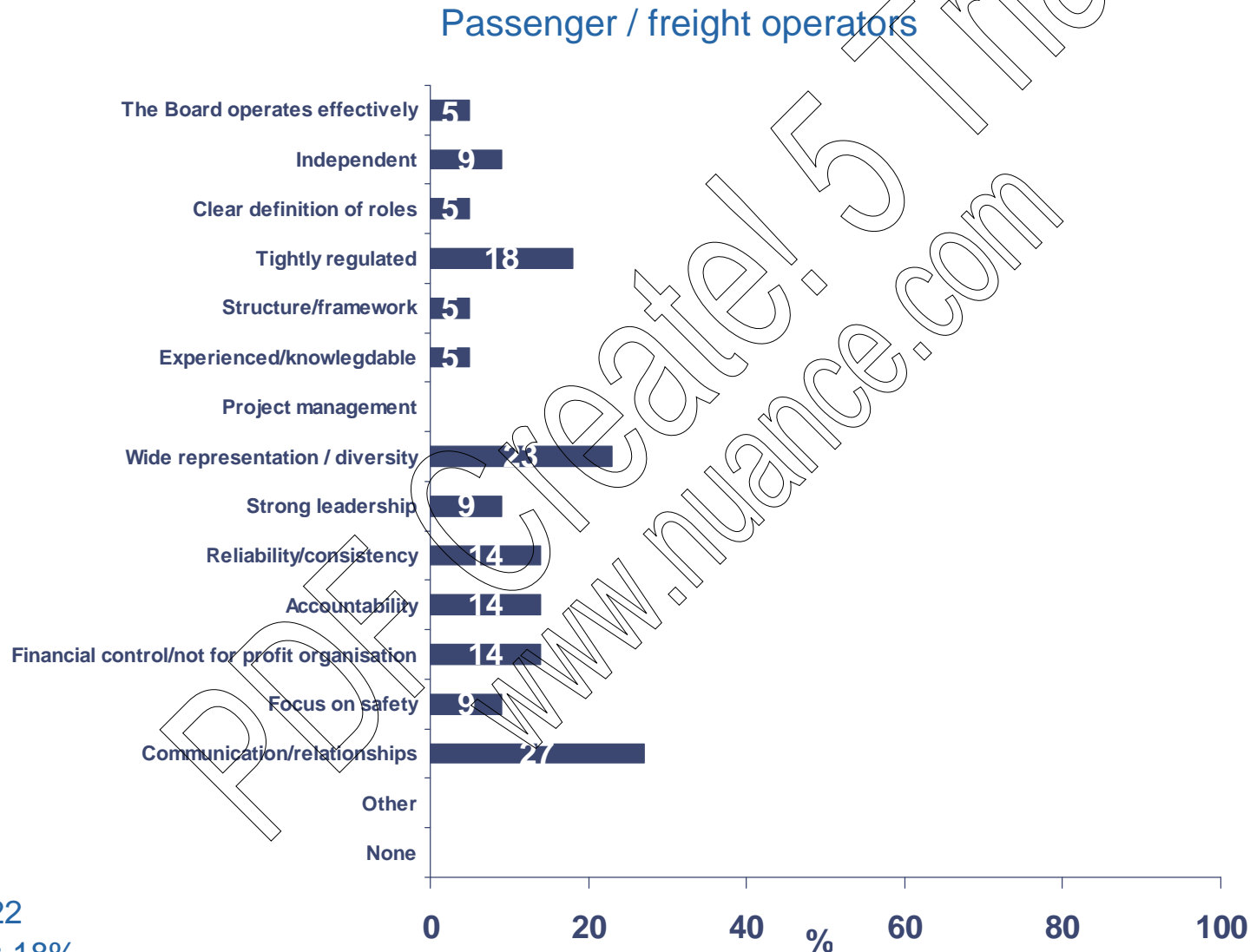
PricewaterhouseCoopers LLP

February 2009

Slide 30

Q4a) What do you consider to be the 3 main strengths of Network Rail's Corporate Governance Arrangements?

(Open-end question with multiple responses)

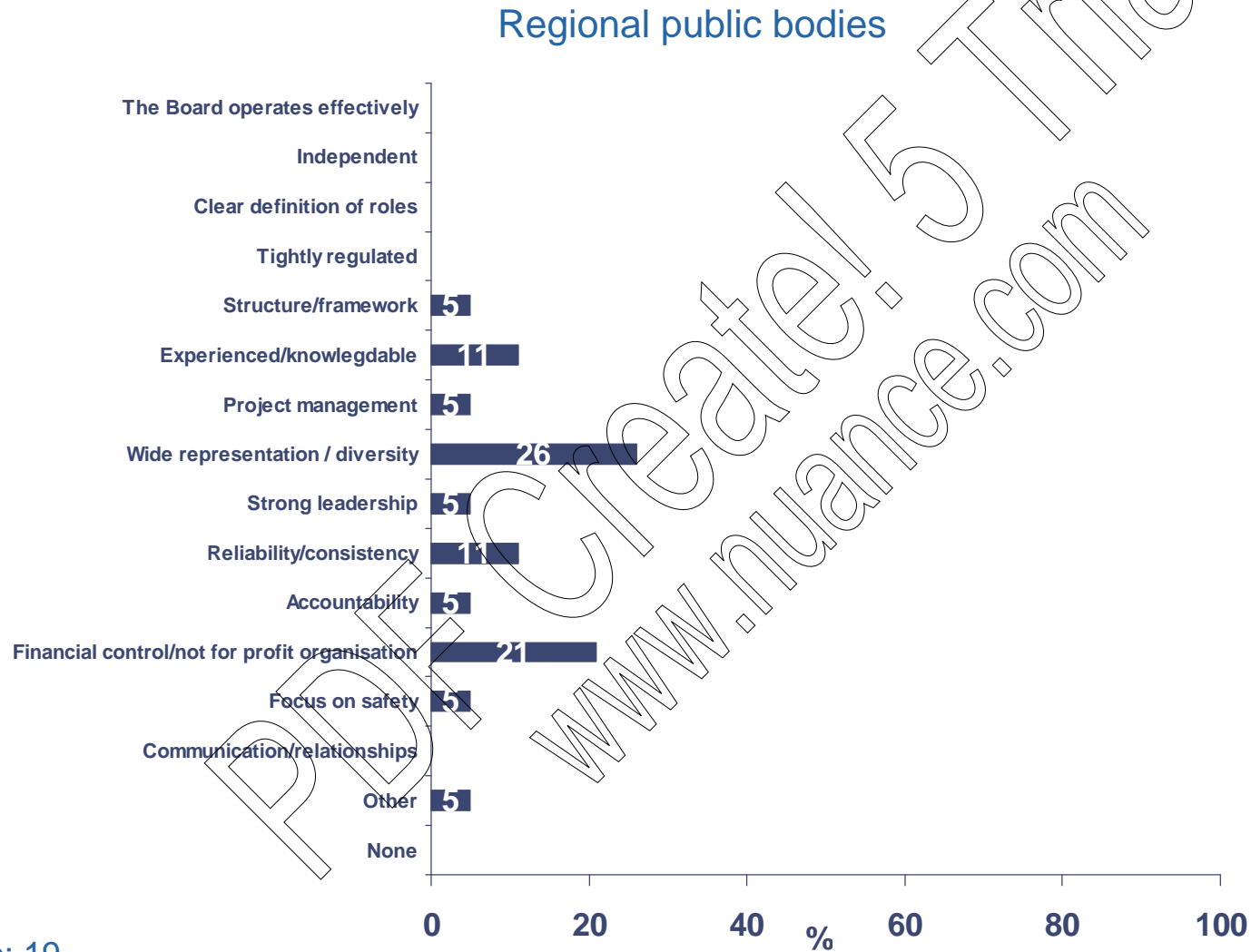


Base: 22

DK/NA: 18%

PricewaterhouseCoopers LLP

Q4a) What do you consider to be the 3 main strengths of Network Rail's Corporate Governance Arrangements?
 (Open-end question with multiple responses)

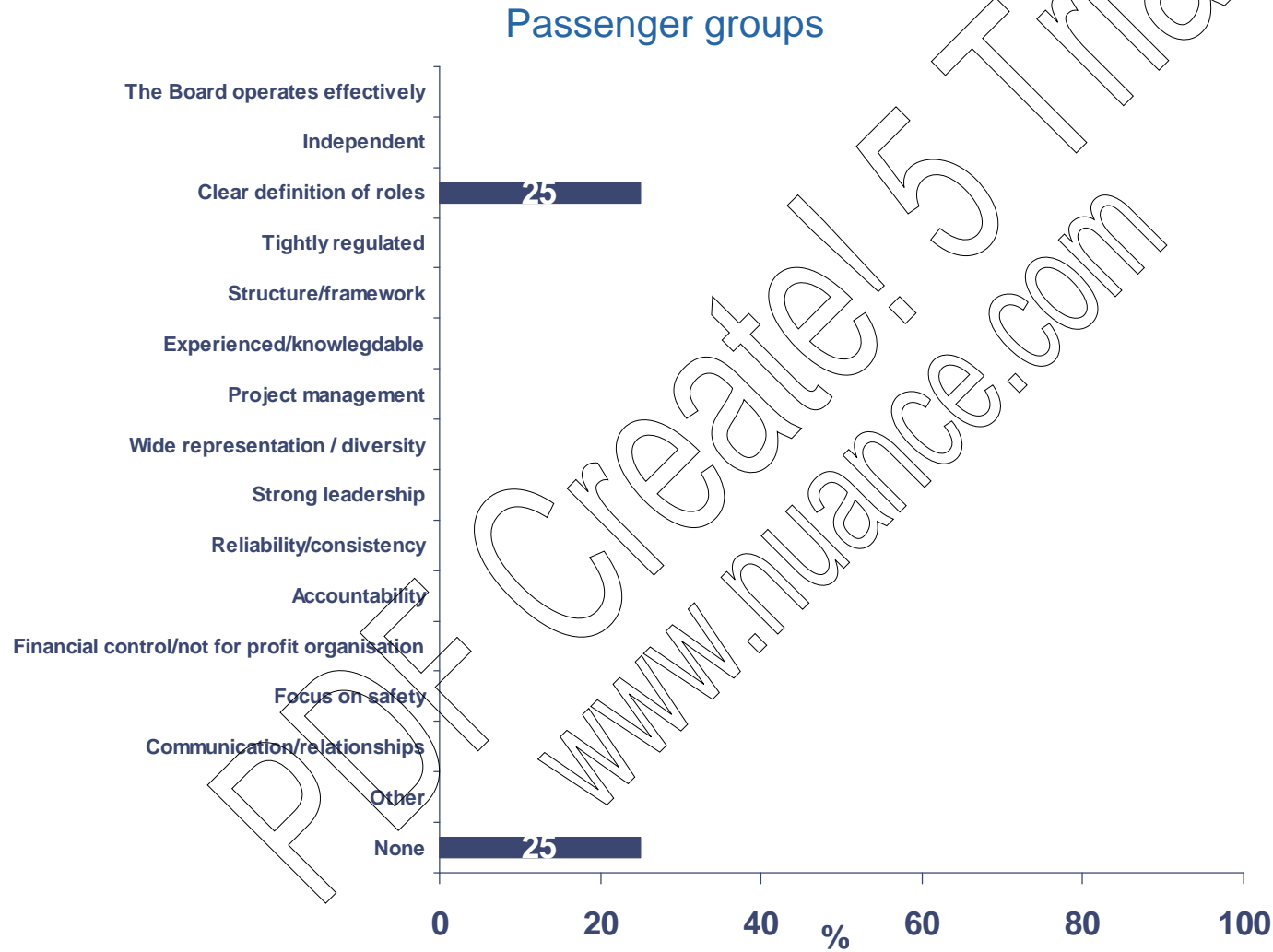


Base: 19

DK/NA: 42%

PricewaterhouseCoopers LLP

Q4a) What do you consider to be the 3 main strengths of Network Rail's Corporate Governance Arrangements? (Open-end question with multiple responses)



Base: 4

DK/NA: 50%

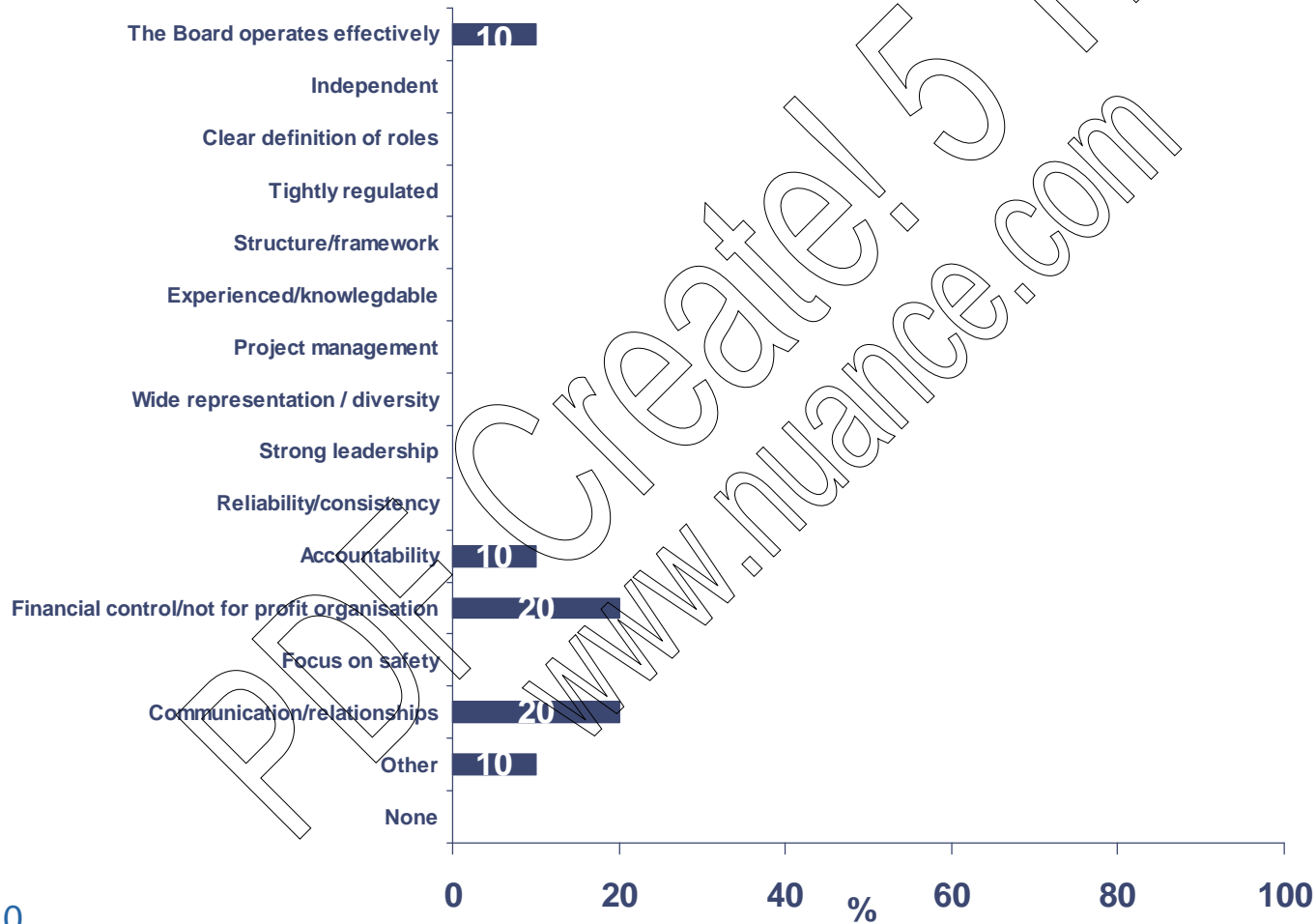
PricewaterhouseCoopers LLP

February 2009

Slide 33

Q4a) What do you consider to be the 3 main strengths of Network Rail's Corporate Governance Arrangements? (Open-end question with multiple responses)

Political parties & politicians



Base: 10

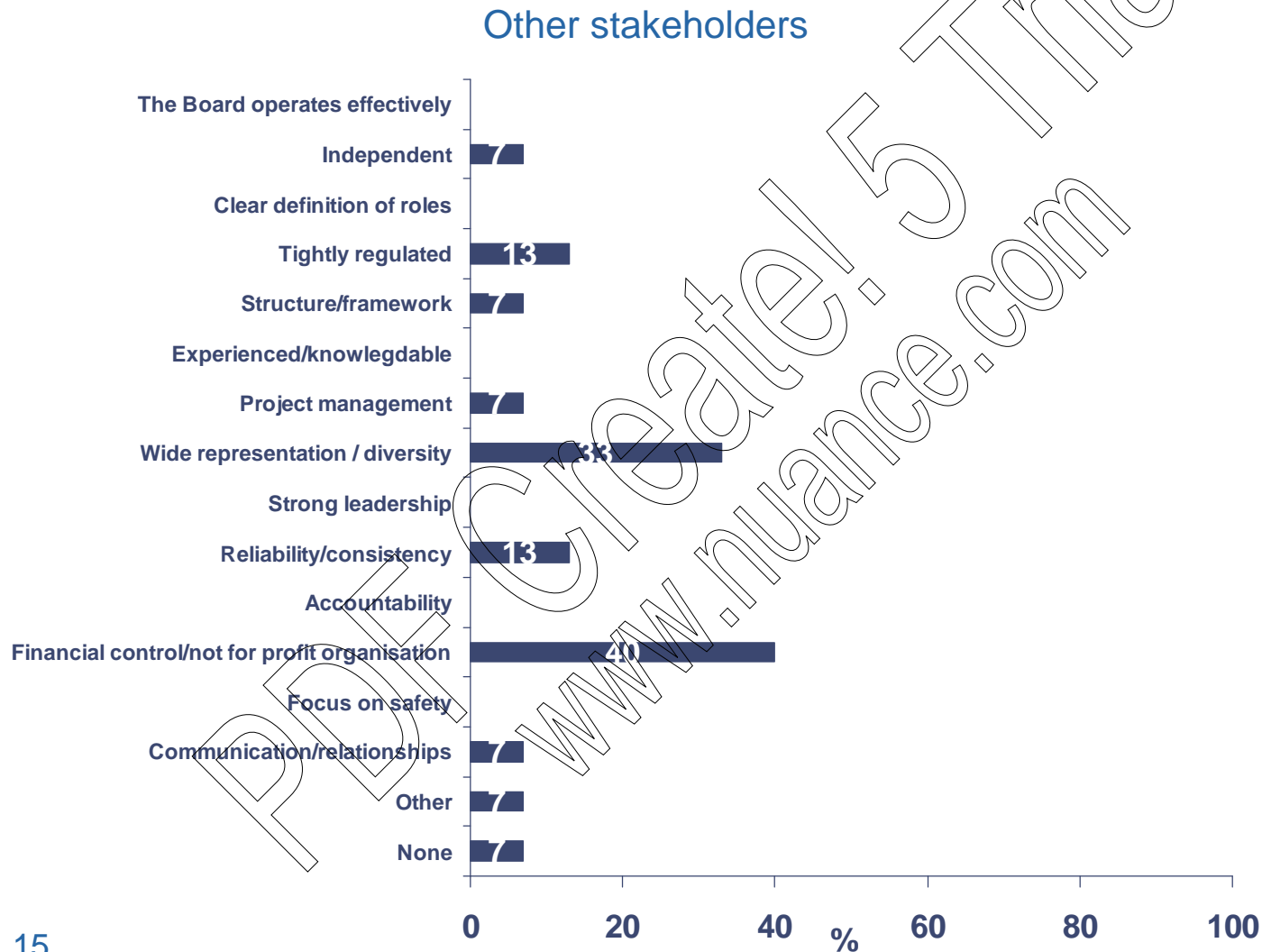
DK/NA: 50%

PricewaterhouseCoopers LLP

February 2009

Slide 34

Q4a) What do you consider to be the 3 main strengths of Network Rail's Corporate Governance Arrangements?
 (Open-end question with multiple responses)



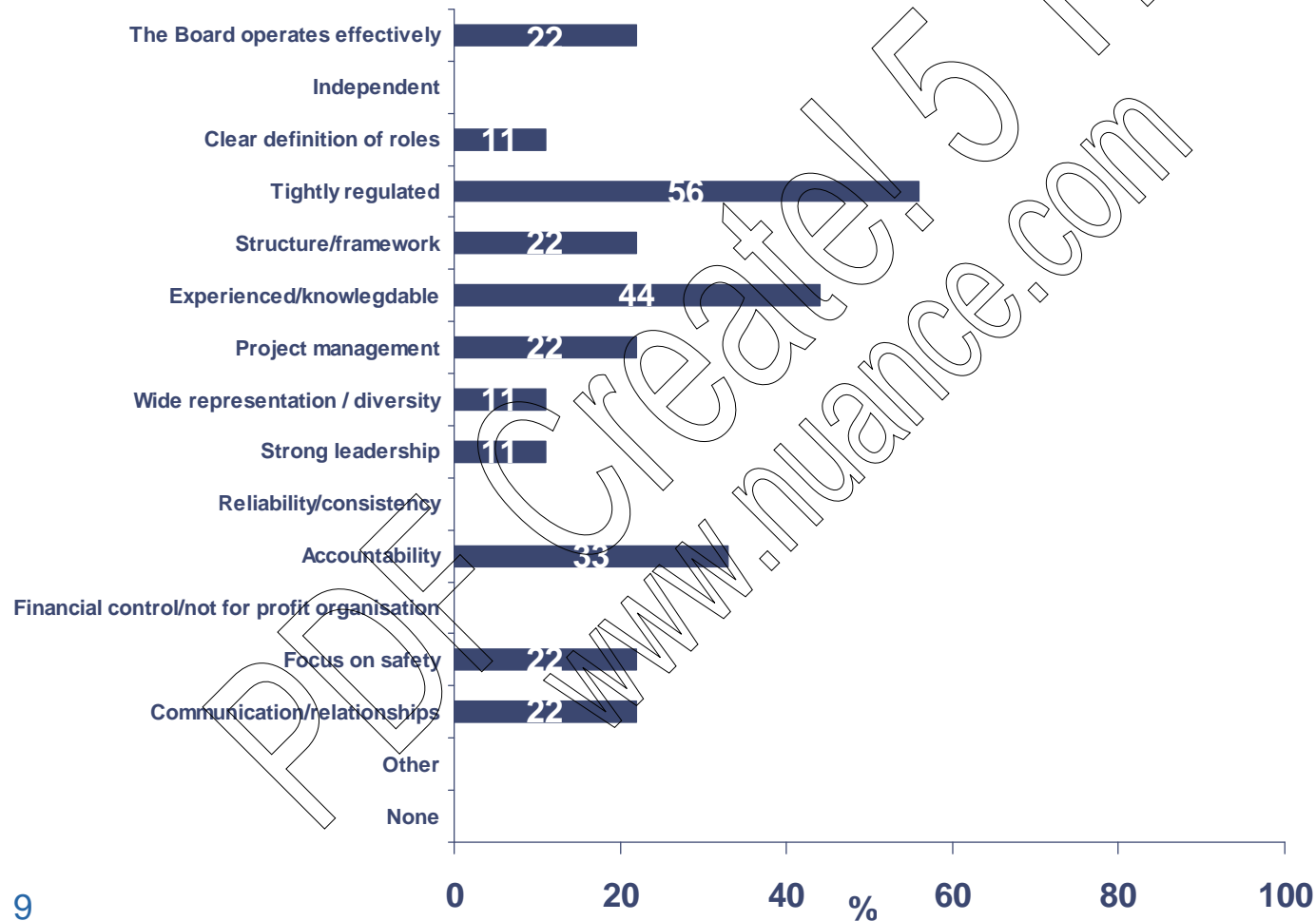
Base: 15

DK/NA: 13%

PricewaterhouseCoopers LLP

Q4a) What do you consider to be the 3 main strengths of Network Rail's Corporate Governance Arrangements?
 (Open-end question with multiple responses)

NR Directors



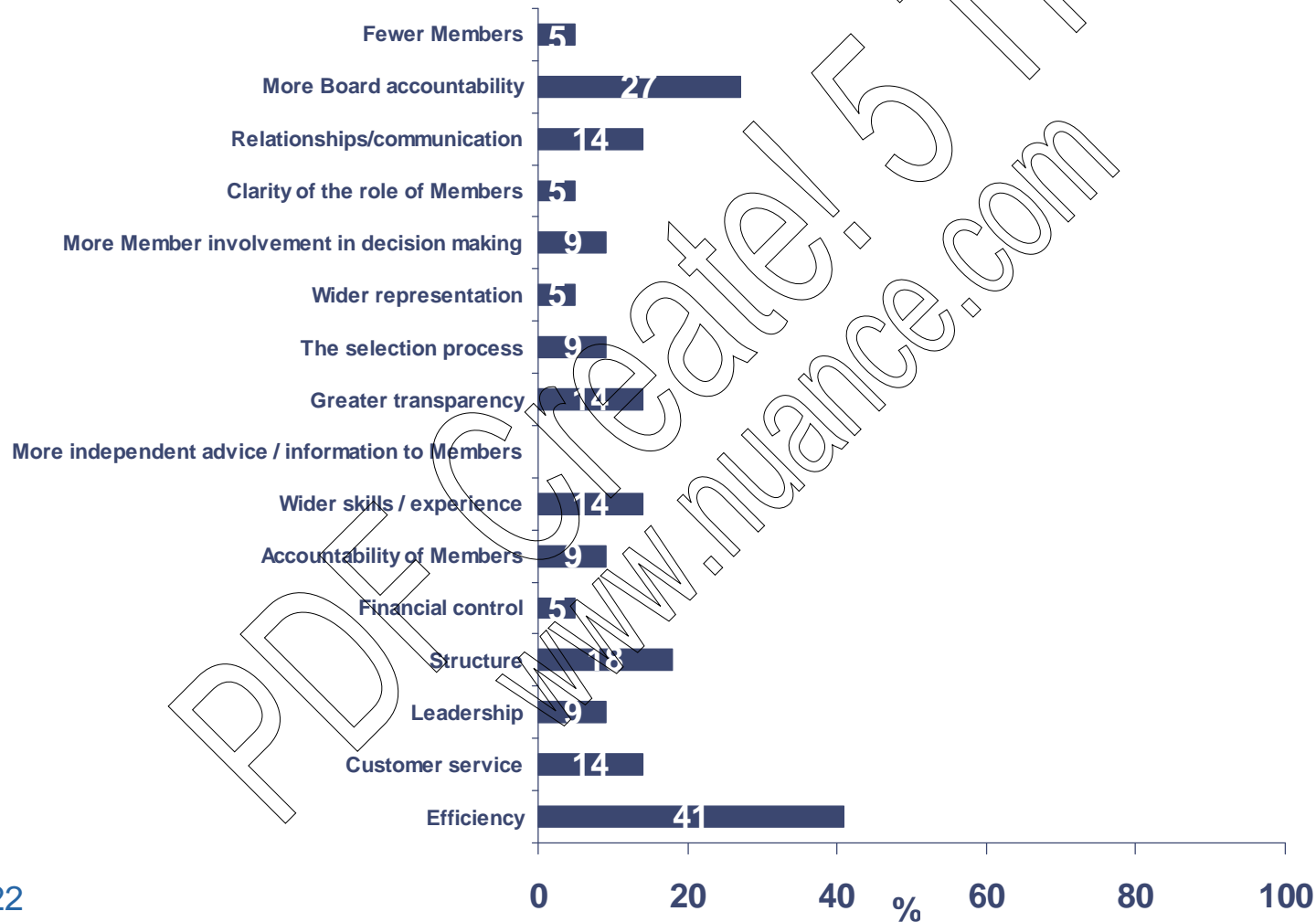
Base: 9

DK/NA: 0%

PricewaterhouseCoopers LLP

Q4b) What are the 3 main aspects of Network Rail's Corporate Governance arrangements that require improvement? (Open-end question with multiple responses)

Passenger / freight operators



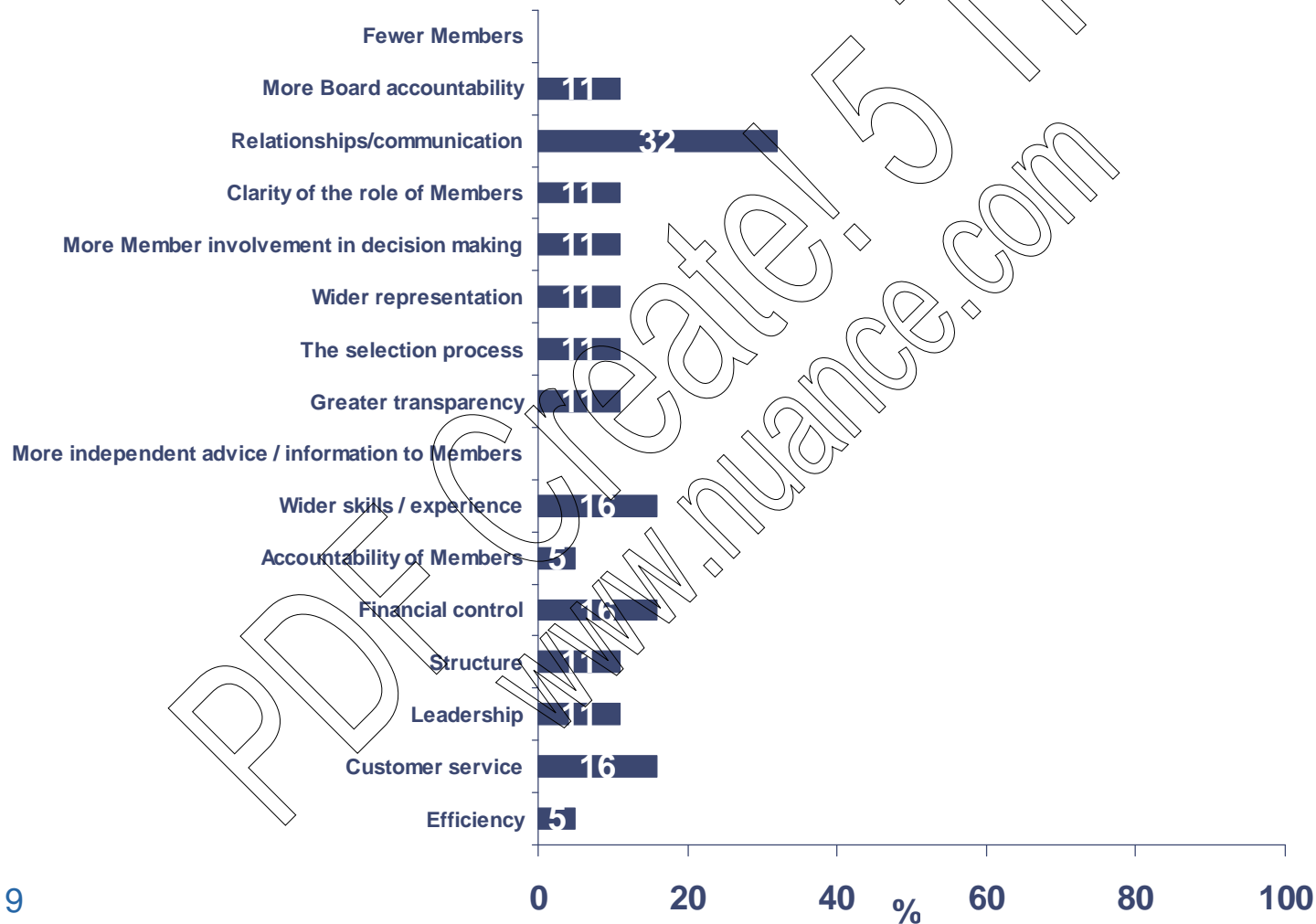
Base: 22

DK/NA: 14%

PricewaterhouseCoopers LLP

Q4b) What are the 3 main aspects of Network Rail's Corporate Governance arrangements that require improvement? (Open-end question with multiple responses)

Regional public bodies



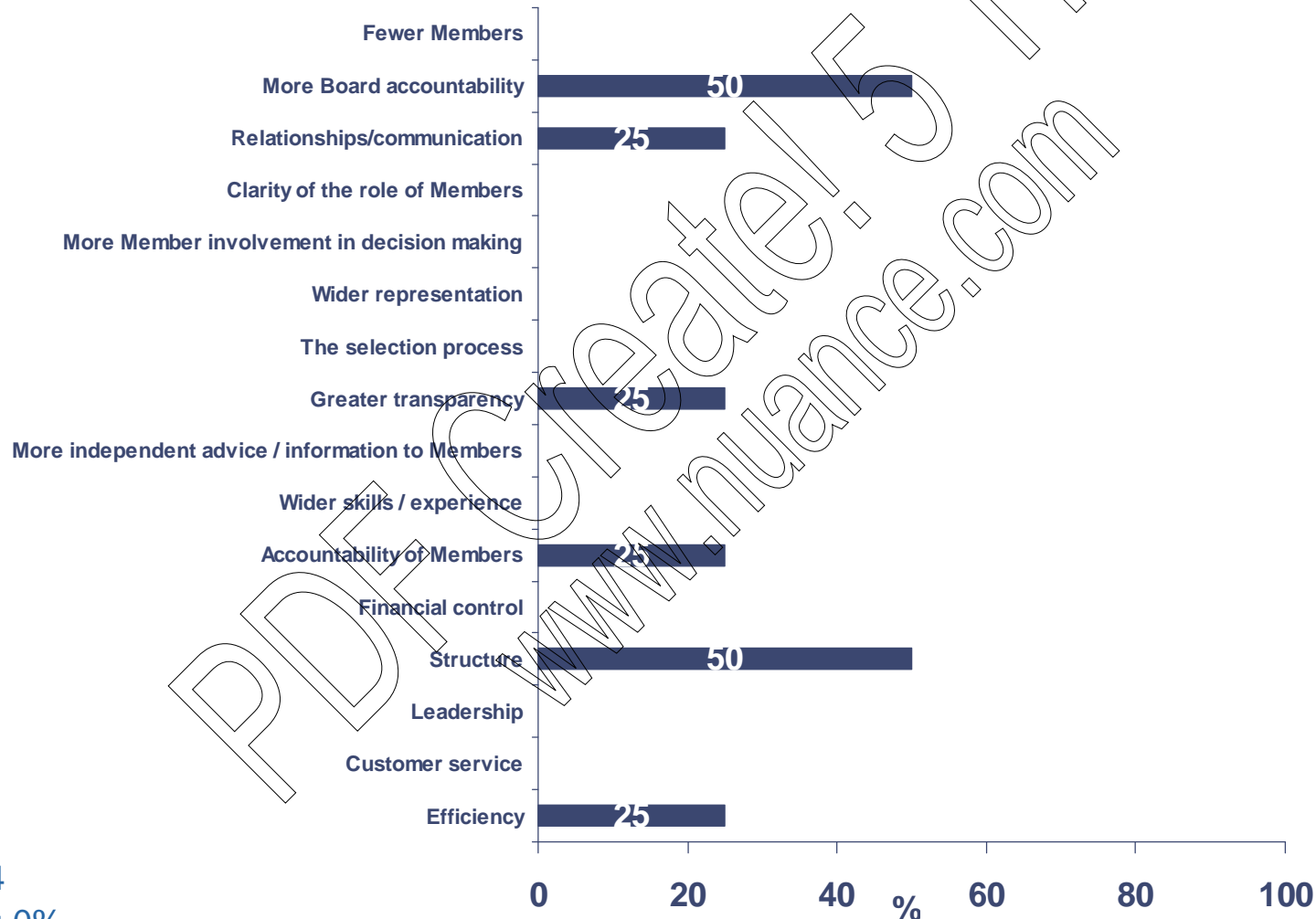
Base: 19

DK/NA: 16%

PricewaterhouseCoopers LLP

Q4b) What are the 3 main aspects of Network Rail's Corporate Governance arrangements that require improvement? (Open-end question with multiple responses)

Passenger groups



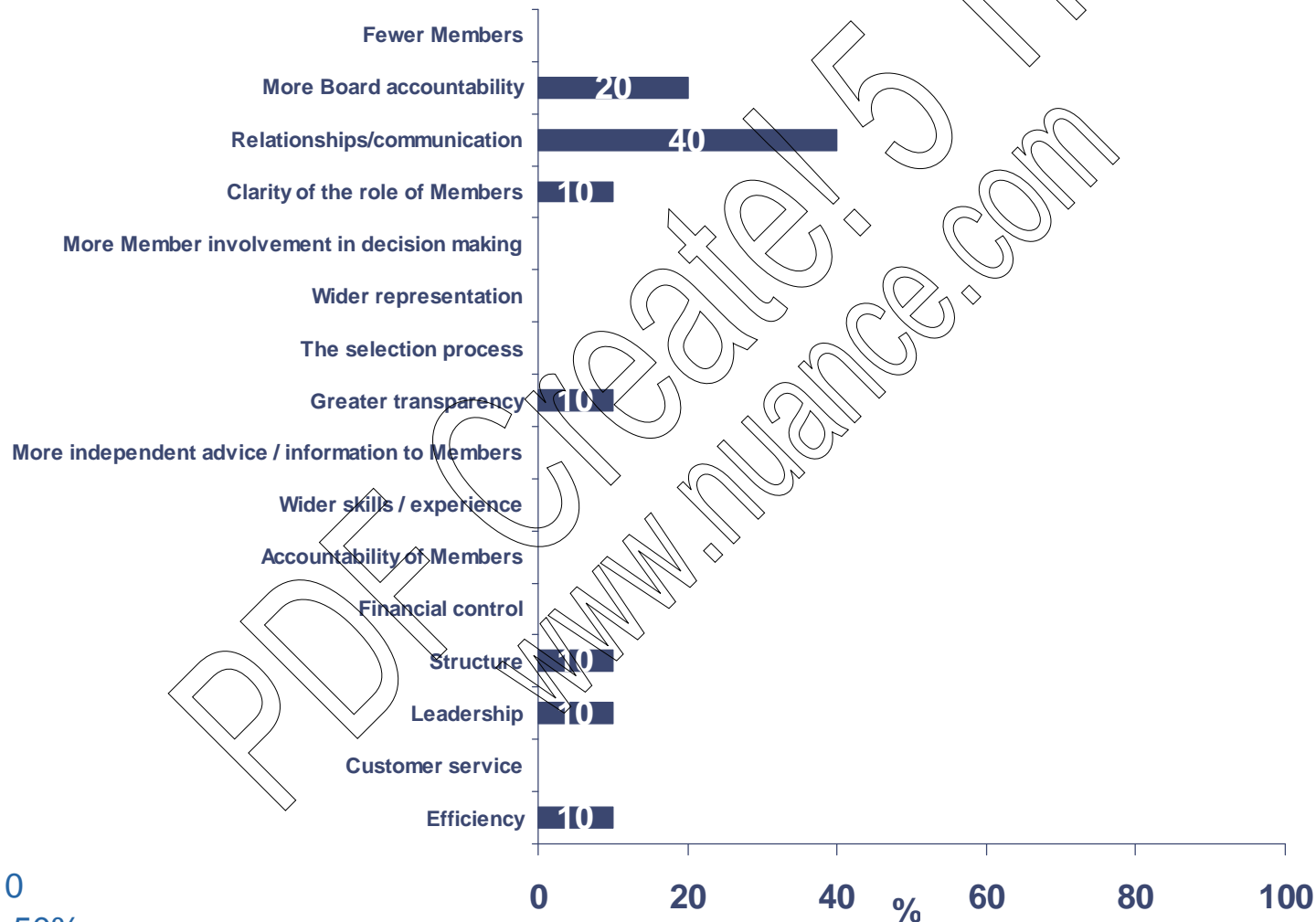
Base: 4

DK/NA: 0%

PricewaterhouseCoopers LLP

Q4b) What are the 3 main aspects of Network Rail's Corporate Governance arrangements that require improvement? (Open-end question with multiple responses)

Political parties & politicians



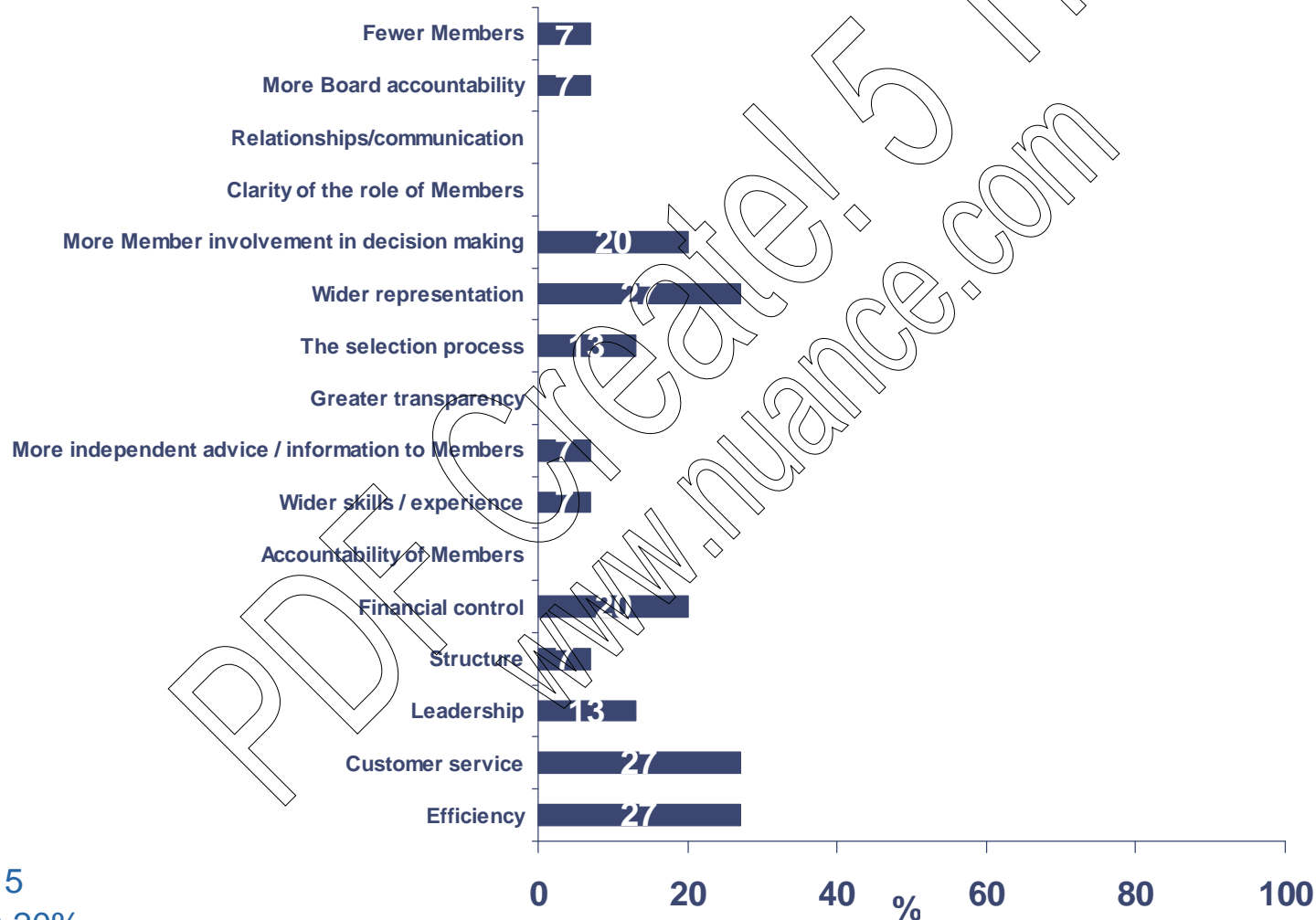
Base: 10

DK/NA: 50%

PricewaterhouseCoopers LLP

Q4b) What are the 3 main aspects of Network Rail's Corporate Governance arrangements that require improvement?
 (Open-end question with multiple responses)

Other stakeholders

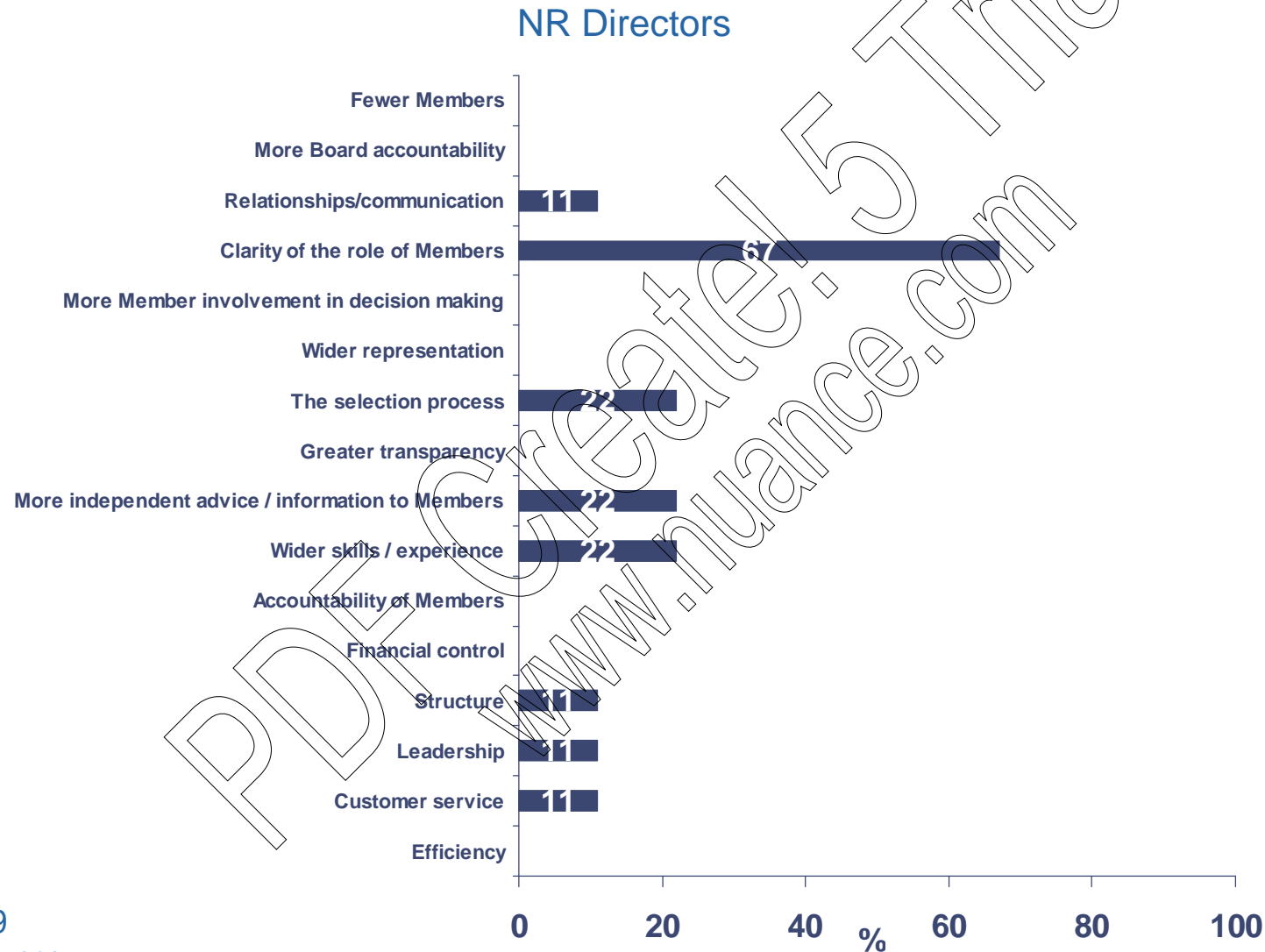


Base: 15

DK/NA: 20%

PricewaterhouseCoopers LLP

Q4b) What are the 3 main aspects of Network Rail's Corporate Governance arrangements that require improvement?
 (Open-end question with multiple responses)

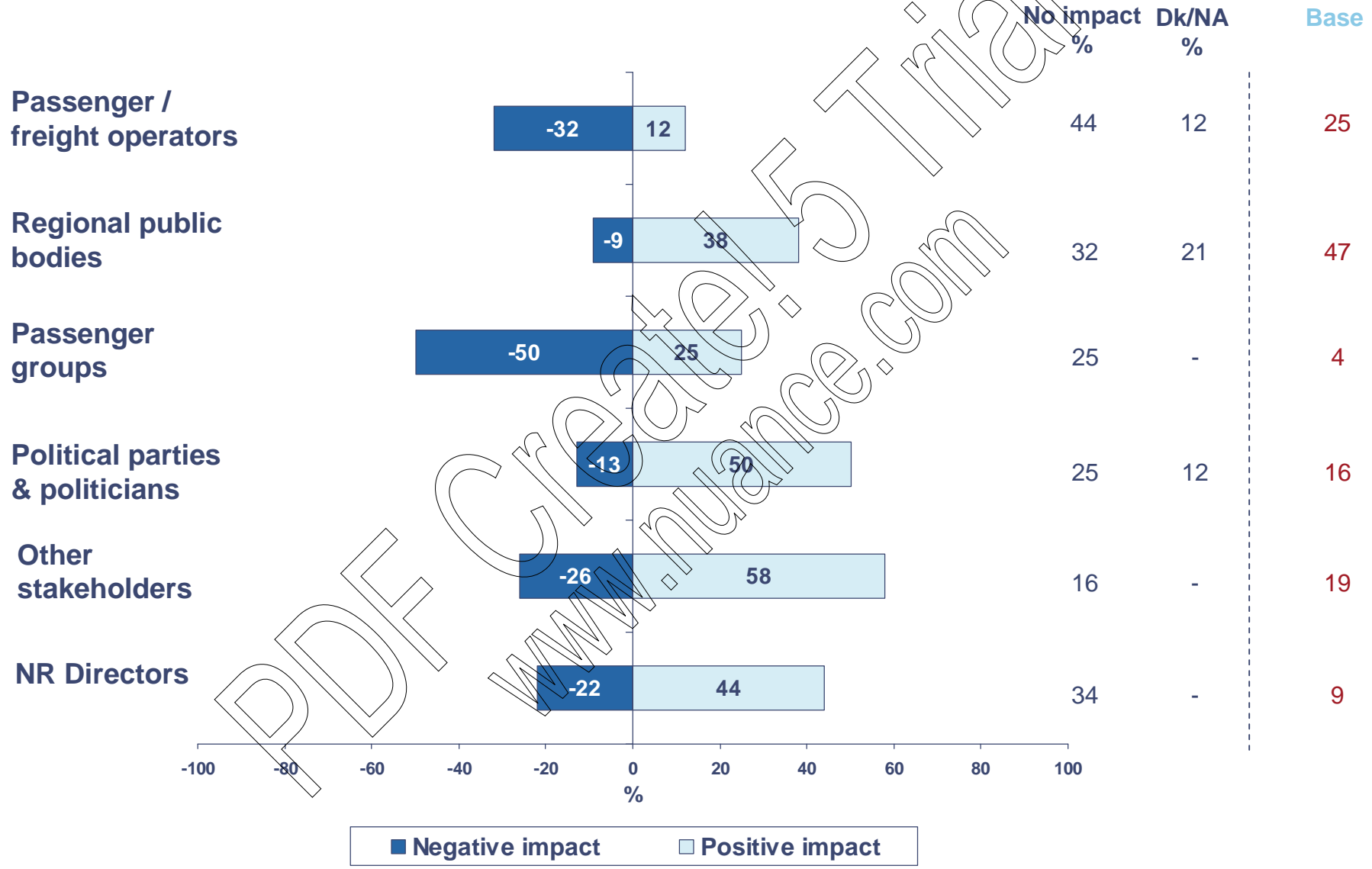


Base: 9

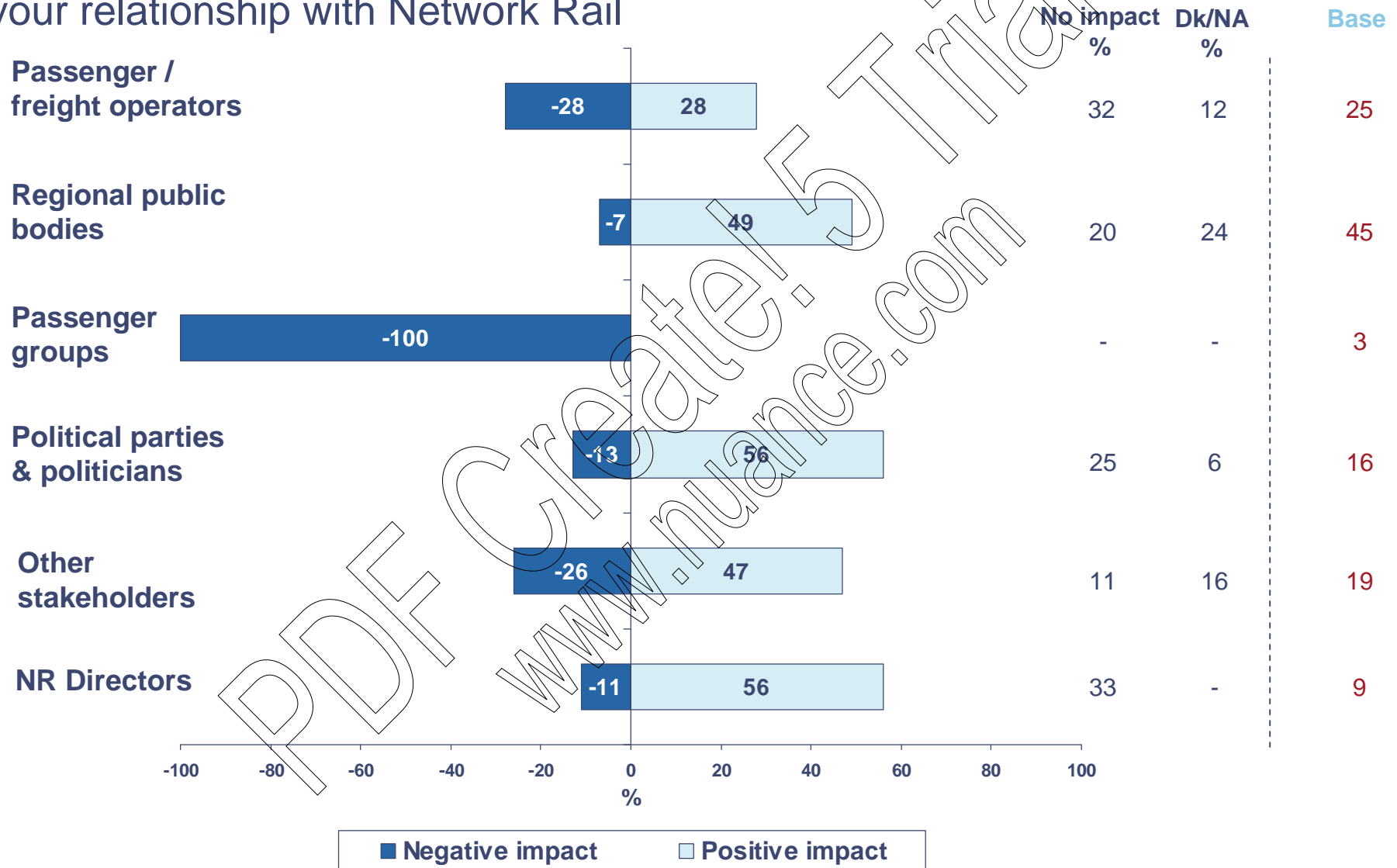
DK/NA: 0%

PricewaterhouseCoopers LLP

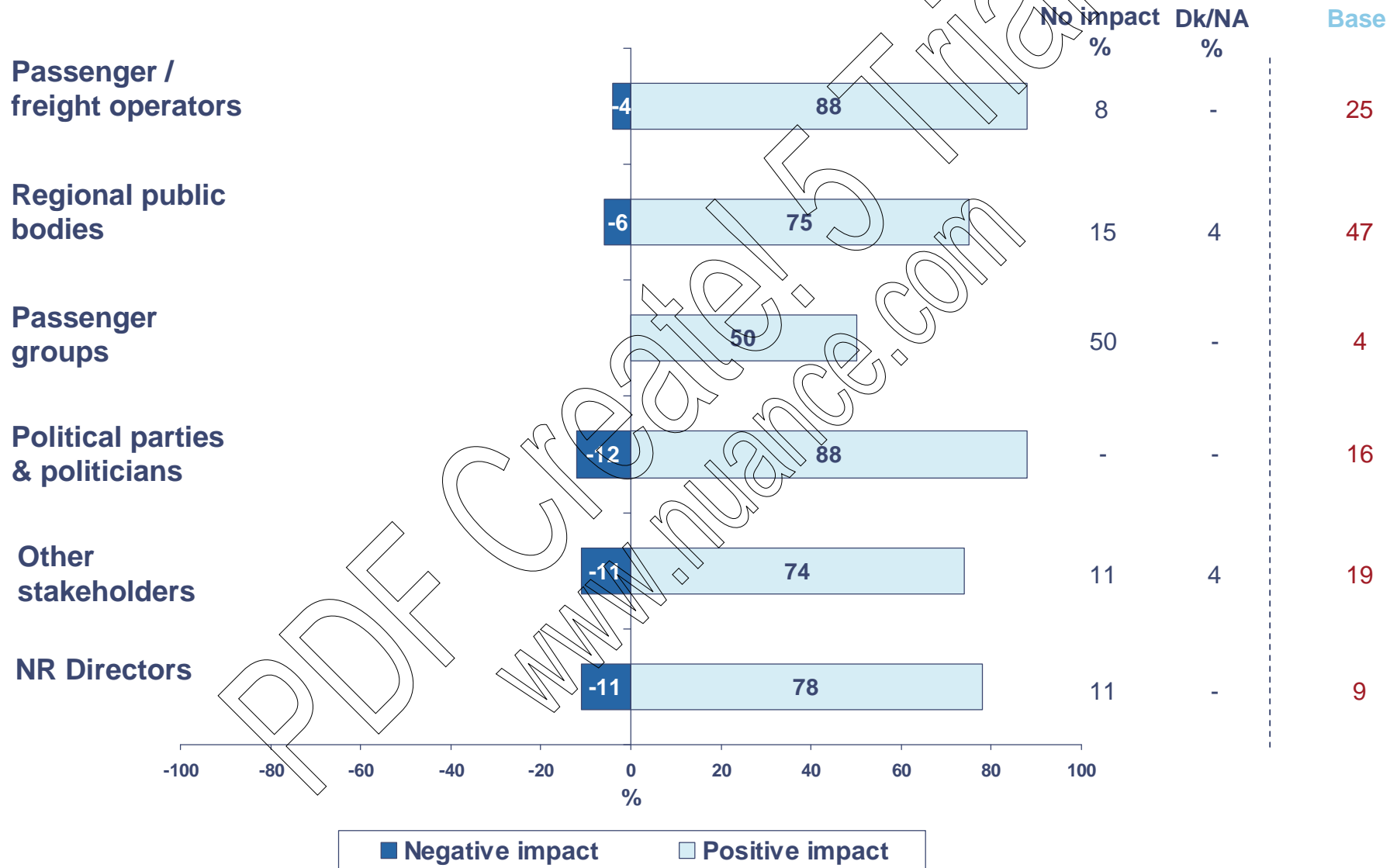
Q5a) Please indicate the impact that **Network Rail having no equity shareholders** has on your relationship with Network Rail



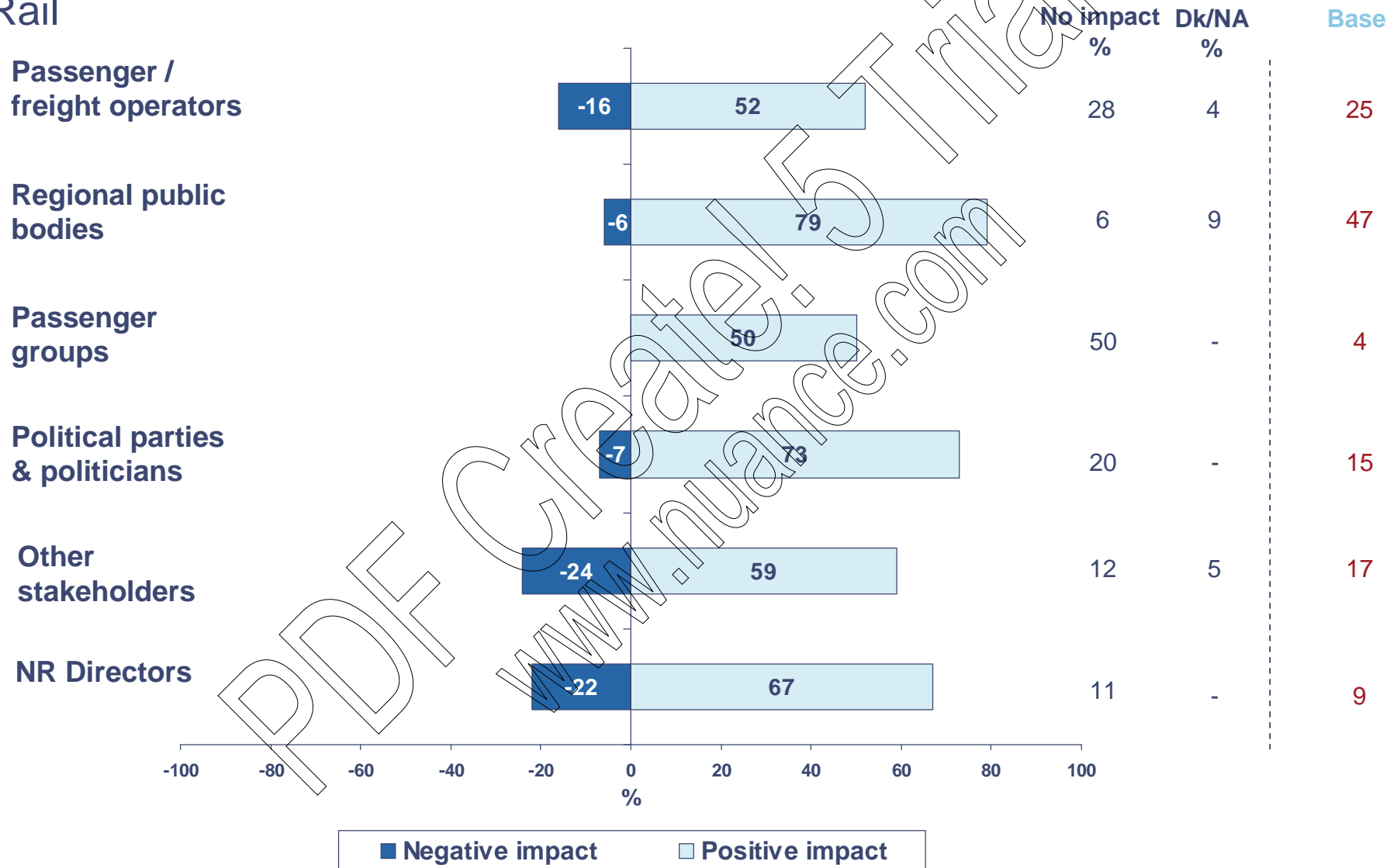
Q5a) Please indicate the impact that **Network Rail's status as a company Limited by Guarantee with members rather than shareholders** has on your relationship with Network Rail



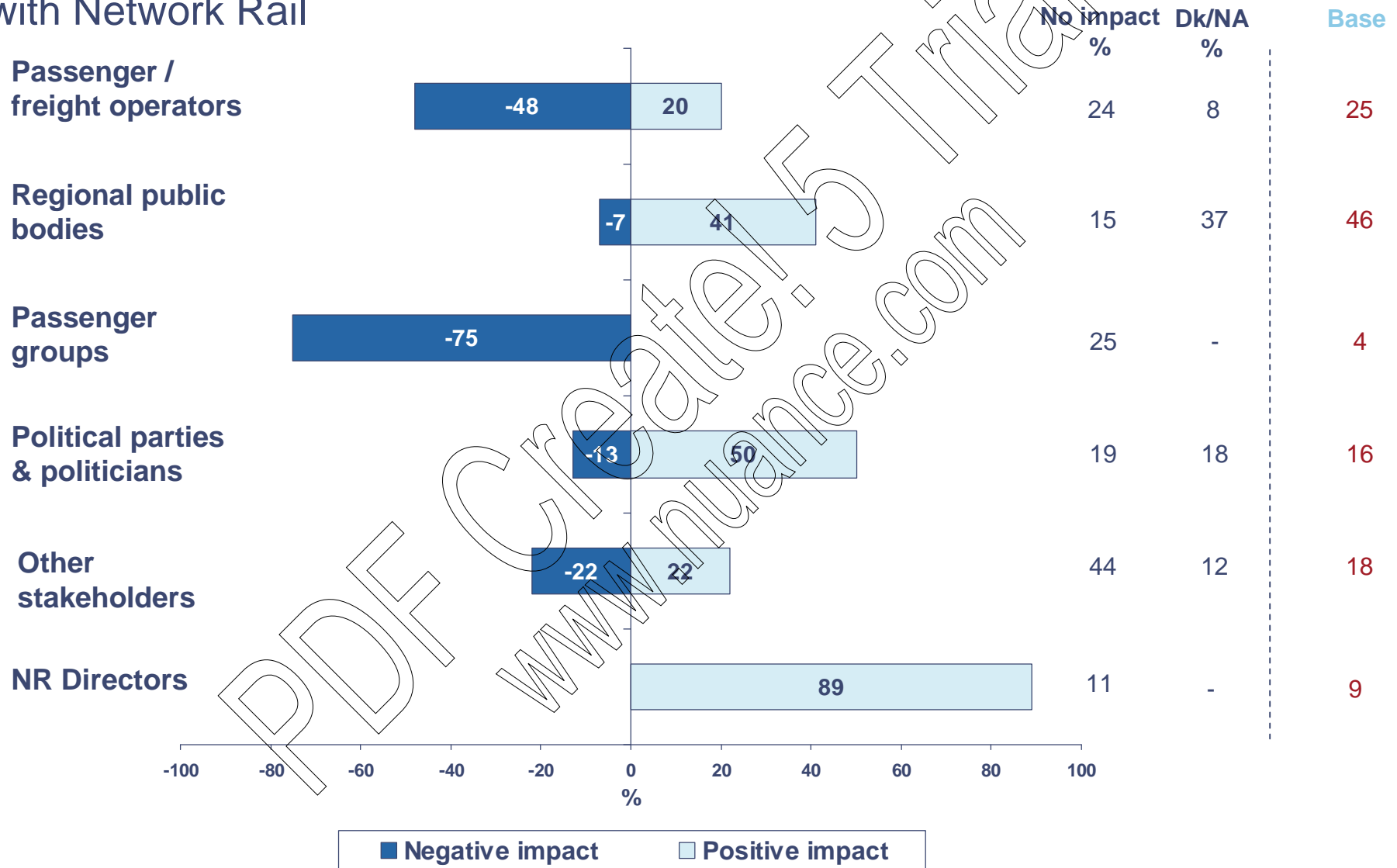
Q5a) Please indicate the impact that **Network Rail's regulation by an independent regulator (ORR)** has on your relationship with Network Rail



Q5a) Please indicate the impact the fact that **Network Rail's receives significant funding from taxpayers** has on your relationship with Network Rail



Q5a) Please indicate the impact that **Network Rail's Members, the majority of whom are independent of the railway industry** has on your relationship with Network Rail



Q5b) Are there are any other aspects of Network Rail's governance arrangements that have an impact your relationship?
(Open-end question with multiple responses)

Passenger / freight operators

1. Two of five respondents stated 'poor financial control' (40%)
2. One of five respondents stated 'processes' (20%)
3. One of five respondents stated 'lack of accountability' (20%)
4. One of five respondents stated 'role of the Board' (20%)
5. One of five respondents stated a 'lack of knowledge' (20%)

Base: 5

Q5b) Are there are any other aspects of Network Rail's governance arrangements that have an impact your relationship?
(Open-end question with multiple responses)

Regional public bodies

1. Two of two respondents stated 'processes' (100%)
2. Two of two respondents stated a 'lack of accountability' (100%)

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Base: 2

Q5b) Are there are any other aspects of Network Rail's governance arrangements that have an impact your relationship?
(Open-end question with multiple responses)

Passenger groups

No Passenger groups listed additional aspects

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Q5b) Are there any other aspects of Network Rail's governance arrangements that have an impact on your relationship?
(Open-end question with multiple responses)

Political parties and politicians

1. One of two respondents stated 'processes' (50%)
2. One of two respondents stated a 'lack of accountability' (50%)
3. One of two respondents stated 'poor financial control' (50%)

Base: 2

Q5b) Are there any other aspects of Network Rail's governance arrangements that have an impact your relationship?
(Open-end question with multiple responses)

Other stakeholders

1. One of two respondents stated a 'lack of clarity of the role of Members' (50%)
2. One of two respondents stated 'poor financial control' (50%)
3. One of two respondents stated a 'lack of knowledge' (50%)

Base: 1

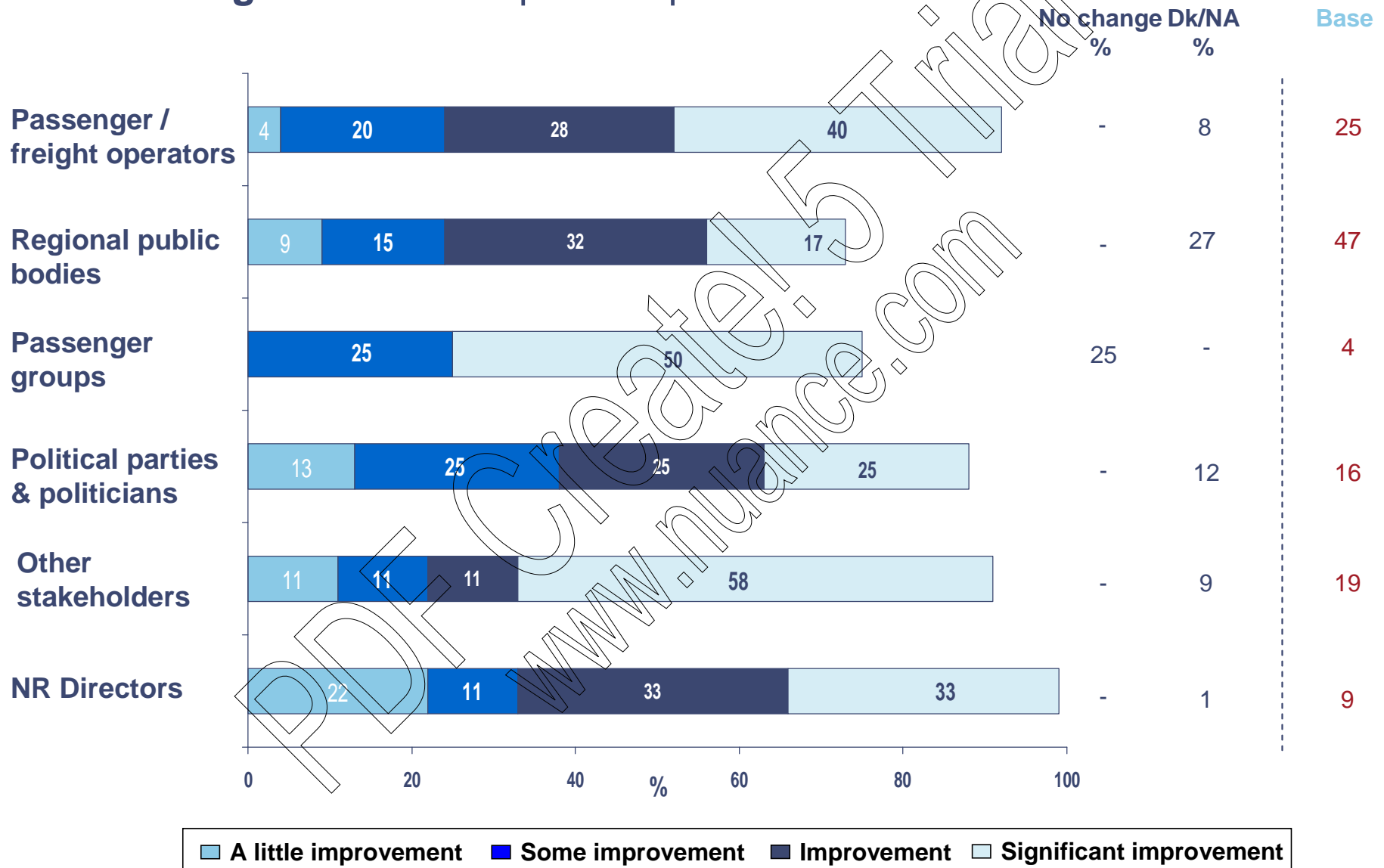
Q5b) Are there are any other aspects of Network Rail's governance arrangements that have an impact your relationship?
(Open-end question with multiple responses)

NR Directors

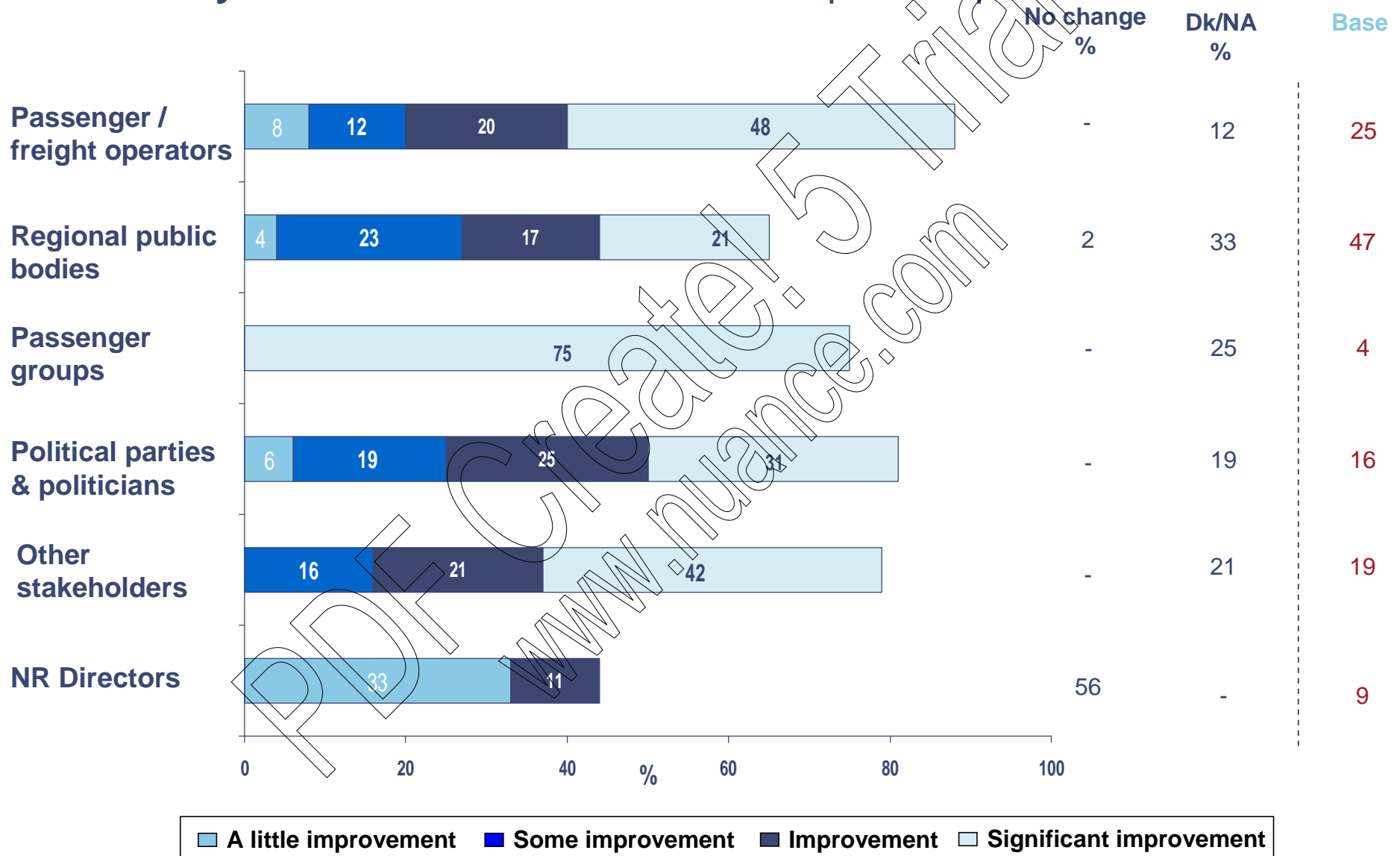
1. Two of four respondents stated a 'lack of clarity of the role of Members' (50%)
2. Two of four respondents stated a 'lack of communication' (50%)
3. One of four respondents stated the 'role of the Board' (25%)
4. One of four respondents stated 'poor financial control' (25%)

Base: 4

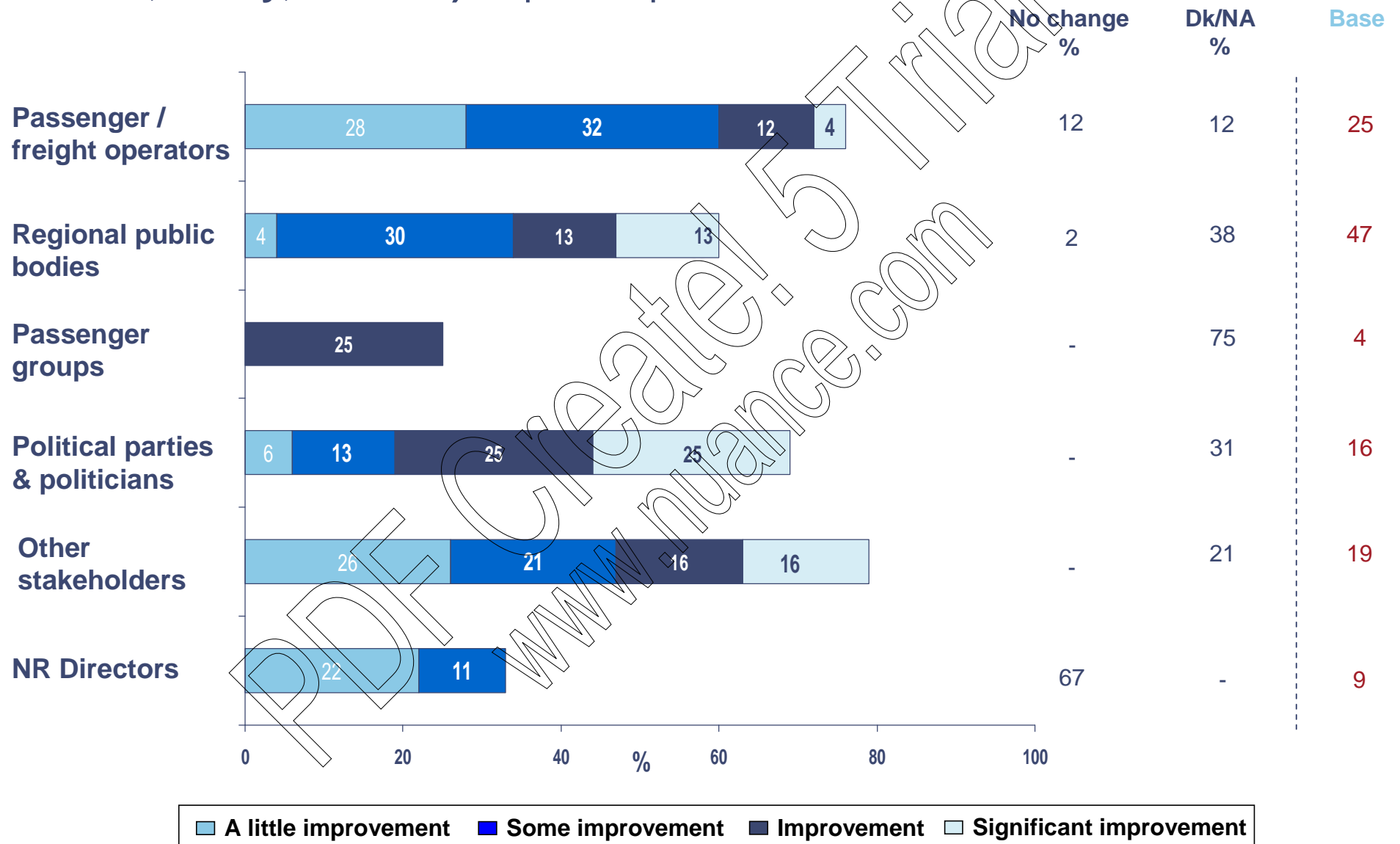
Q6a) To what extent do you feel the **clarity of roles of different parties involved in governance** requires improvement?



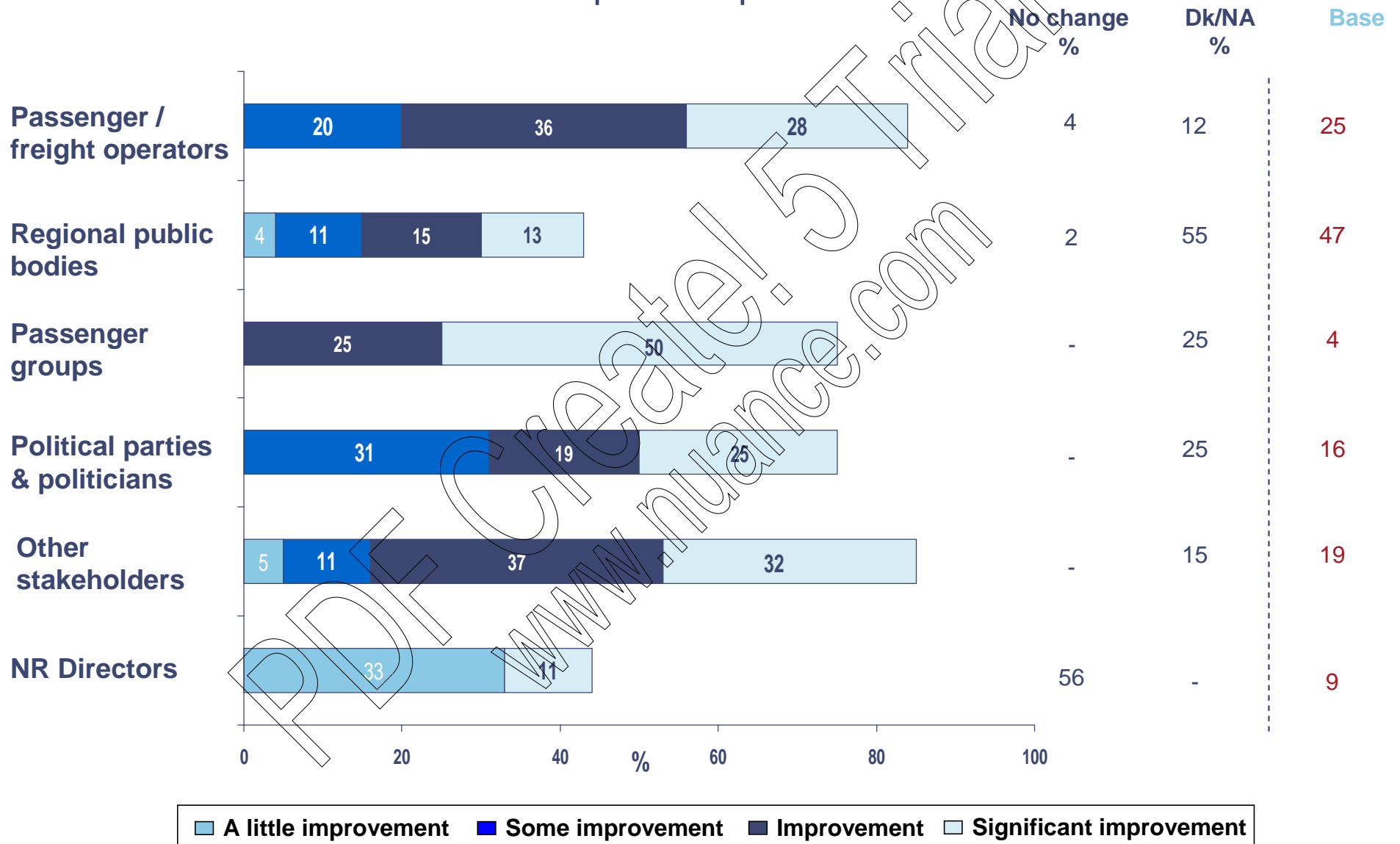
Q6a) To what extent do you feel the holding to account of the executive directors by the non-executive directors requires improvement?



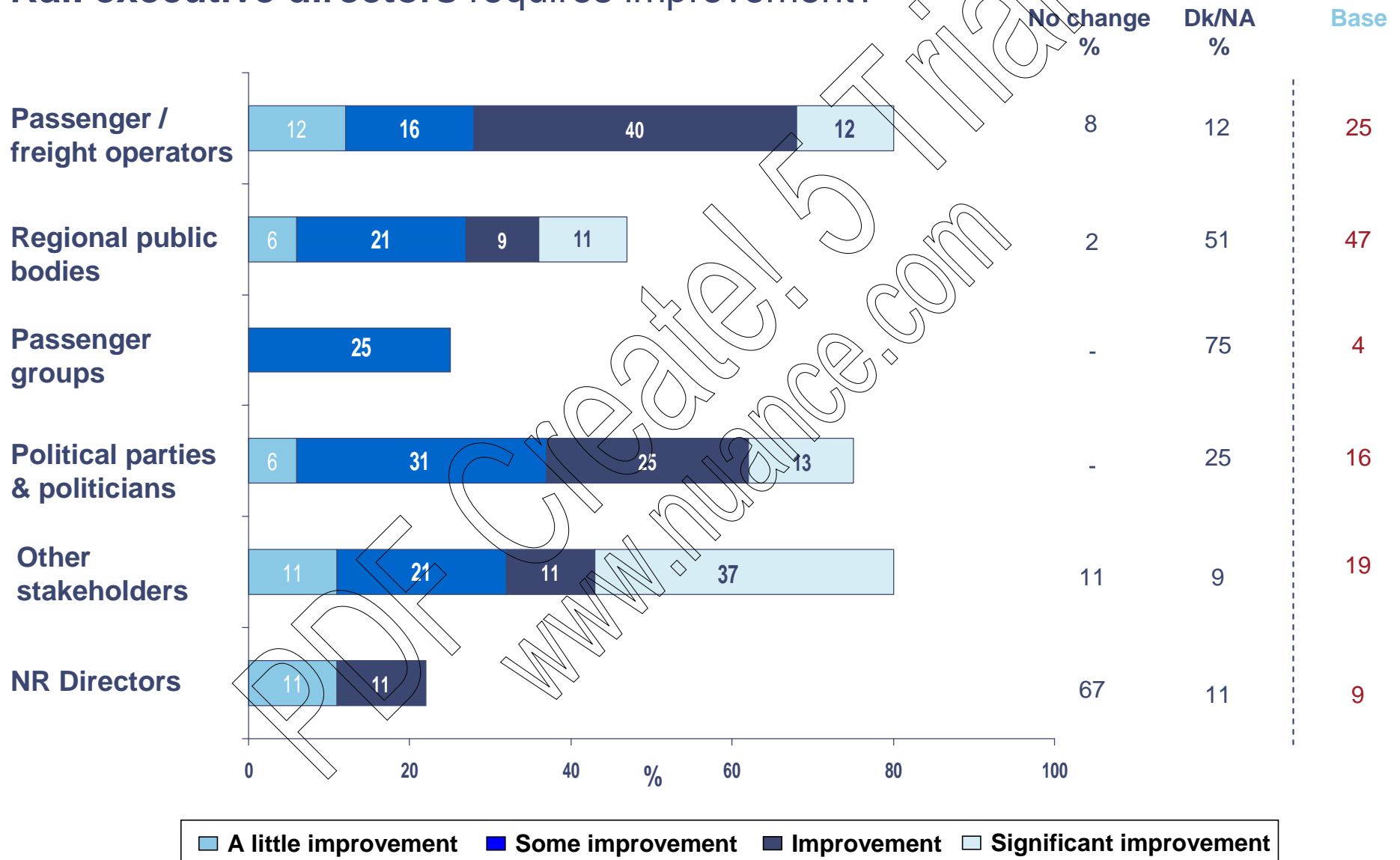
Q6a) To what extent do you feel the **internal control mechanisms (e.g. finance, safety, risk etc.)** require improvement?



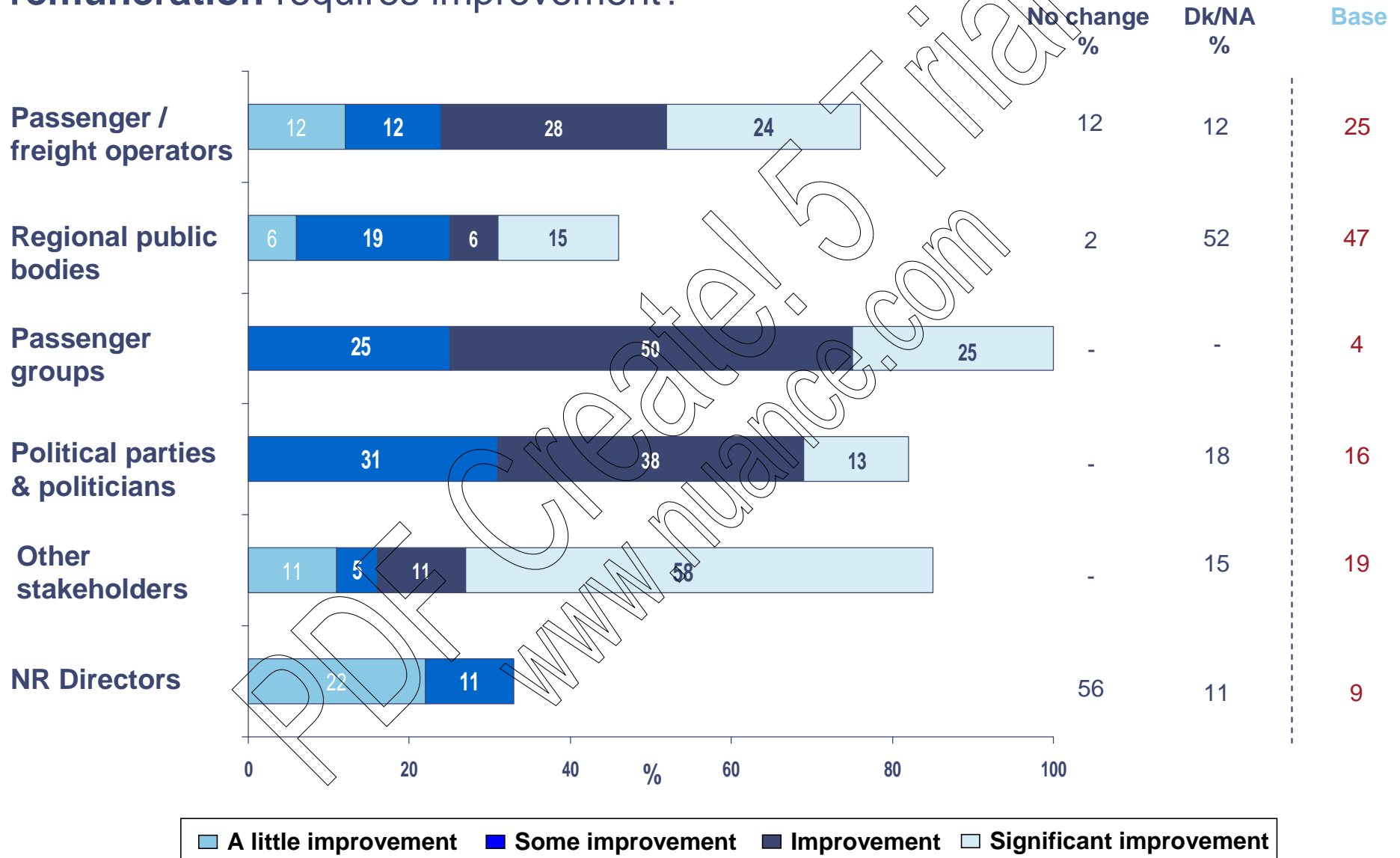
Q6a) To what extent do you feel the **selection and appointment of Network Rail non-executive directors** requires improvement?



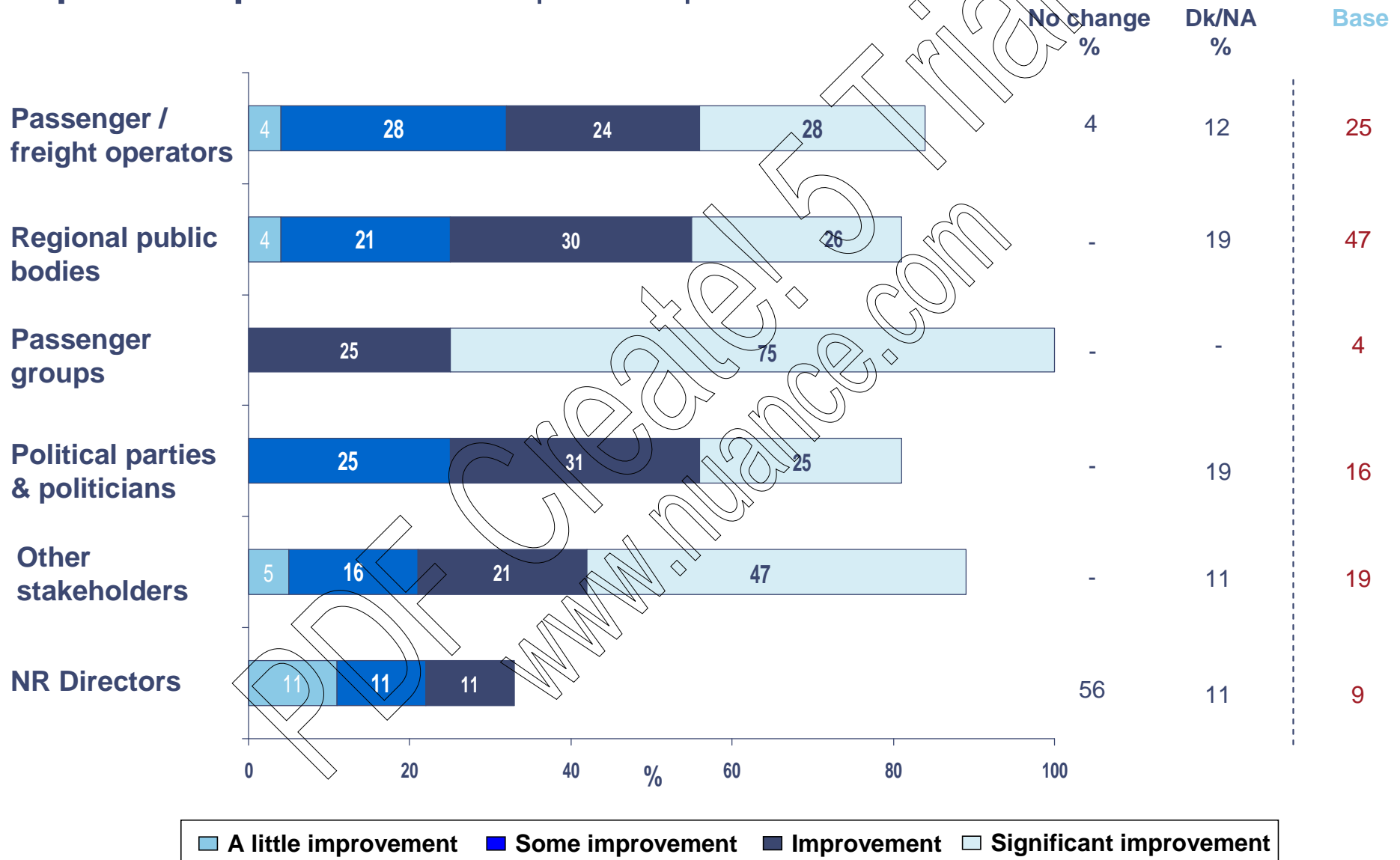
Q6a) To what extent do you feel the **selection and appointment of Network Rail executive directors** requires improvement?



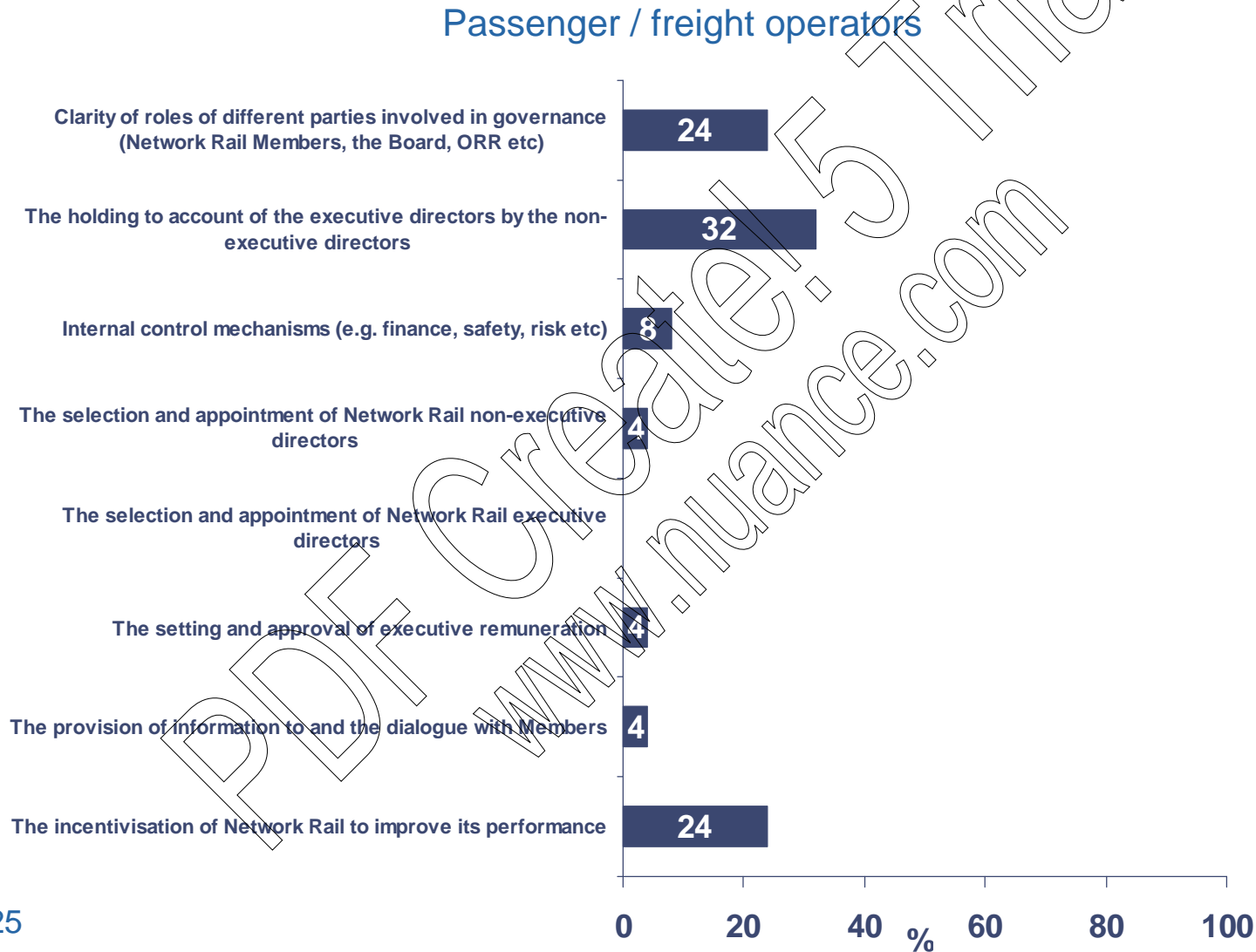
Q6a) To what extent do you feel the **setting and approval of executive remuneration** requires improvement?



Q6a) To what extent do you feel the incentivisation of Network Rail to improve its performance requires improvement?

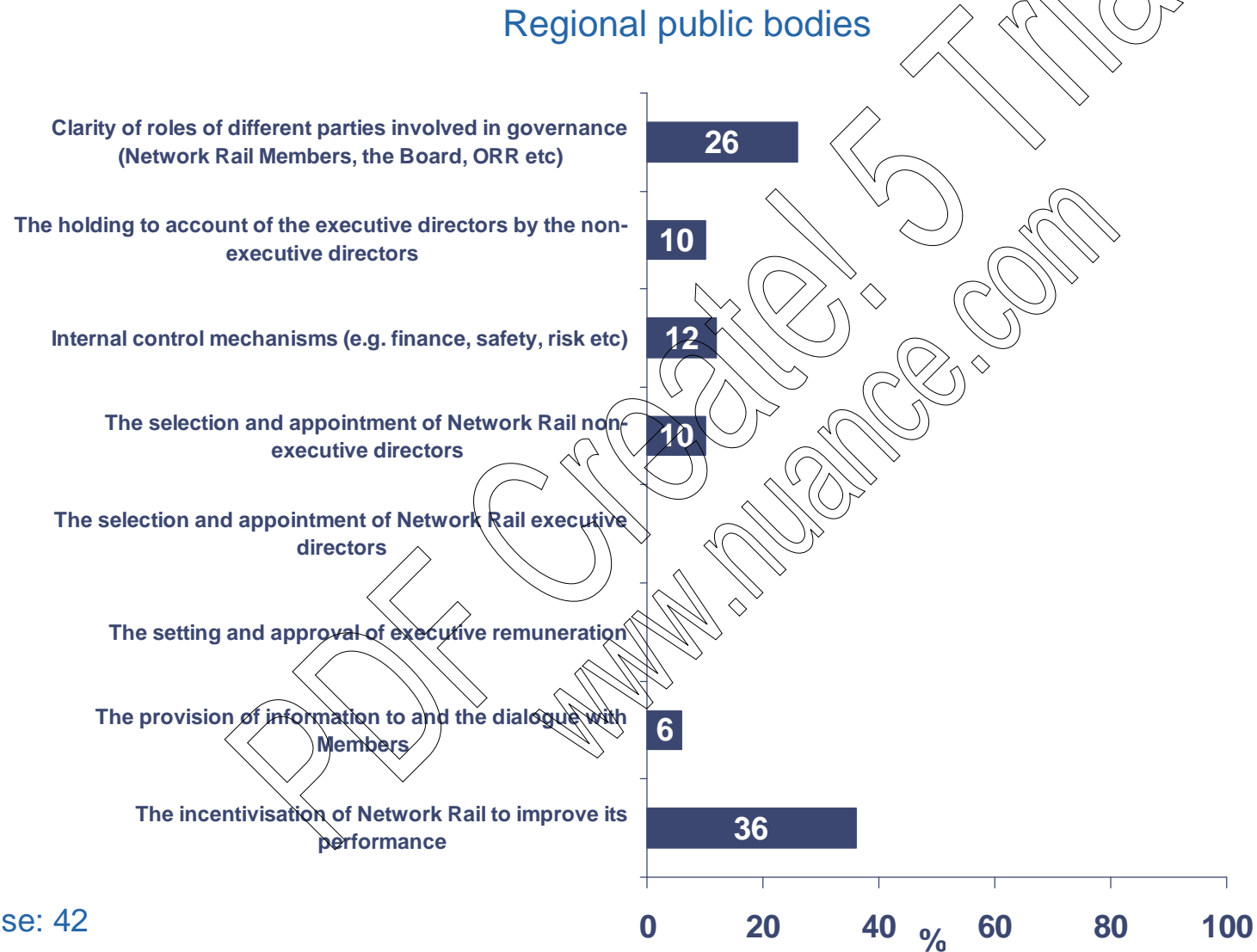


Q6b) Which of the previous statements should be the **main** priority for improvement?



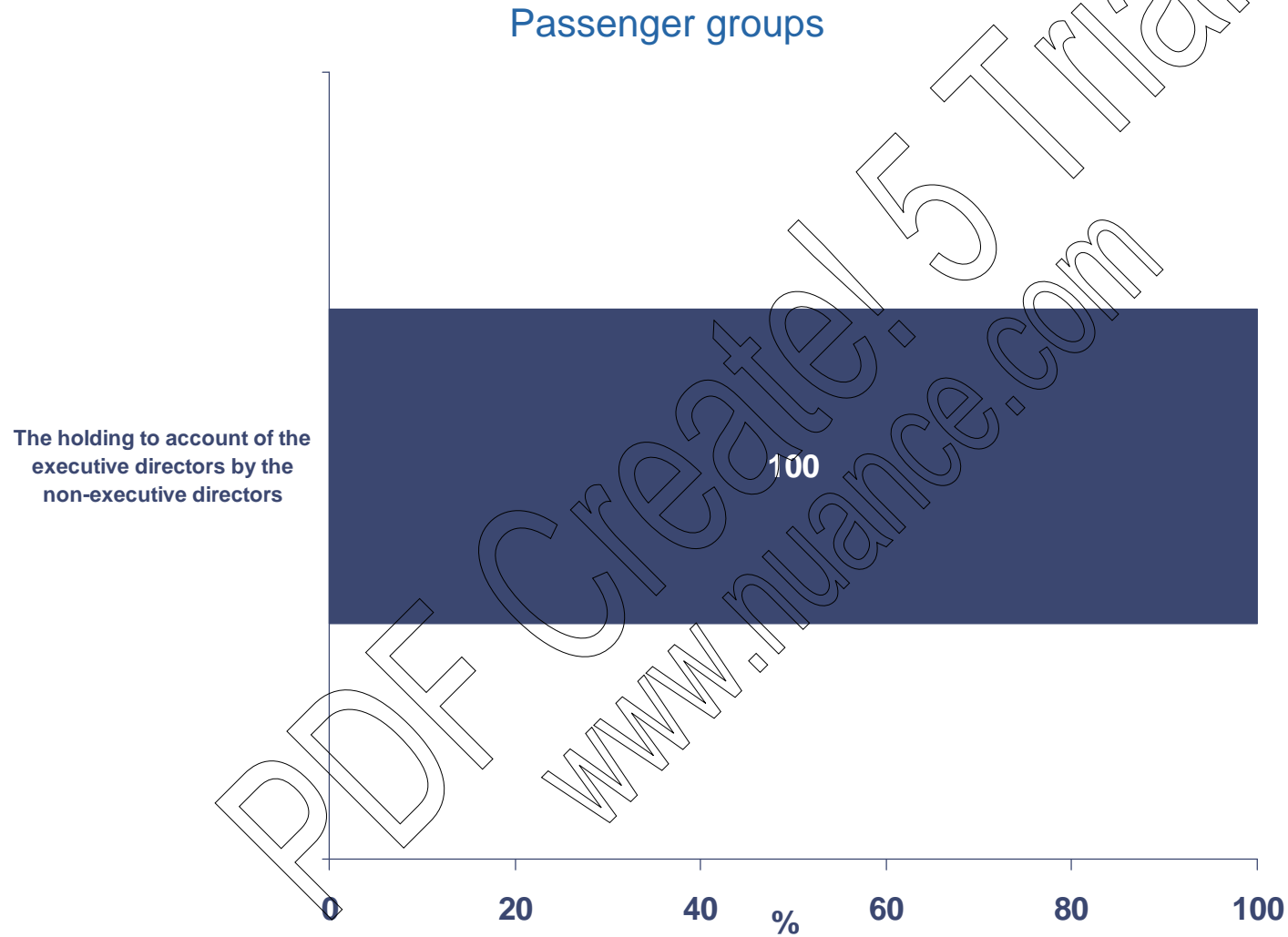
Base: 25

Q6b) Which of the previous statements should be the **main** priority for improvement?



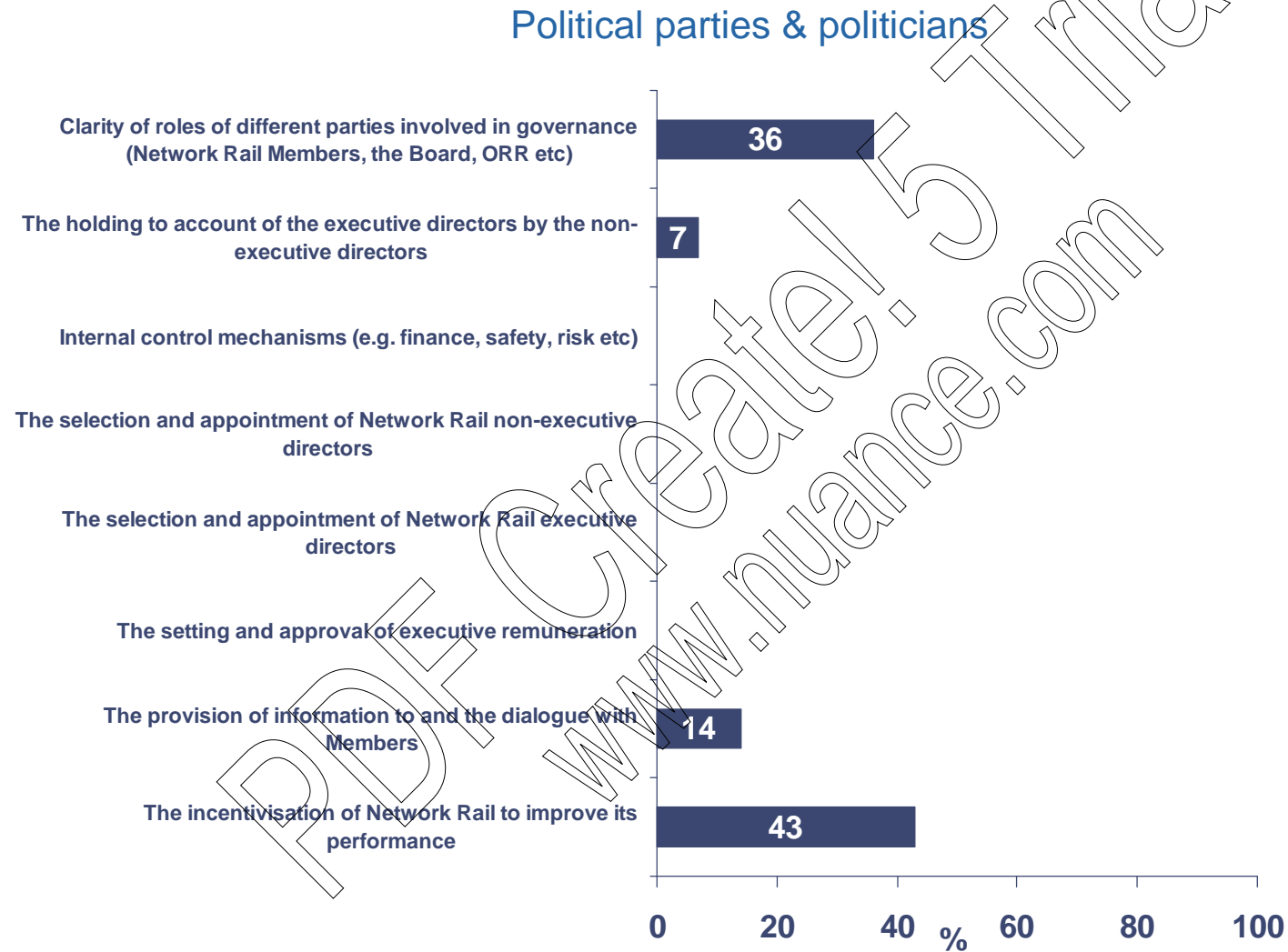
Base: 42

Q6b) Which of the previous statements should be the **main** priority for improvement?



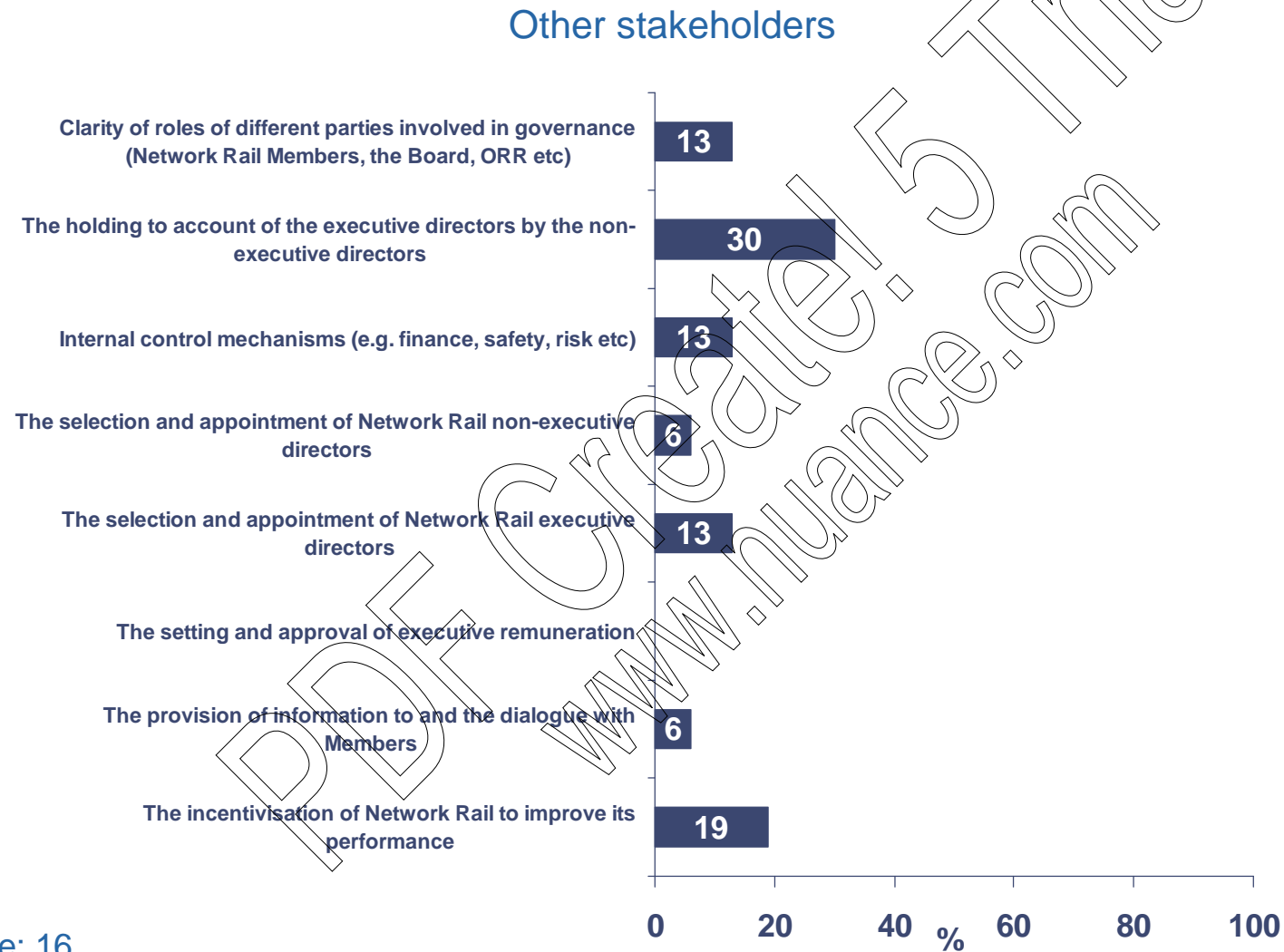
Base: 4

Q6b) Which of the previous statements should be the **main** priority for improvement?



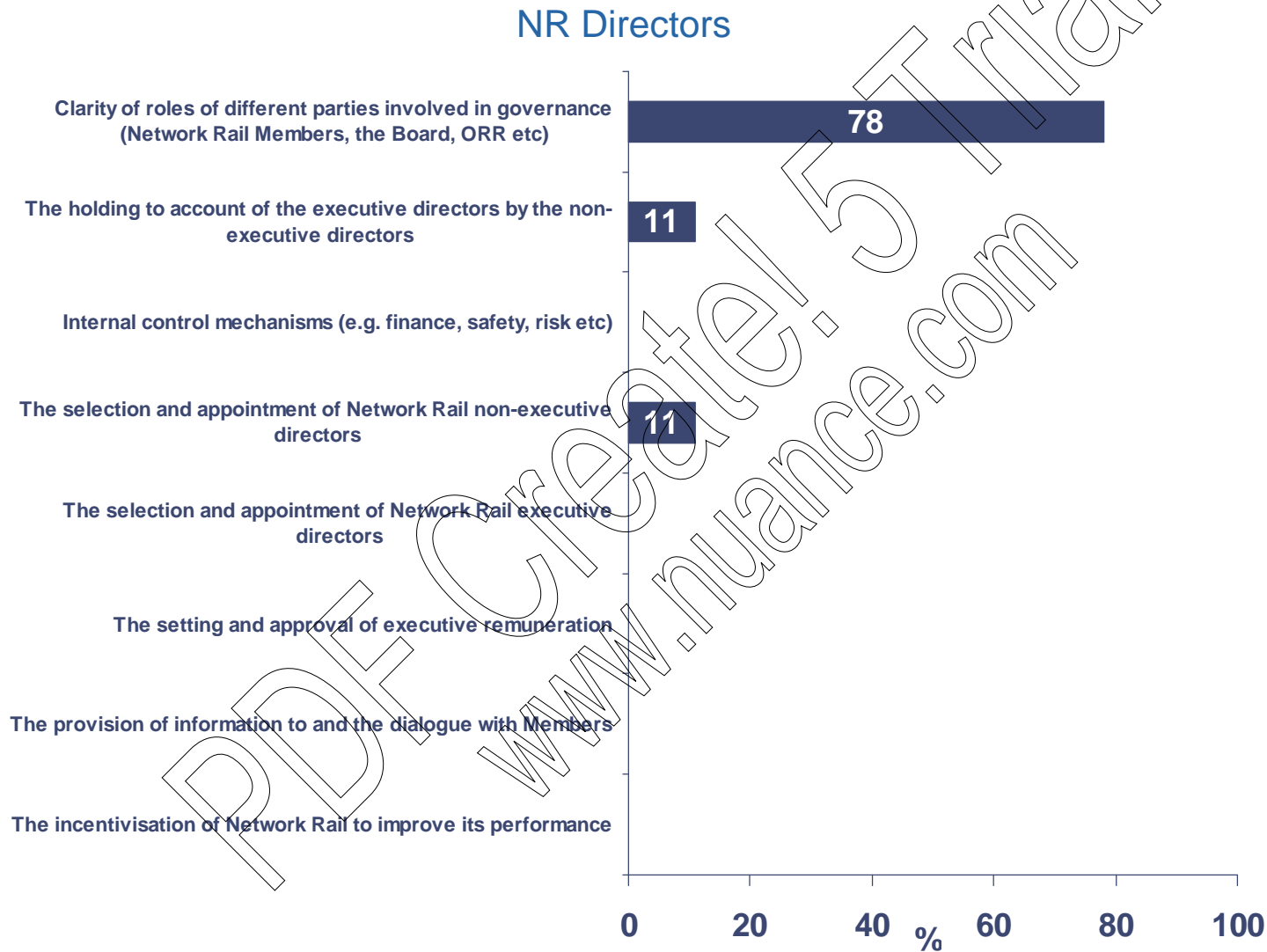
Base: 14

Q6b) Which of the previous statements should be the **main** priority for improvement?



Base: 16

Q6b) Which of the previous statements should be the **main** priority for improvement?

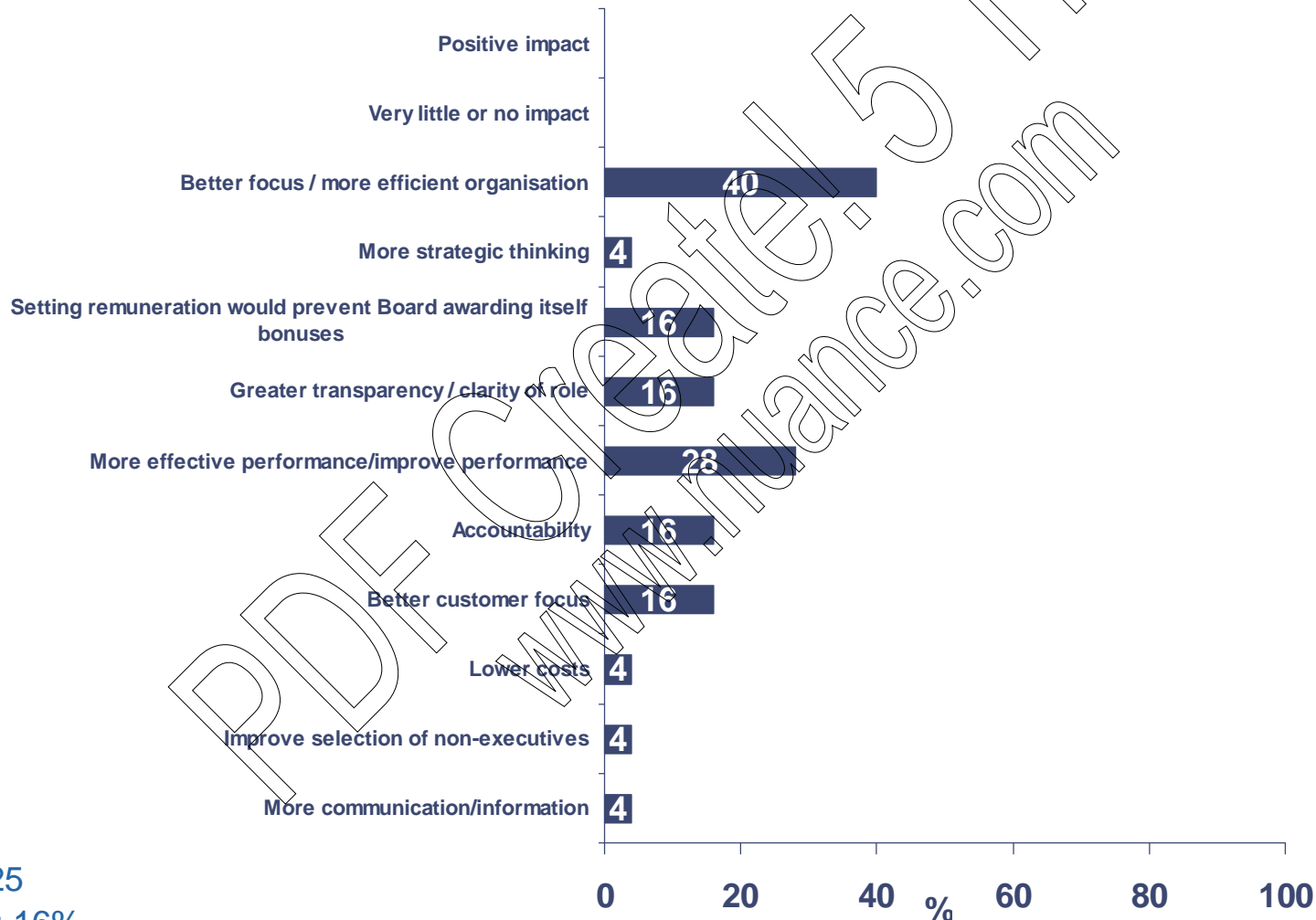


Base: 9

Q6d) What impact, if any, would this have on the performance of Network Rail?

(Open-end question with multiple responses)

Passenger / freight operators



Base: 25

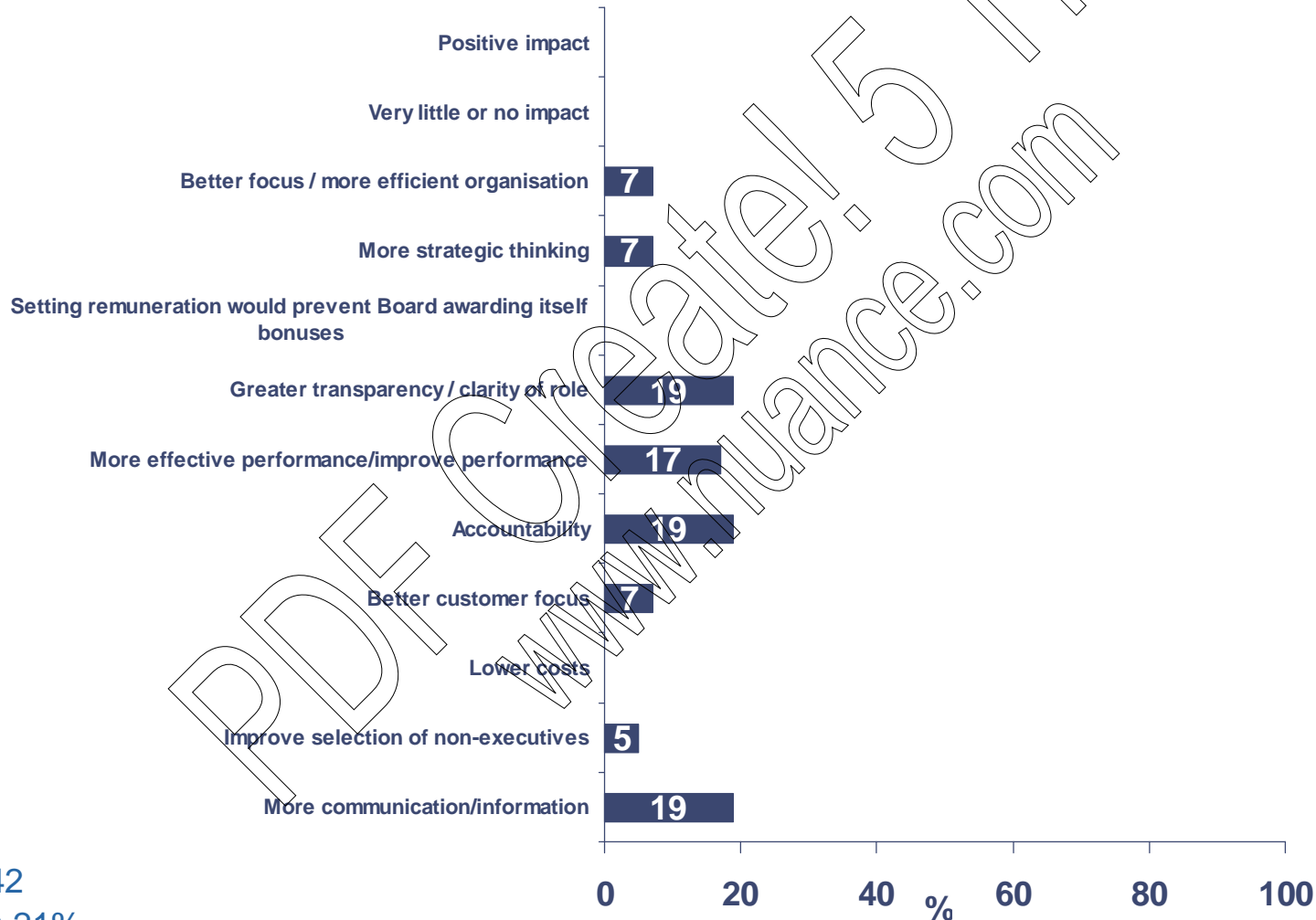
DK/NA: 16%

PricewaterhouseCoopers LLP

Q6d) What impact, if any, would this have on the performance of Network Rail?

(Open-end question with multiple responses)

Regional public bodies



Base: 42

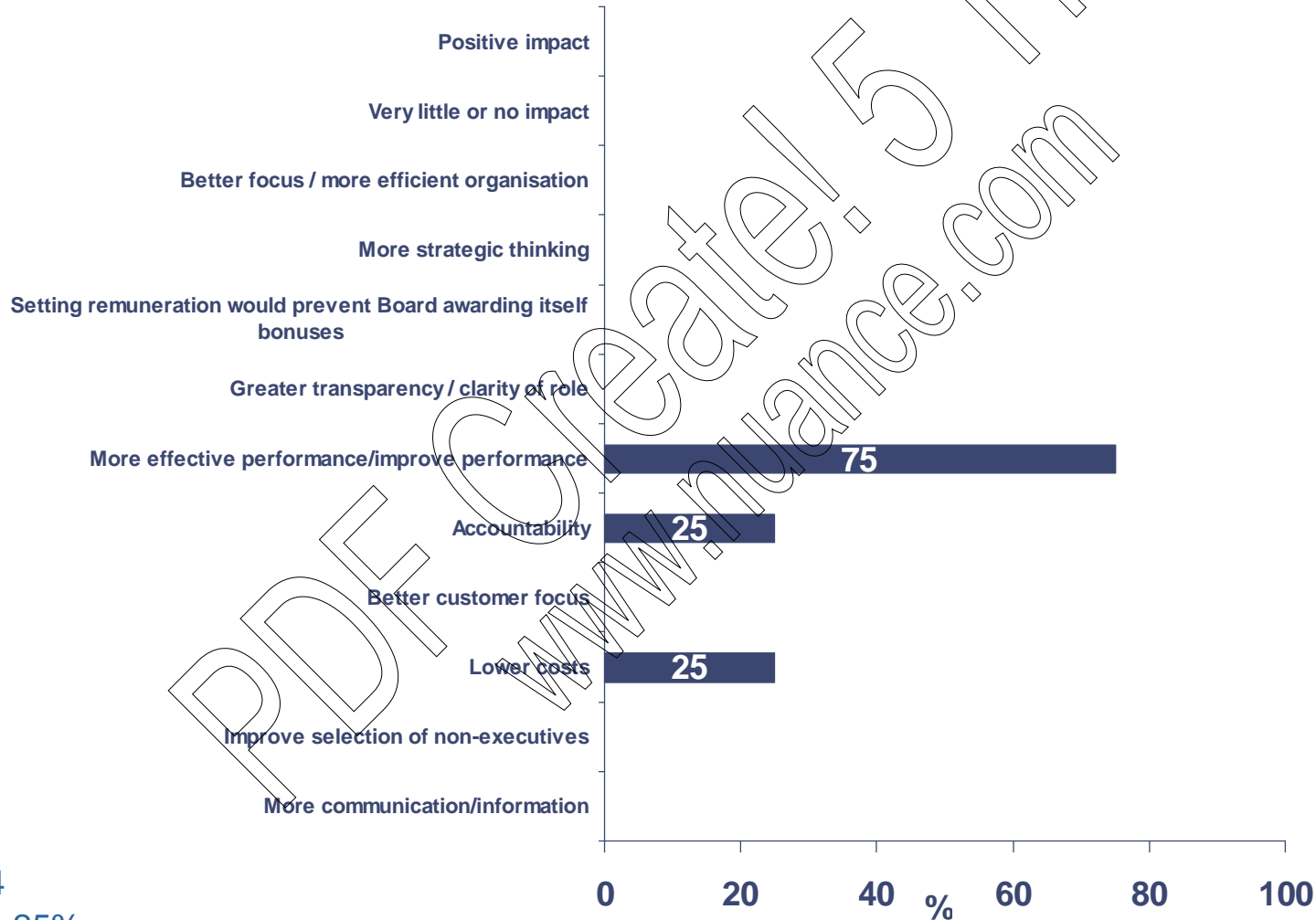
DK/NA: 21%

PricewaterhouseCoopers LLP

Q6d) What impact, if any, would this have on the performance of Network Rail?

(Open-end question with multiple responses)

Passenger groups



Base: 4

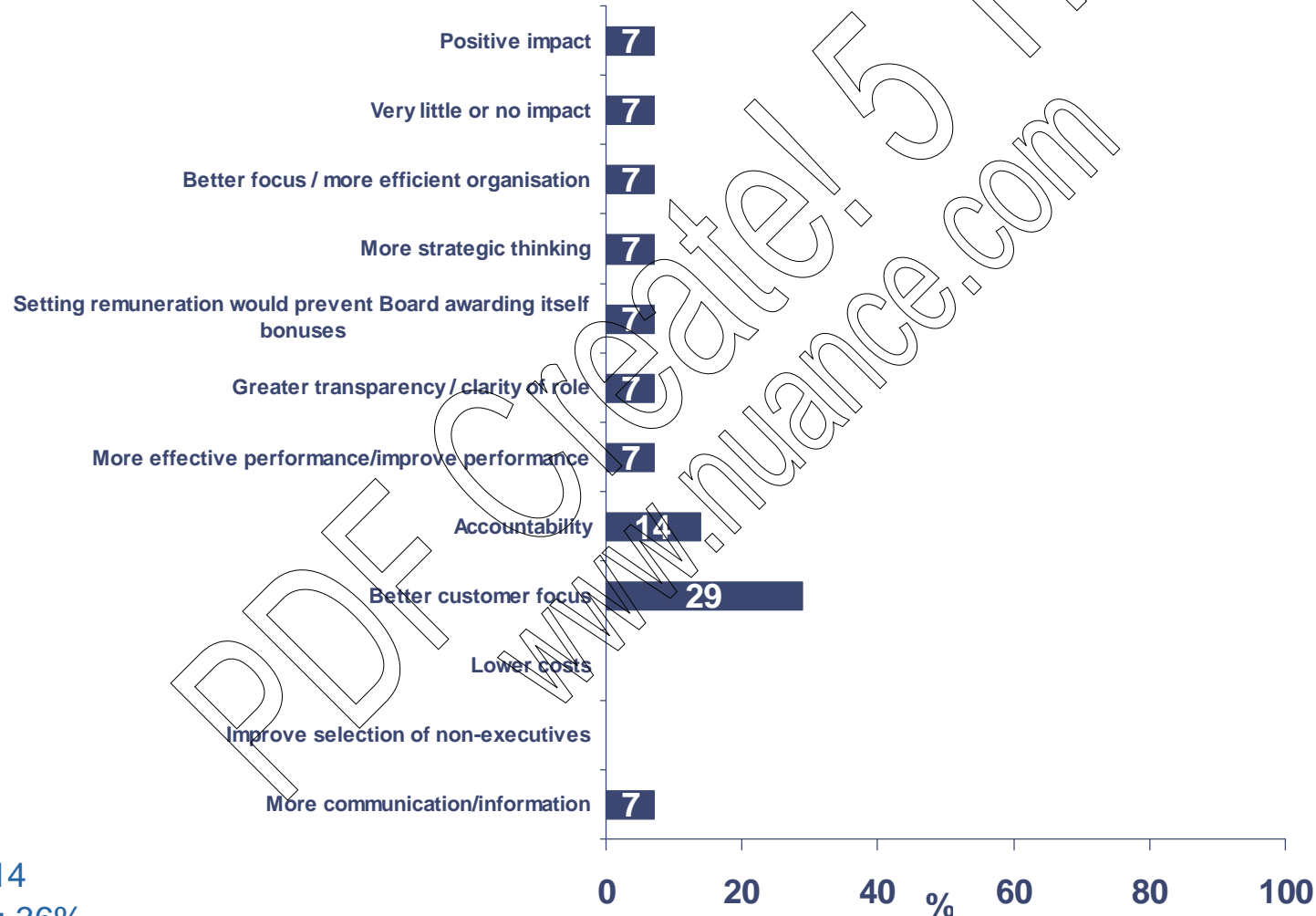
DK/NA: 25%

PricewaterhouseCoopers LLP

Q6d) What impact, if any, would this have on the performance of Network Rail?

(Open-end question with multiple responses)

Political parties & politicians



Base: 14

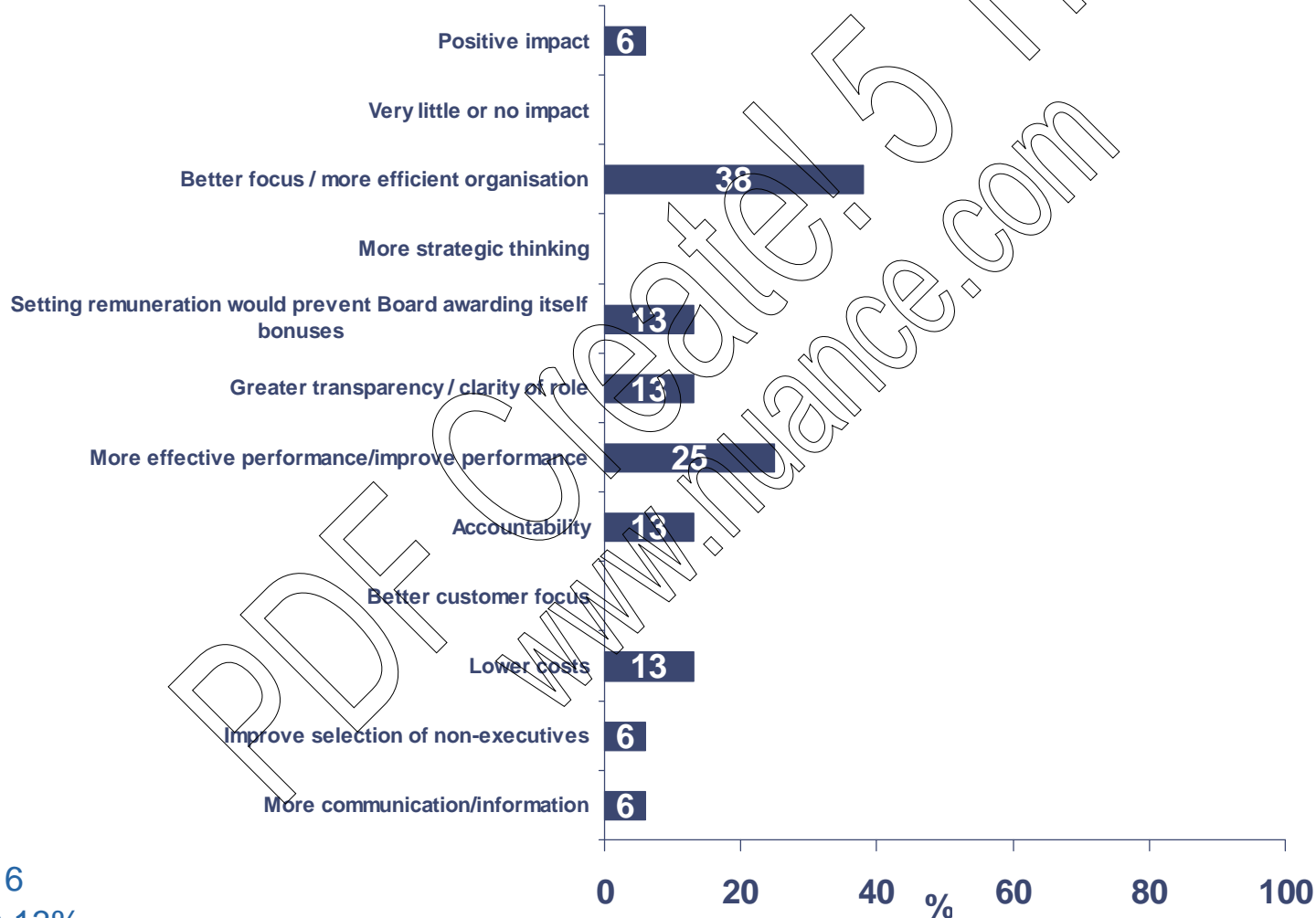
DK/NA: 36%

PricewaterhouseCoopers LLP

Q6d) What impact, if any, would this have on the performance of Network Rail?

(Open-end question with multiple responses)

Other stakeholders



Base: 16

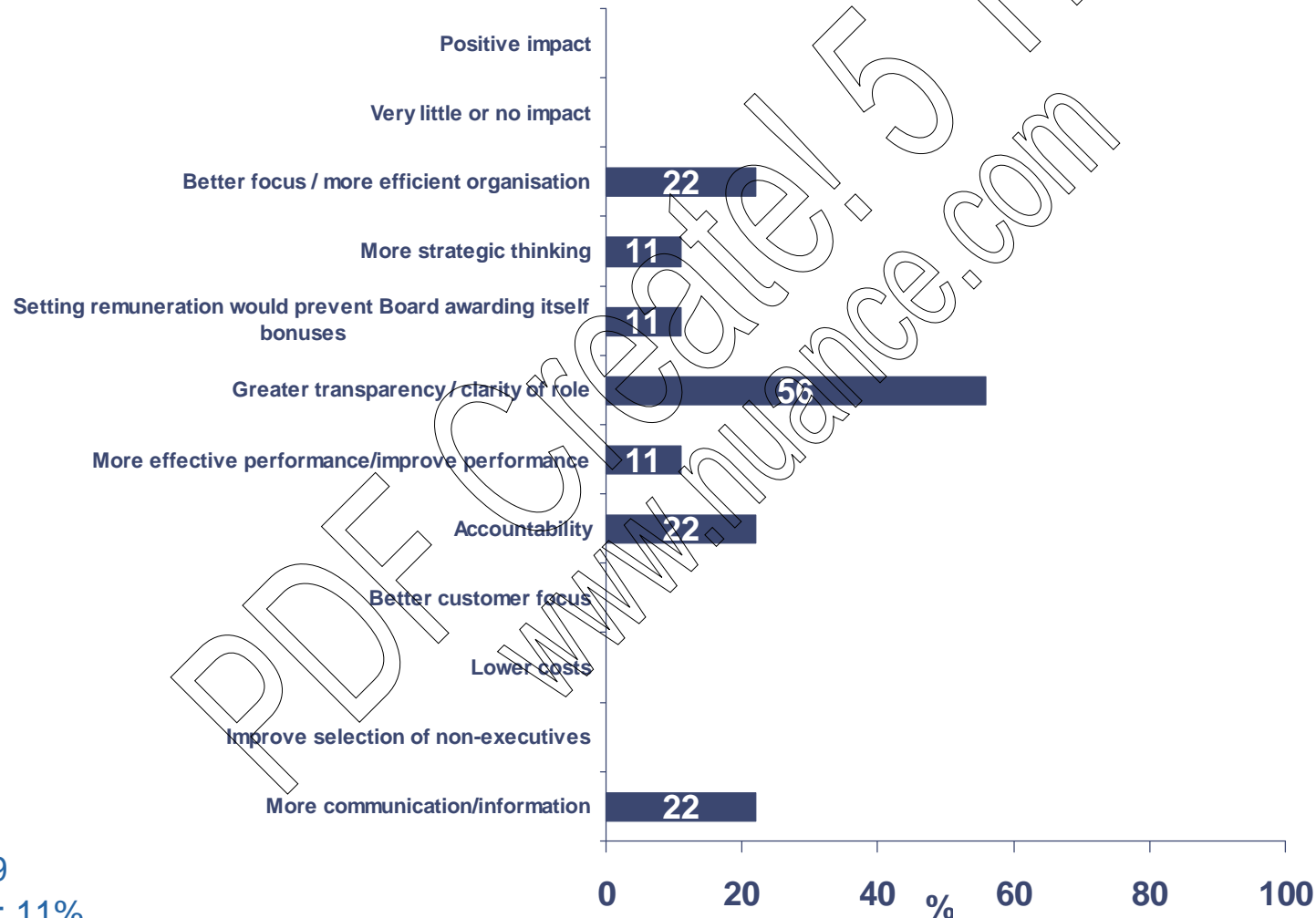
DK/NA: 13%

PricewaterhouseCoopers LLP

Q6d) What impact, if any, would this have on the performance of Network Rail?

(Open-end question with multiple responses)

NR Directors



Base: 9

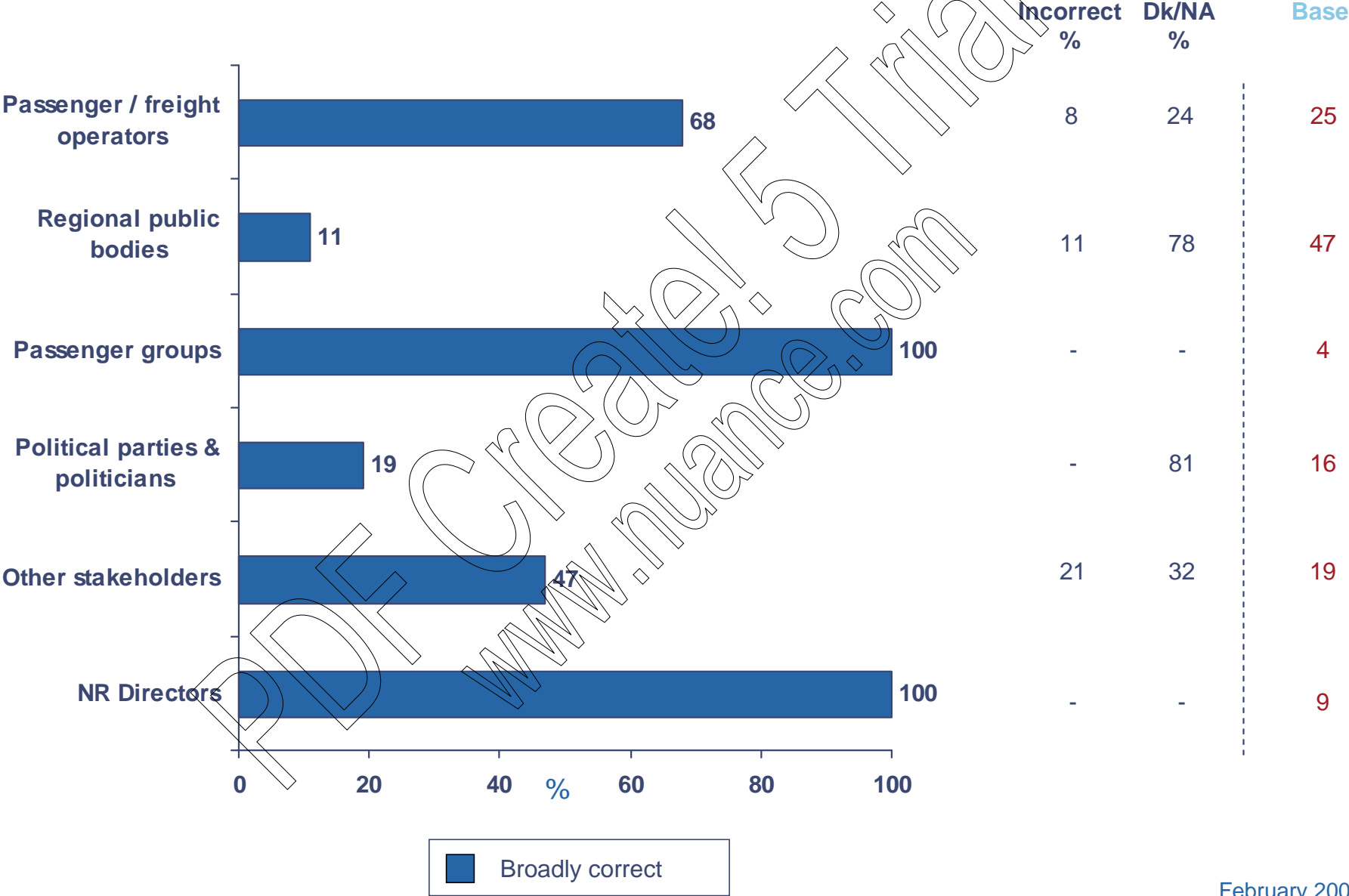
DK/NA: 11%

PricewaterhouseCoopers LLP

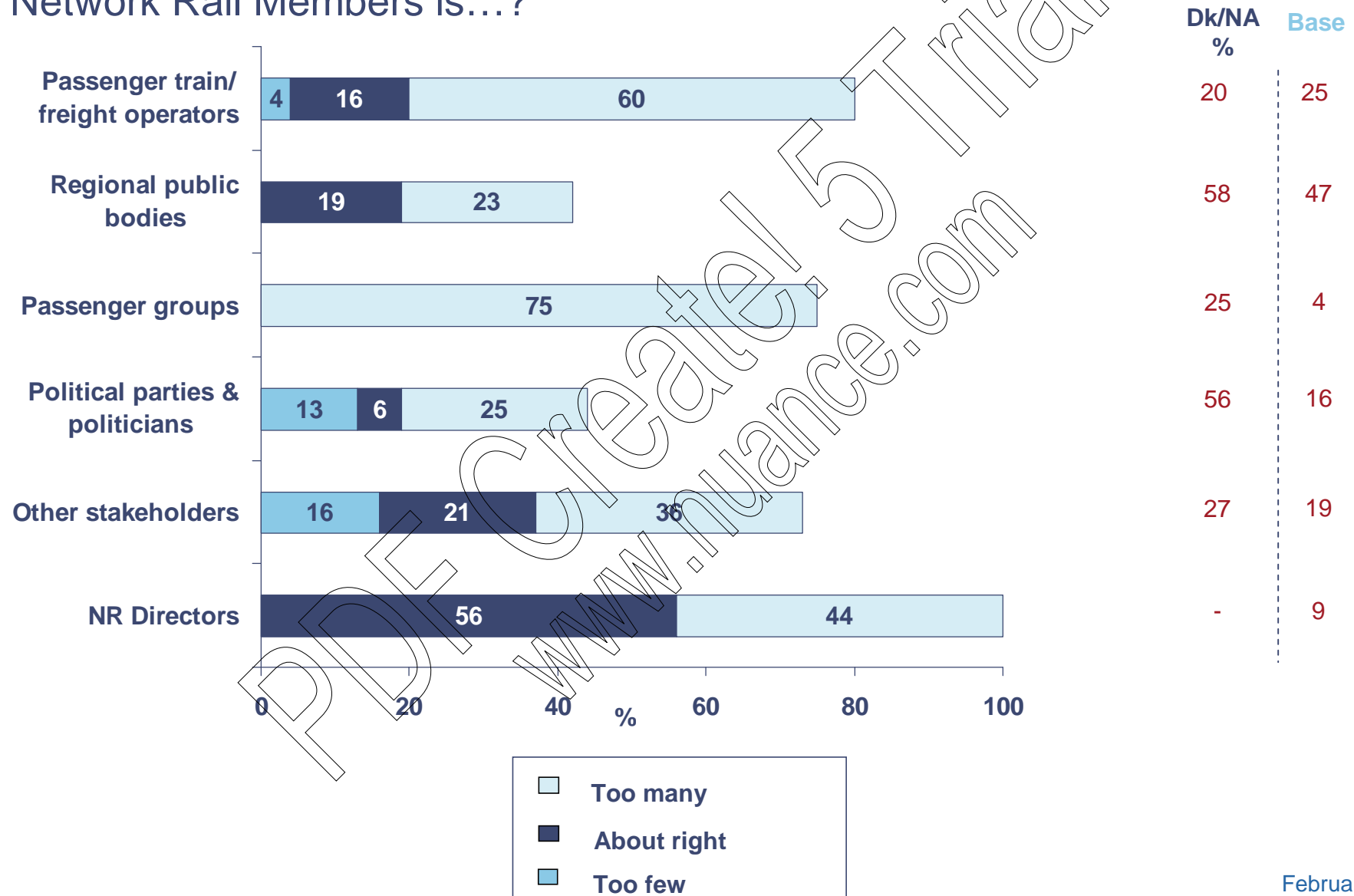
Selection and appointment of Members

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Q7. Do you know how many members Network Rail has?

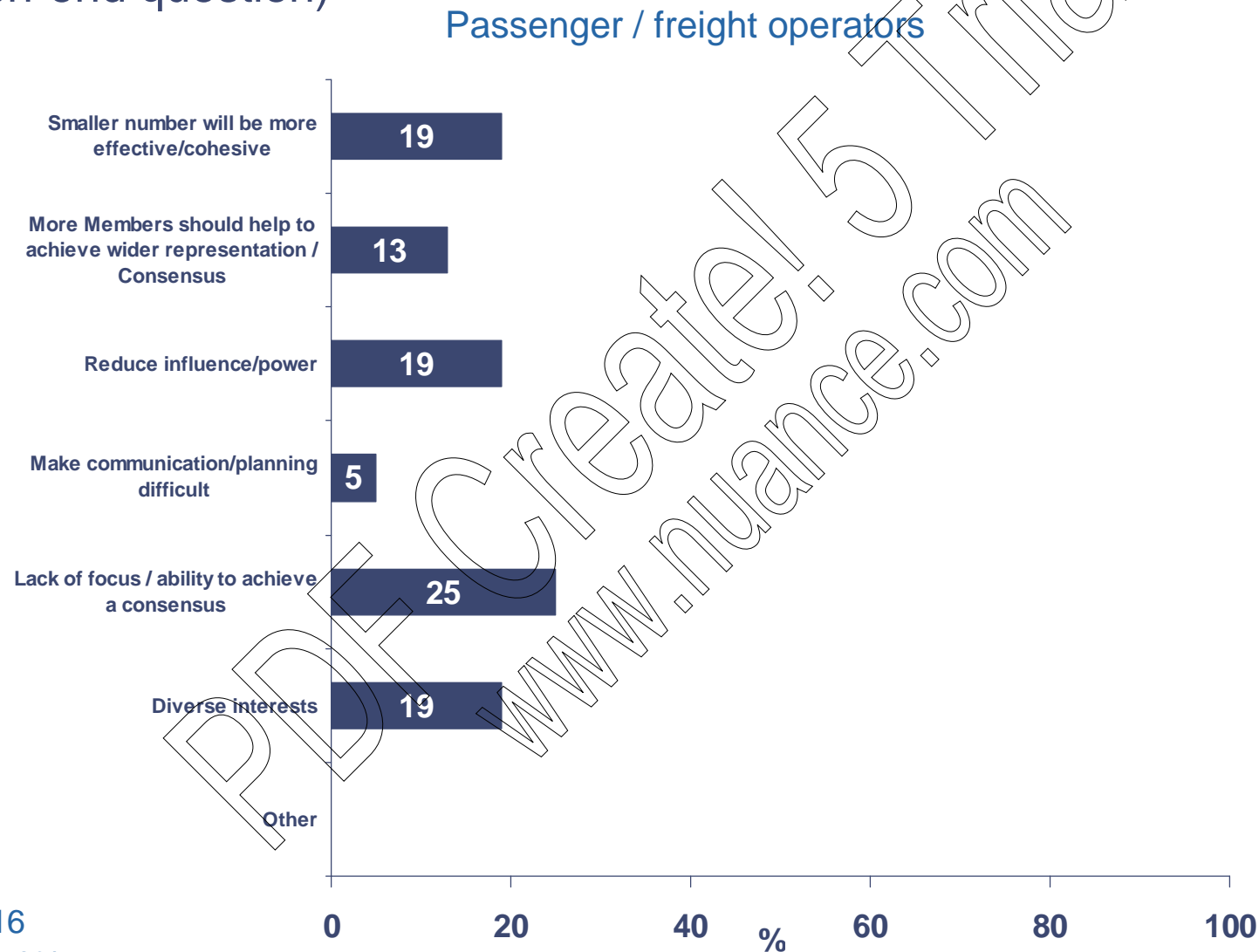


Q8a) There are just over 100 Members drawn from the railway industry and the general public. At the present time do you think the current number of Network Rail Members is...?



Q8b) If you believe there are too many or too few Members, why do you say that?

(Open-end question)



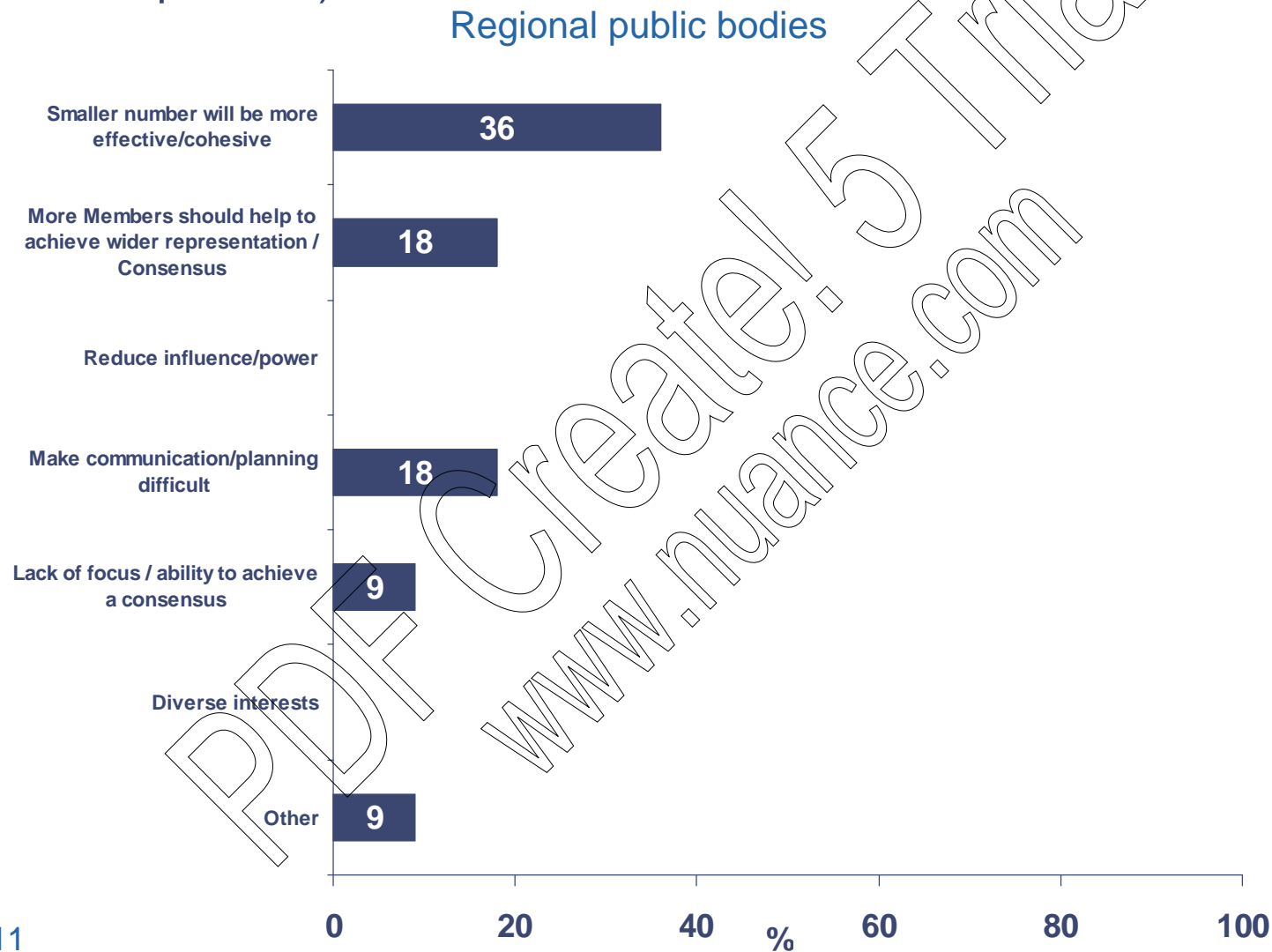
Base: 16

DK/NA: 0%

PricewaterhouseCoopers LLP

Q8b) If you believe there are too many or too few Members, why do you say that?

(Open-end question)



Base: 11

DK/NA: 10%

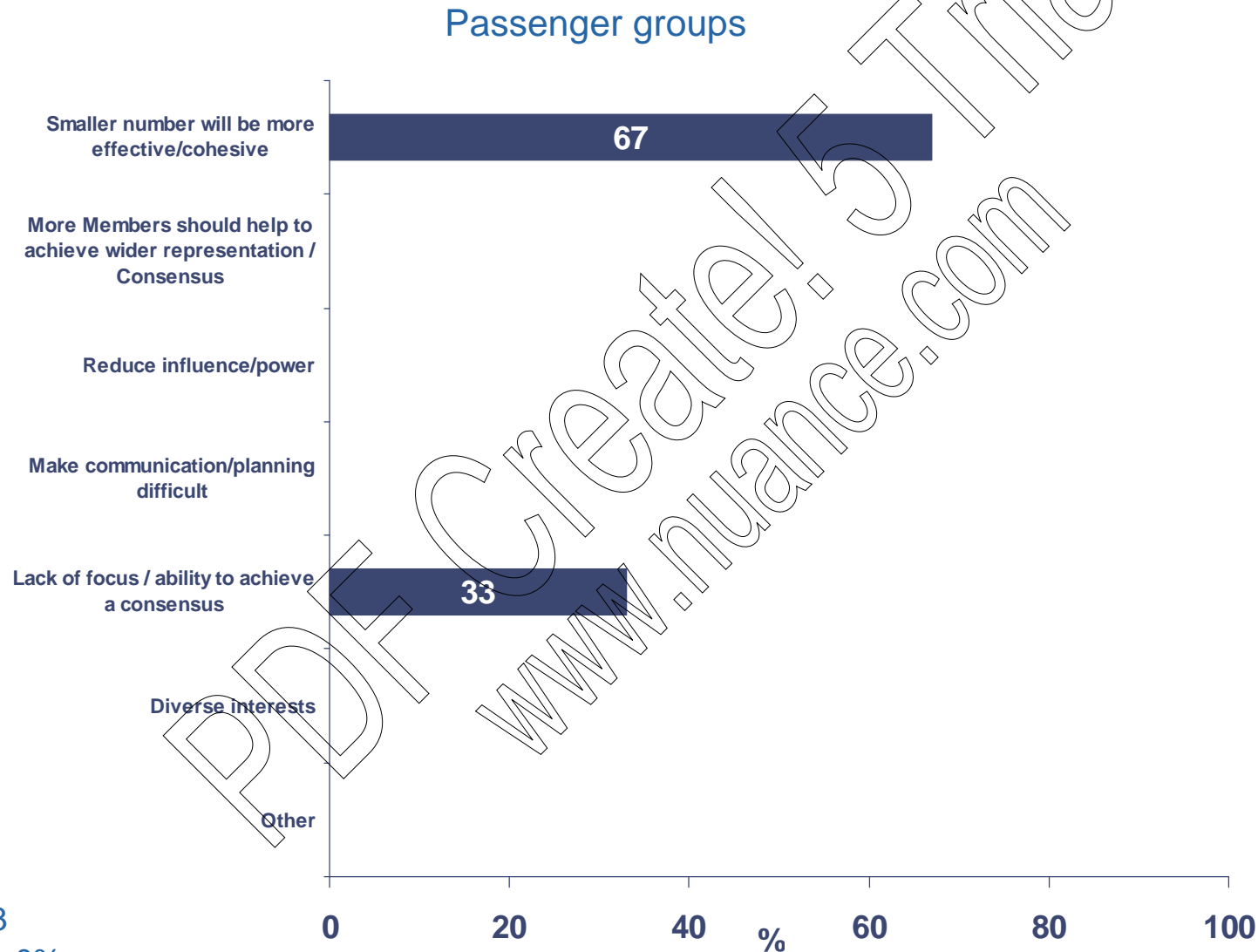
PricewaterhouseCoopers LLP

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Q8b) If you believe there are too many or too few Members, why do you say that?

(Open-end question)



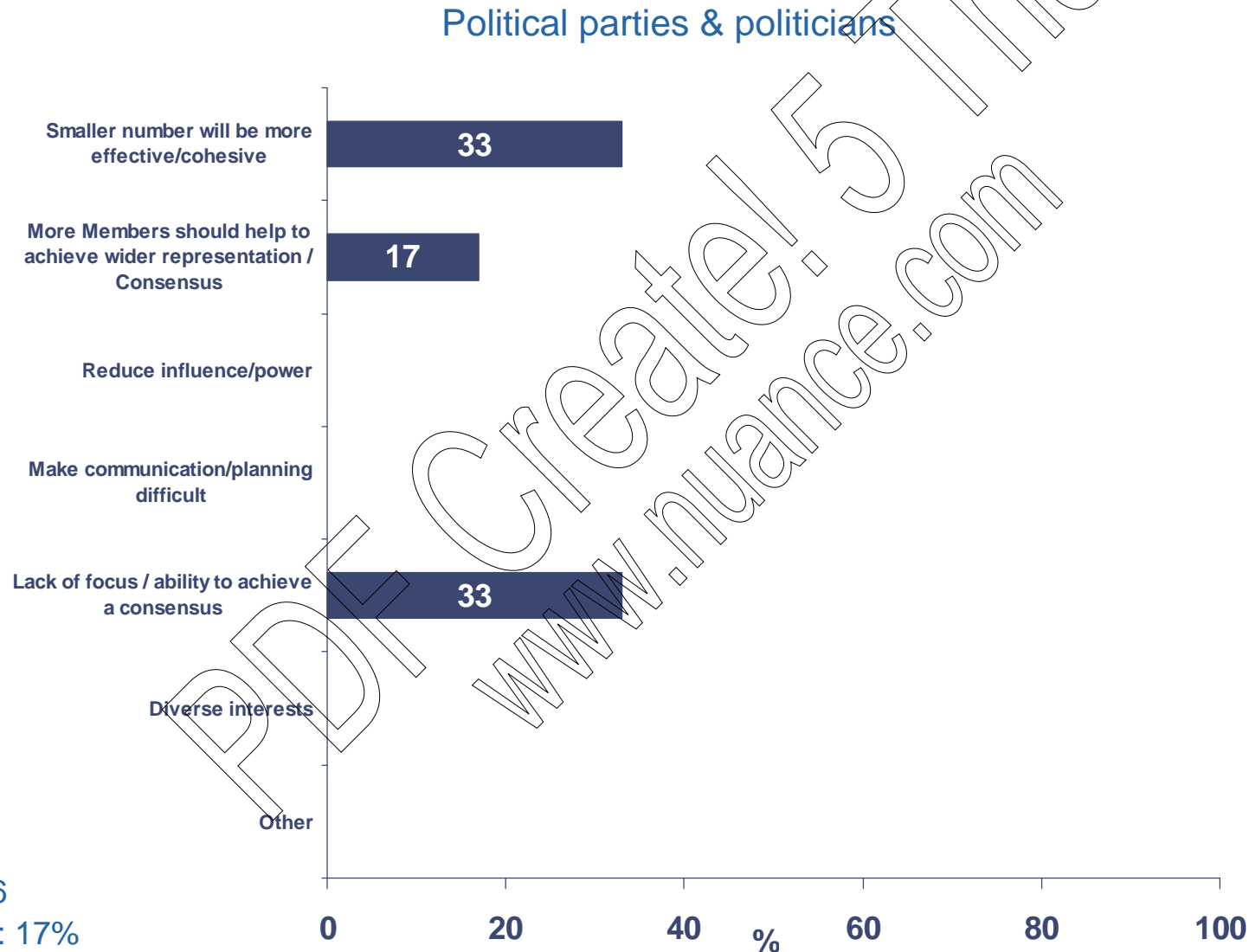
Base: 3

DK/NA: 0%

PricewaterhouseCoopers LLP

Q8b) If you believe there are too many or too few Members, why do you say that?

(Open-end question)



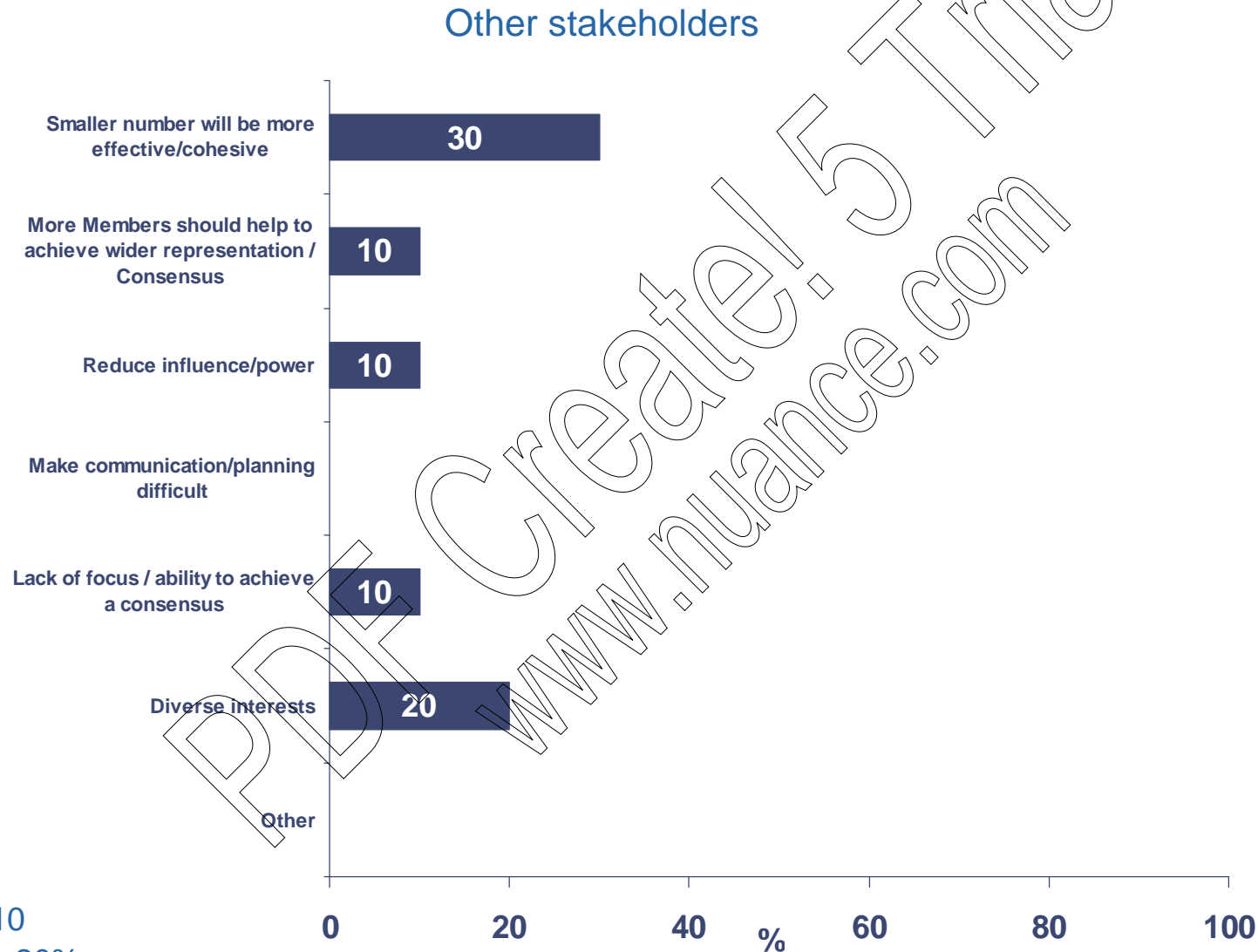
Base: 6

DK/NA: 17%

PricewaterhouseCoopers LLP

Q8b) If you believe there are too many or too few Members, why do you say that?

(Open-end question)



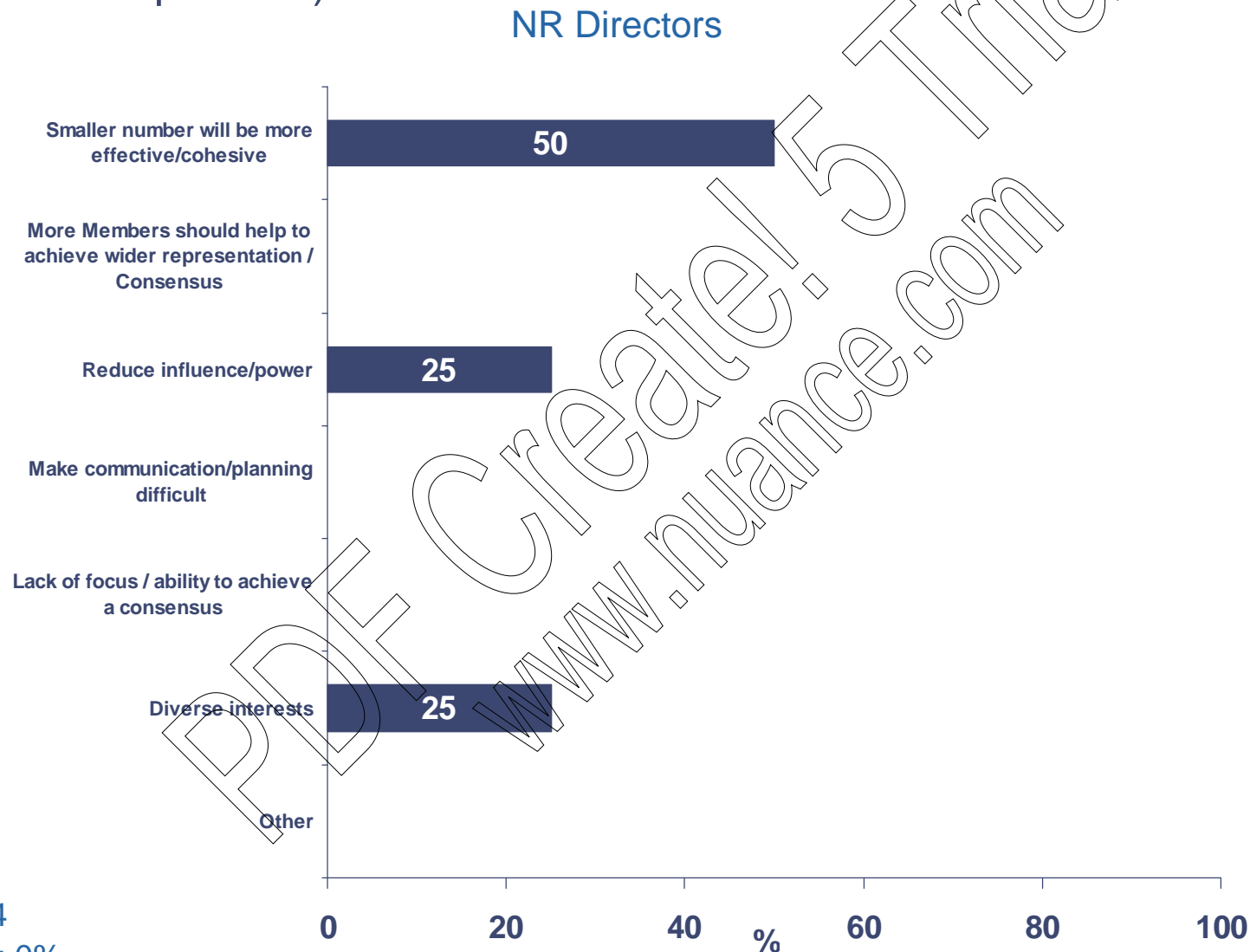
Base: 10

DK/NA: 20%

PricewaterhouseCoopers LLP

Q8b) If you believe there are too many or too few Members, why do you say that?

(Open-end question)



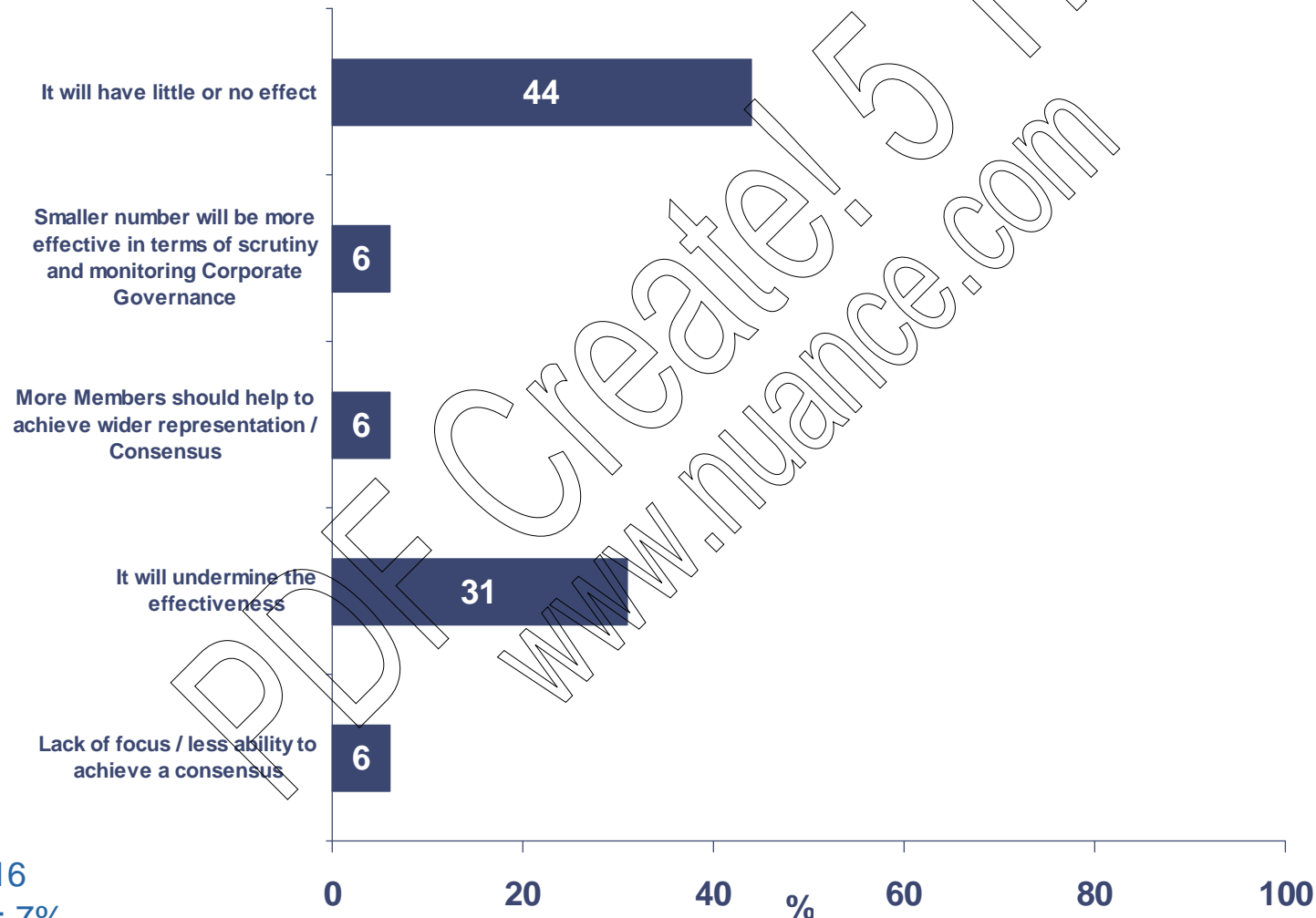
Base: 4

DK/NA: 0%

PricewaterhouseCoopers LLP

Q8c i) What impact do you think the number of Members has on the effectiveness of the Corporate Governance practices in Network Rail? (Open-end question)

Passenger / freight operators

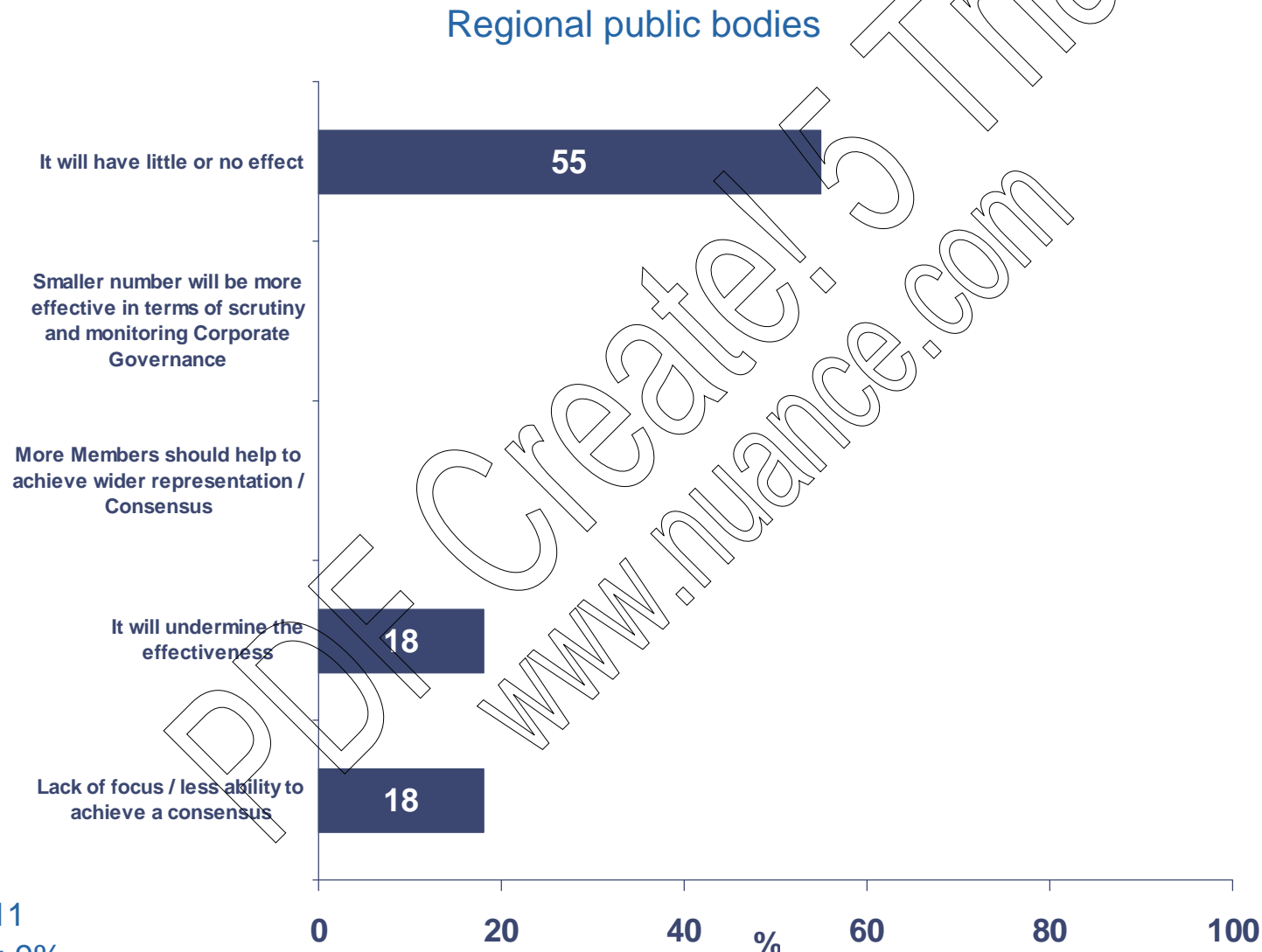


Base: 16

DK/NA: 7%

PricewaterhouseCoopers LLP

Q8c i) What impact do you think the number of Members has on the effectiveness of the Corporate Governance practices in Network Rail? (Open-end question)

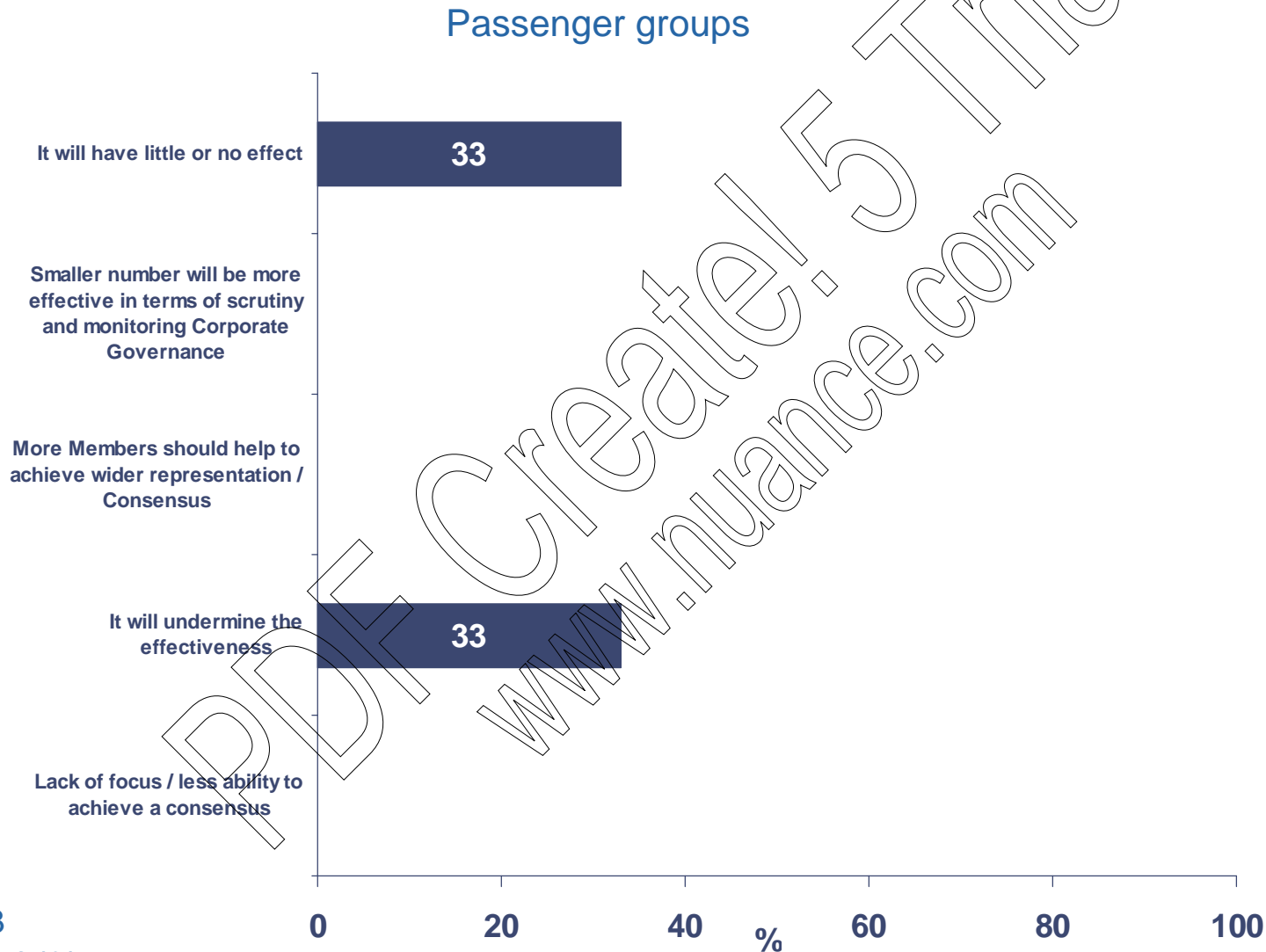


Base: 11

DK/NA: 9%

PricewaterhouseCoopers LLP

Q8c i) What impact do you think the number of Members has on the effectiveness of the Corporate Governance practices in Network Rail?
(Open-end question)

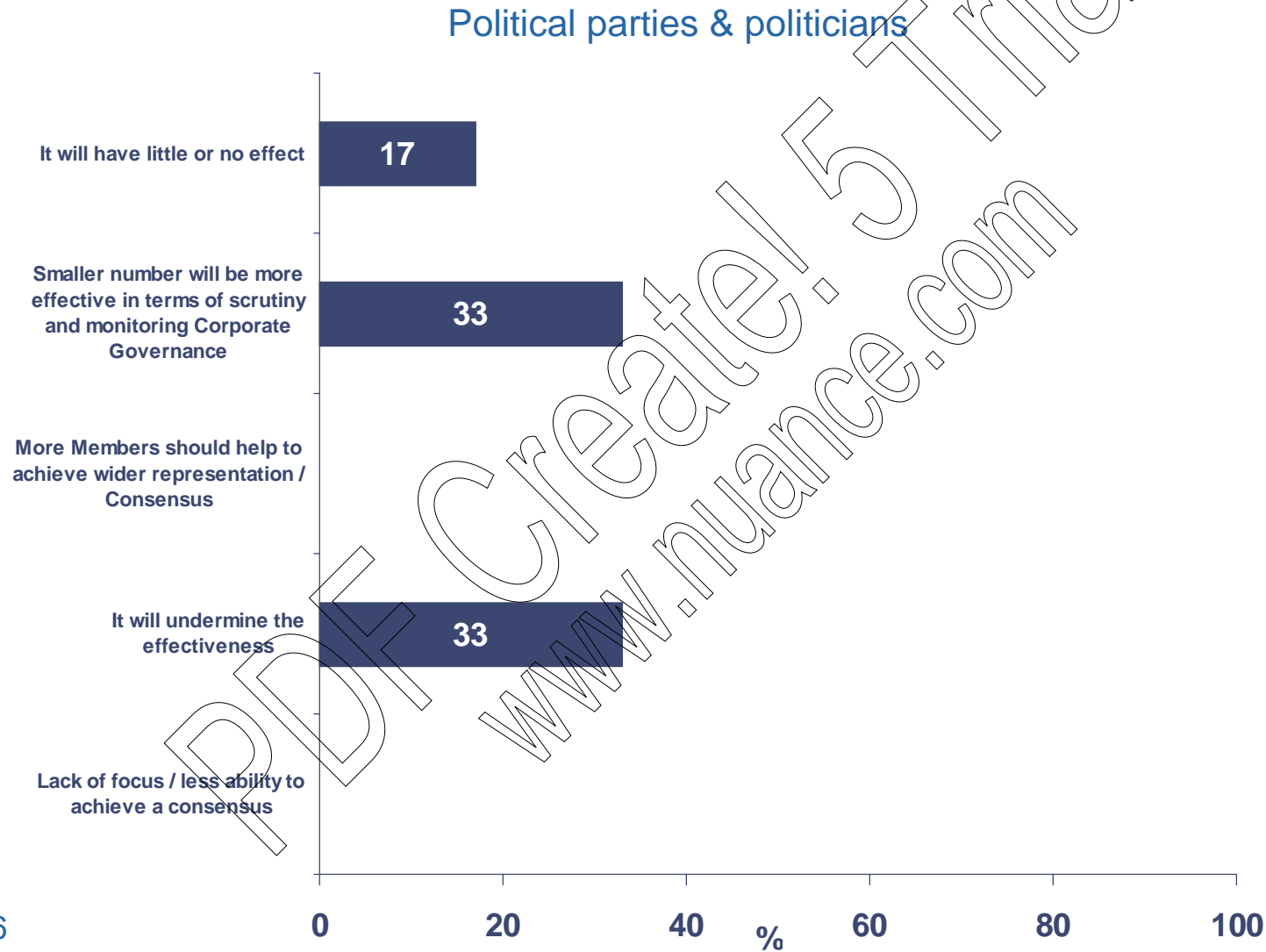


Base: 3

DK/NA: 34%

PricewaterhouseCoopers LLP

Q8c i) What impact do you think the number of Members has on the effectiveness of the Corporate Governance practices in Network Rail? (Open-end question)

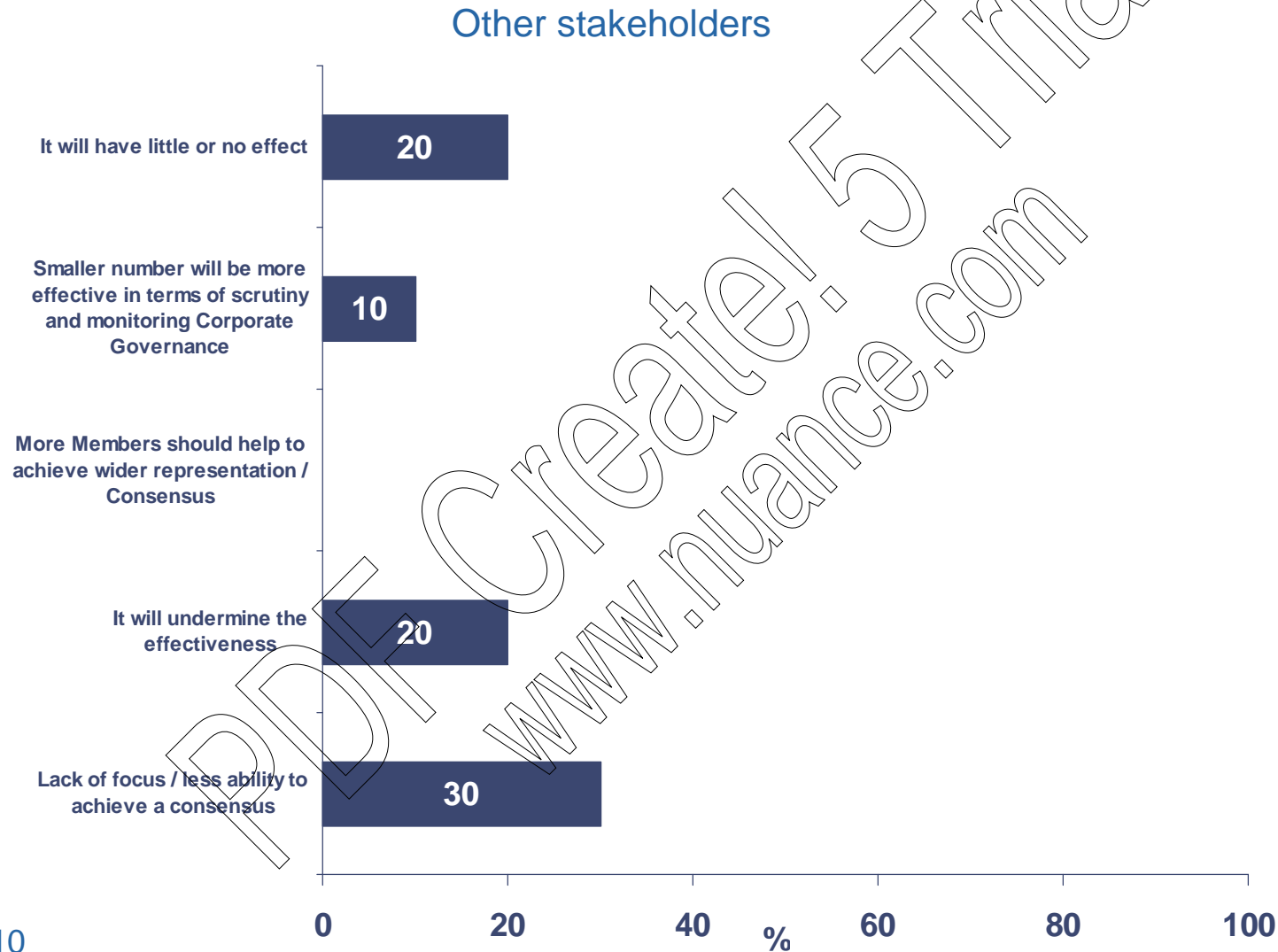


Base: 6

DK/NA: 17%

PricewaterhouseCoopers LLP

Q8c i) What impact do you think the number of Members has on the effectiveness of the Corporate Governance practices in Network Rail?
(Open-end question)

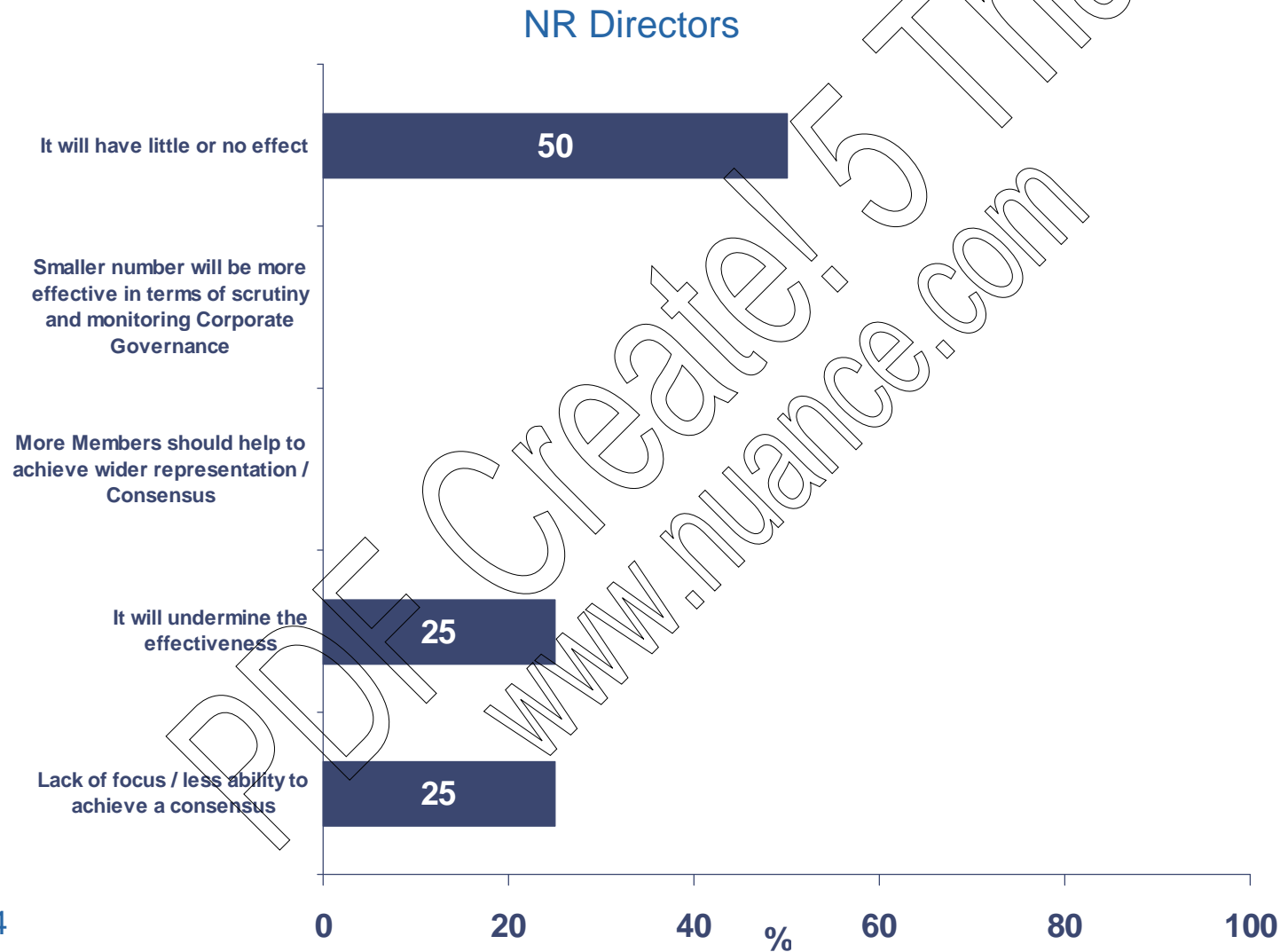


Base: 10

DK/NA: 20%

PricewaterhouseCoopers LLP

Q8c i) What impact do you think the number of Members has on the effectiveness of the Corporate Governance practices in Network Rail?
(Open-end question)



Base: 4

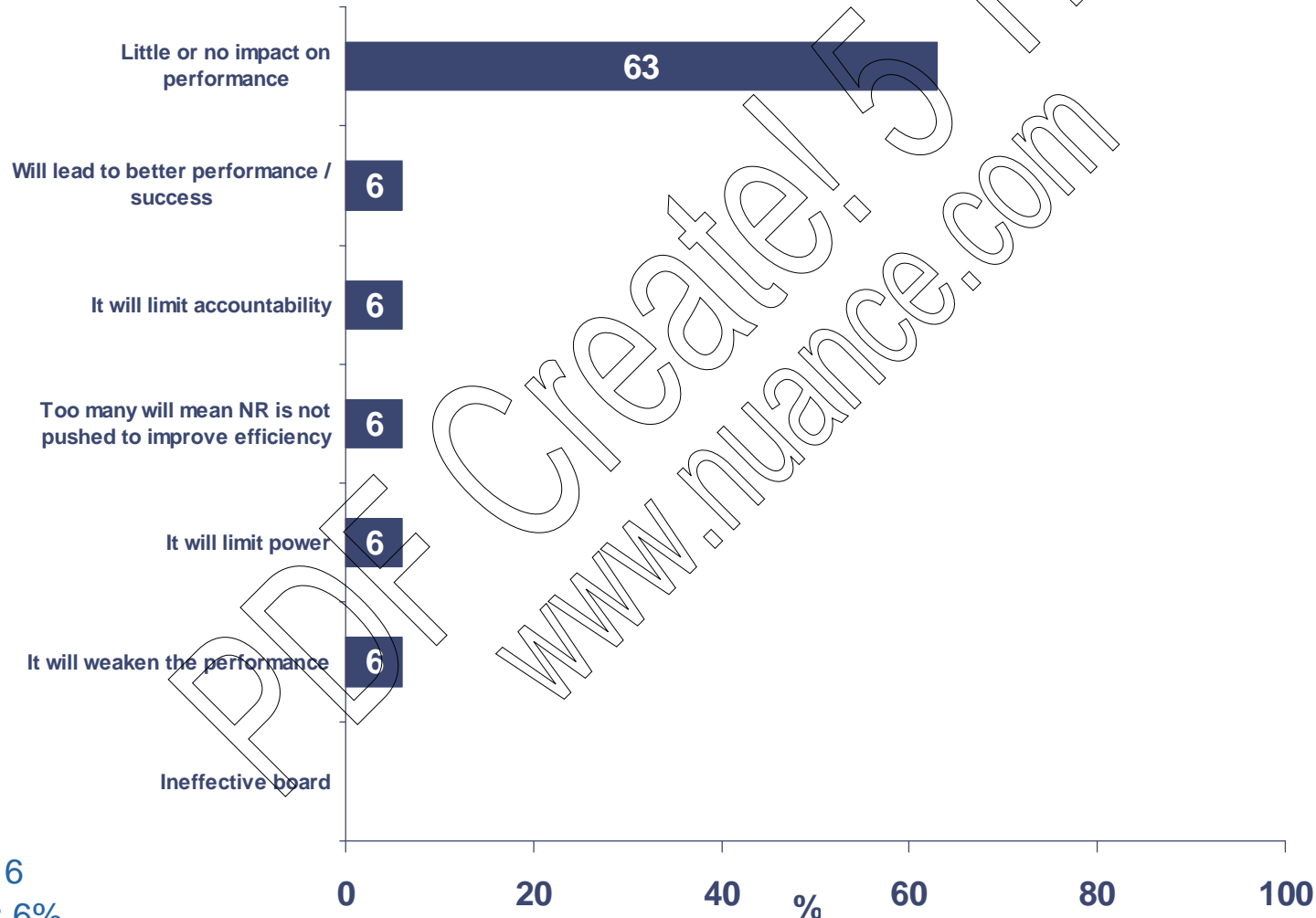
DK/NA: 0%

PricewaterhouseCoopers LLP

Q8c ii) What impact do you think the number of Members has on the performance of Network Rail?

(Open-end question with multiple responses)

Passenger / freight operators



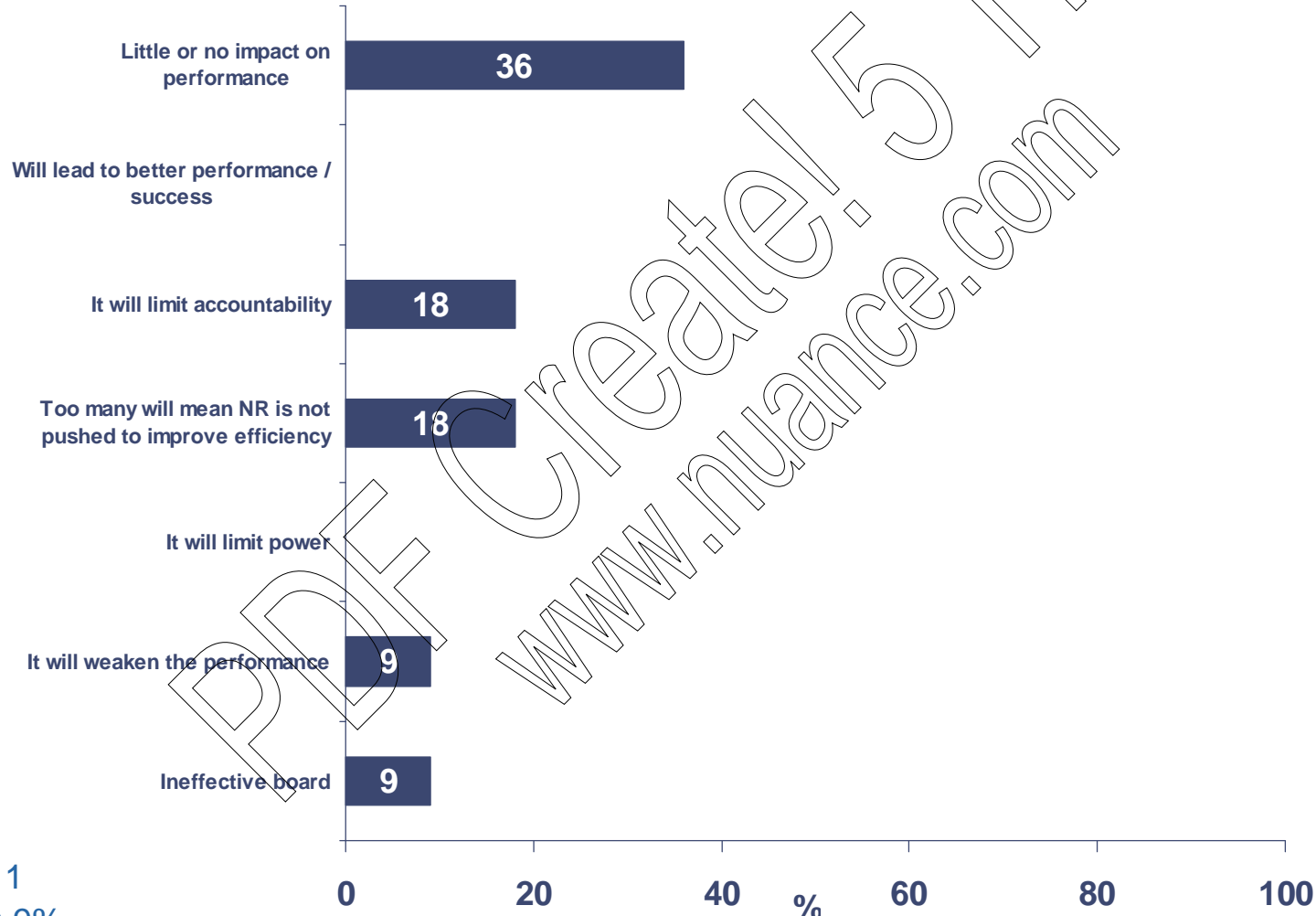
Base: 16

DK/NA: 6%

PricewaterhouseCoopers LLP

Q8c ii) What impact do you think the number of Members has on the performance of Network Rail? (Open-end question with multiple responses)

Regional public bodies



Base: 11

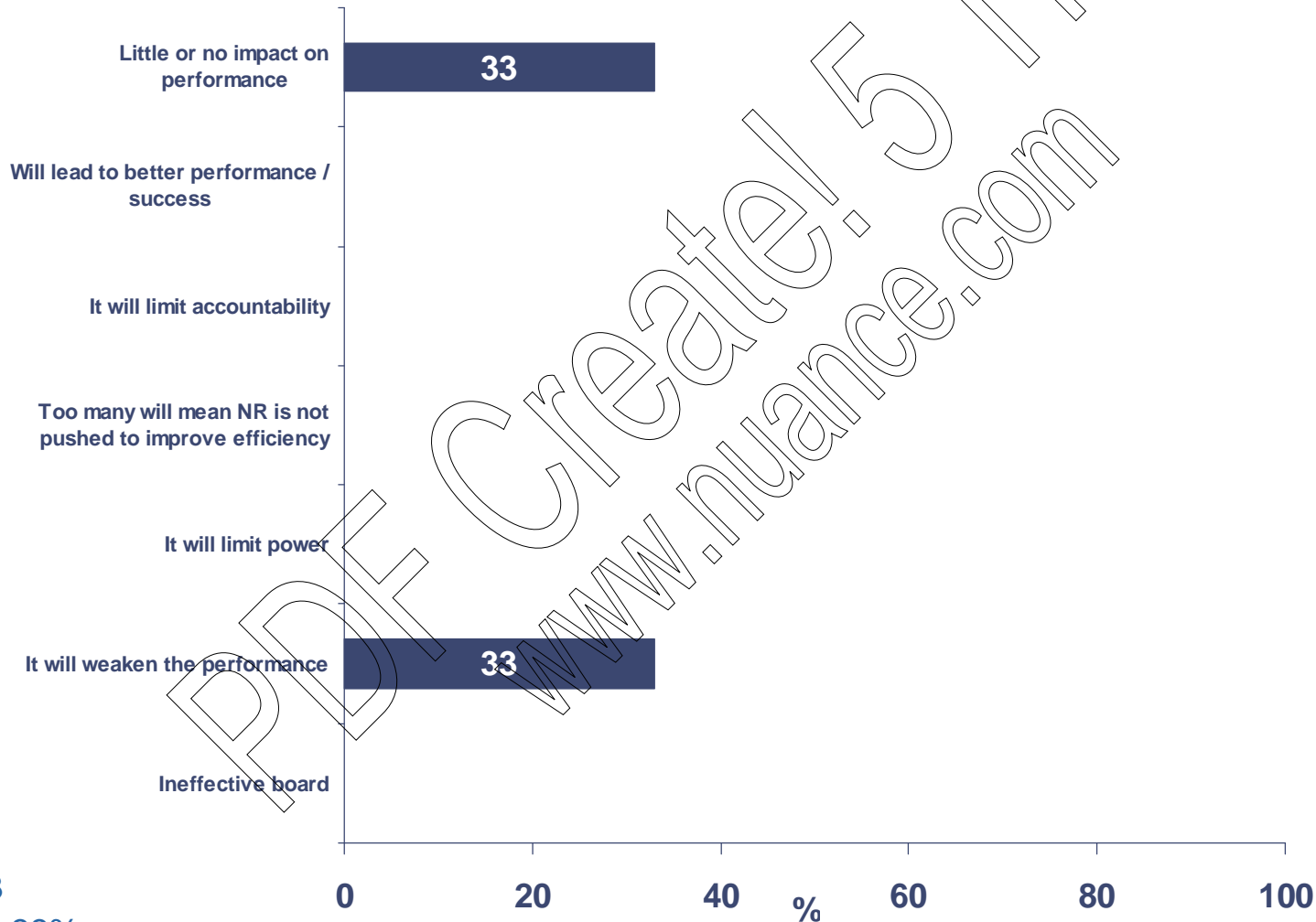
DK/NA: 9%

PricewaterhouseCoopers LLP

Q8c ii) What impact do you think the number of Members has on the performance of Network Rail?

(Open-end question with multiple responses)

Passenger groups



Base: 3

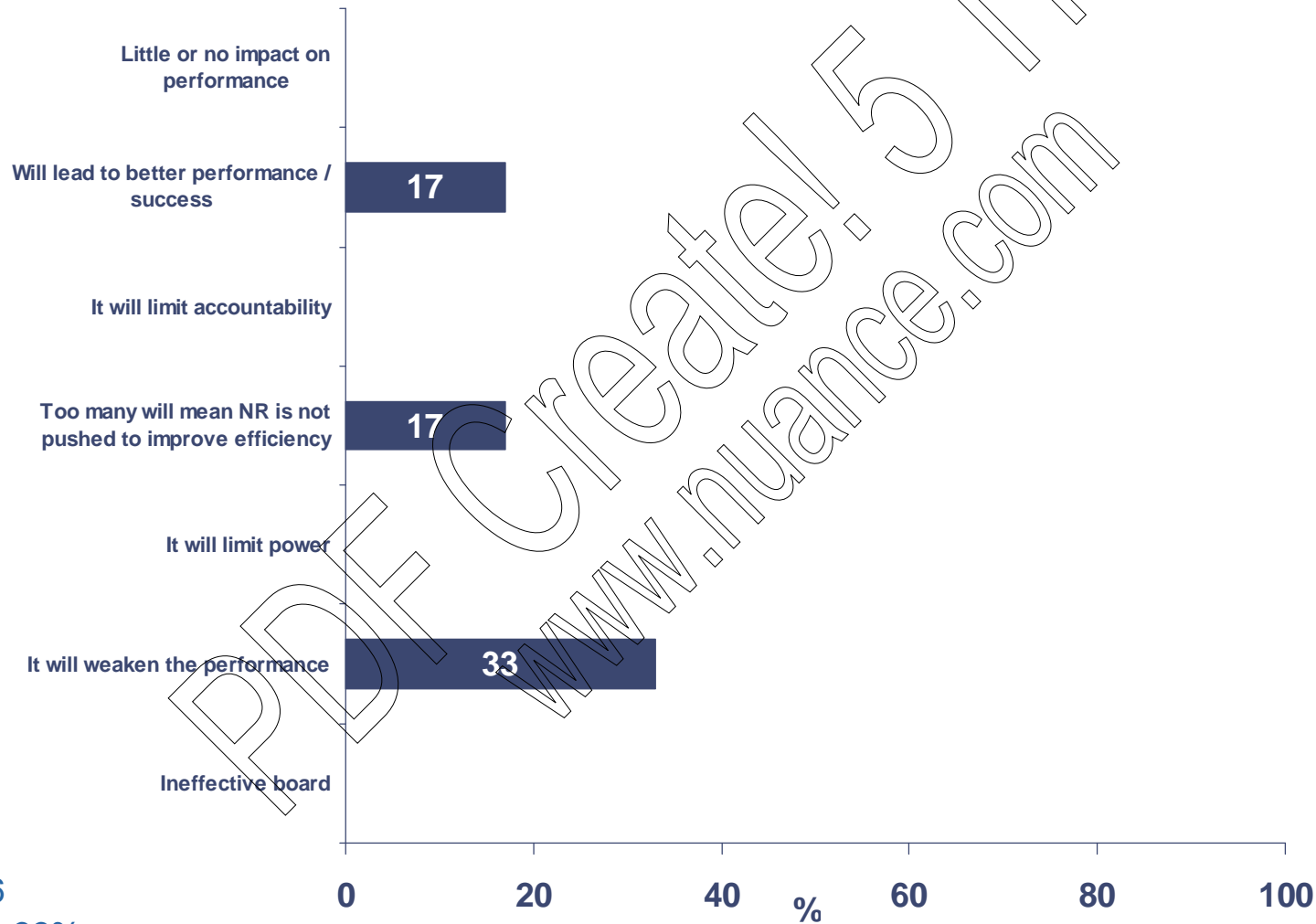
DK/NA: 33%

PricewaterhouseCoopers LLP

Q8c ii) What impact do you think the number of Members has on the performance of Network Rail?

(Open-end question with multiple responses)

Political parties & politicians



Base: 6

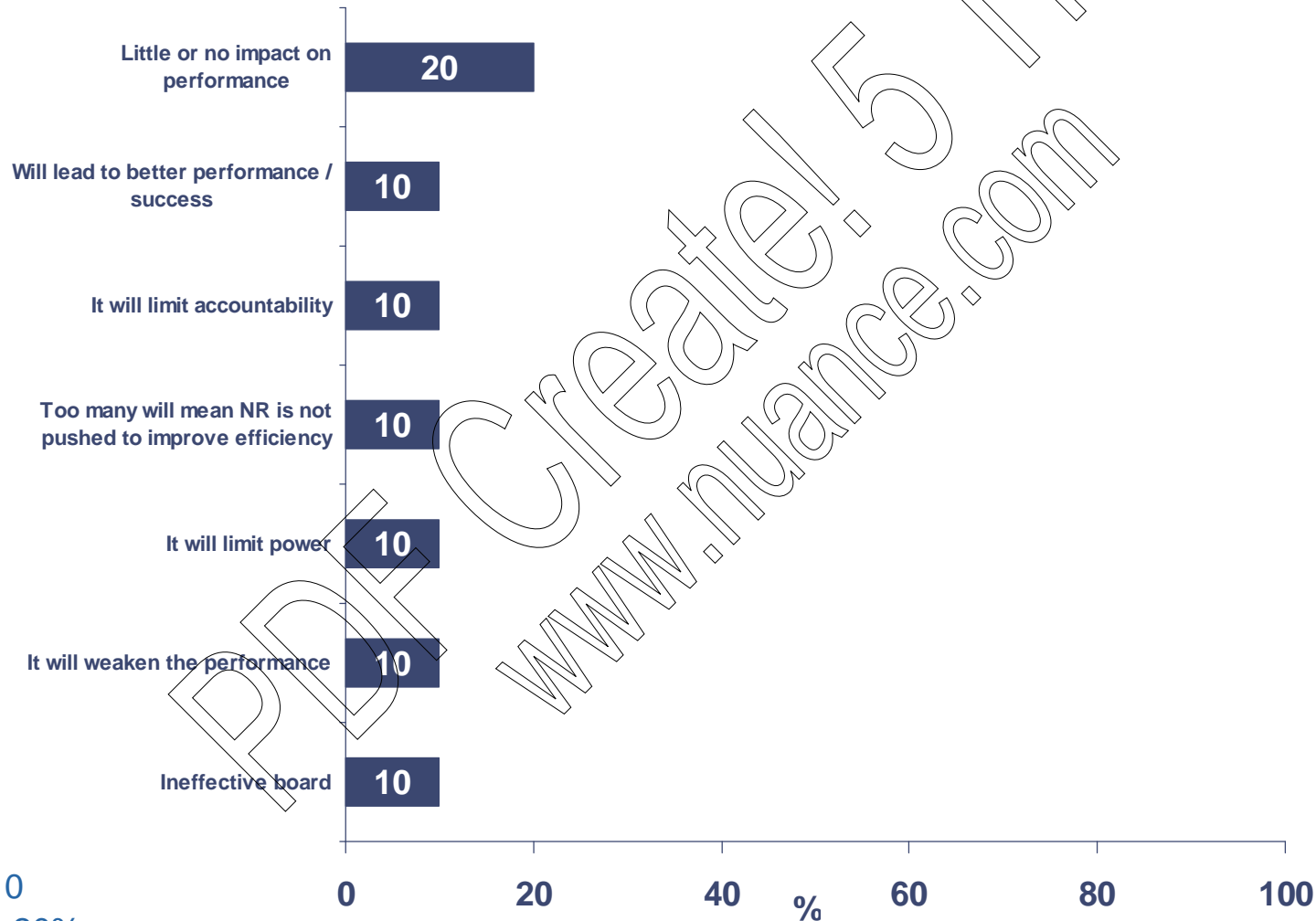
DK/NA: 33%

PricewaterhouseCoopers LLP

Q8c ii) What impact do you think the number of Members has on the performance of Network Rail?

(Open-end question with multiple responses)

Other stakeholders



Base: 10

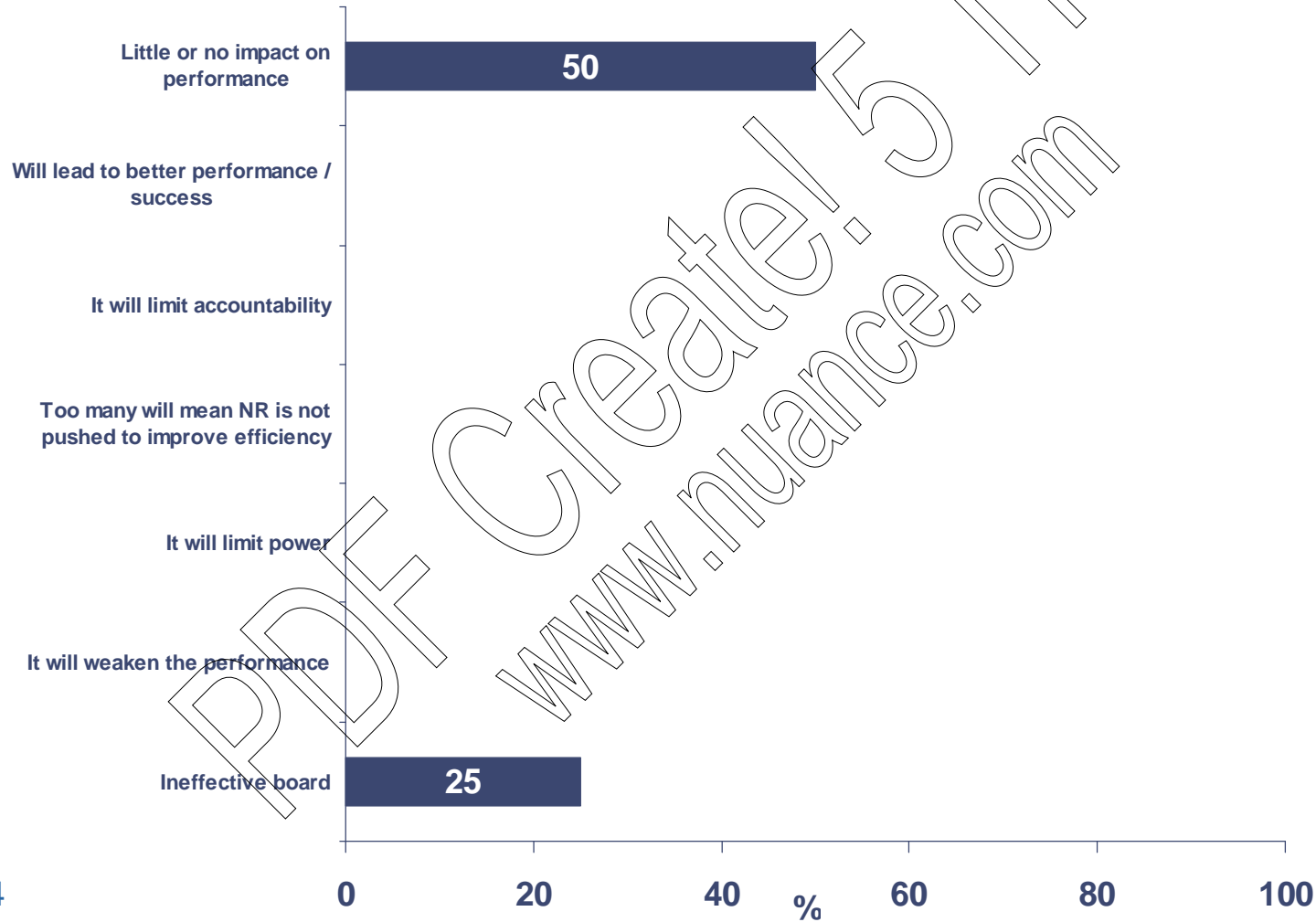
DK/NA: 20%

PricewaterhouseCoopers LLP

Q8c ii) What impact do you think the number of Members has on the performance of Network Rail?

(Open-end question with multiple responses)

NR Directors



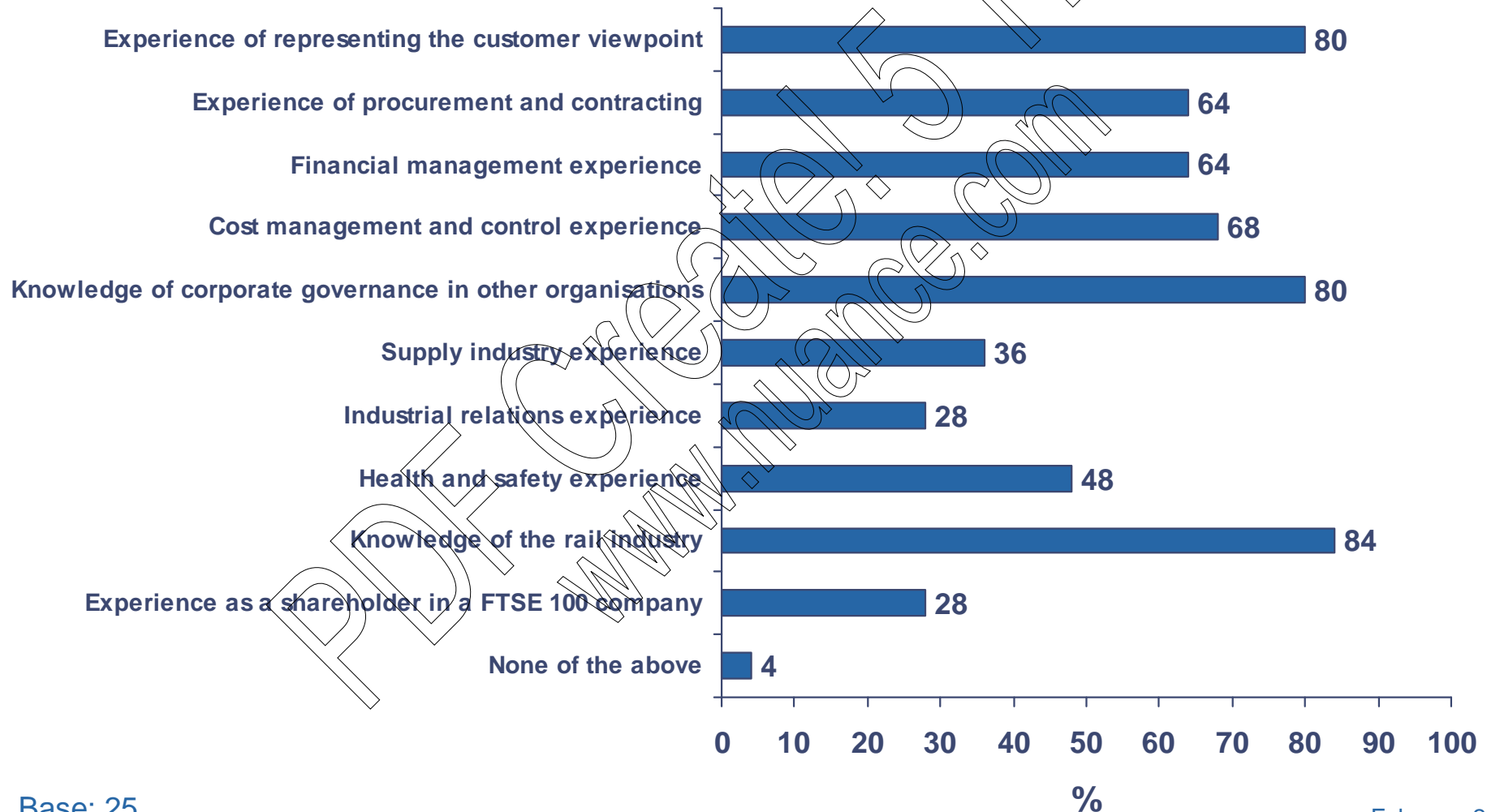
Base: 4

DK/NA: 25%

PricewaterhouseCoopers LLP

Q9a) In your opinion, which of the following skills are appropriate in the mix of skills that Network Rail Members should have? Select all that apply

Passenger / freight operators



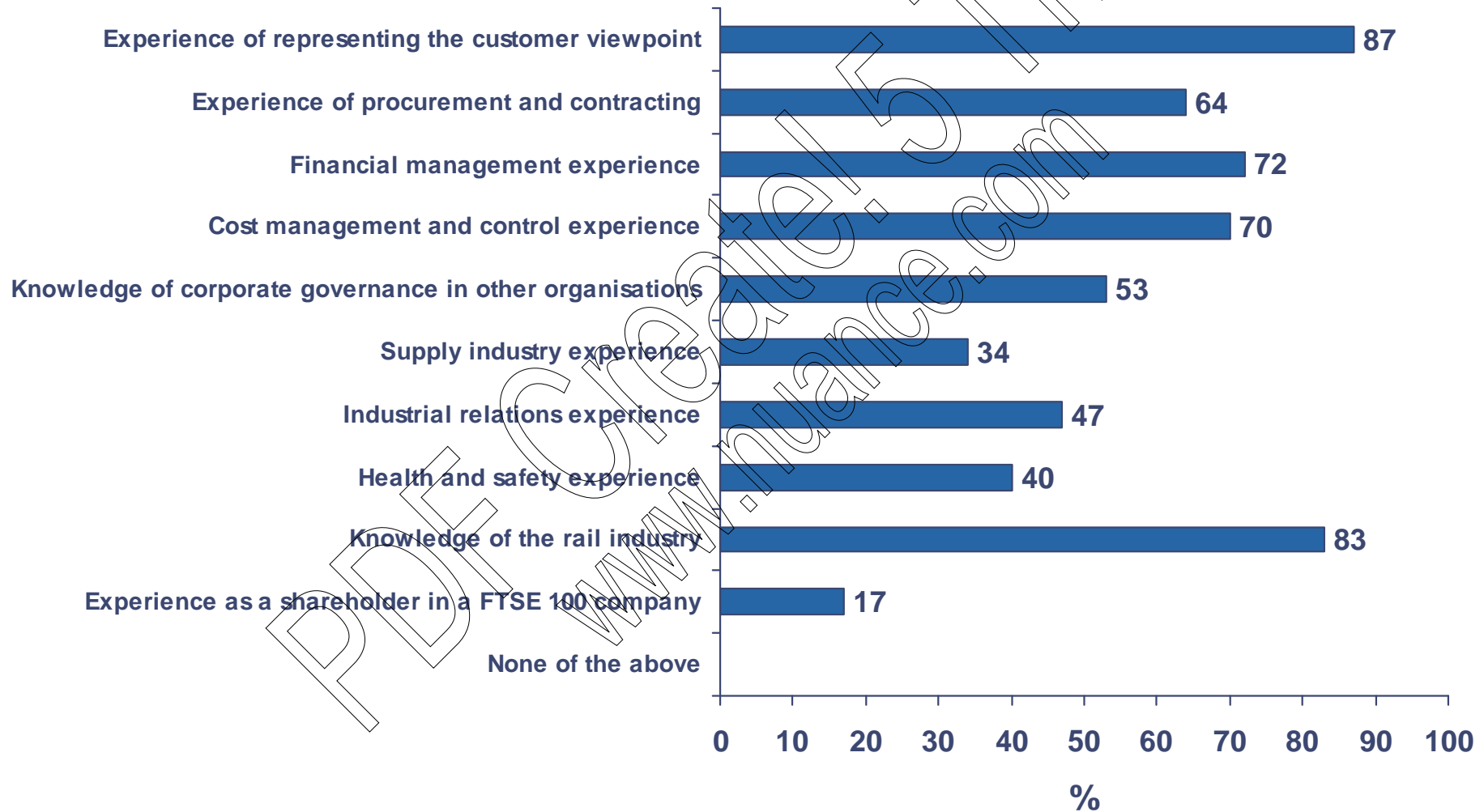
Base: 25

PricewaterhouseCoopers LLP

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Q9a) In your opinion, which of the following skills are appropriate in the mix of skills that Network Rail Members should have? Select all that apply

Regional public bodies



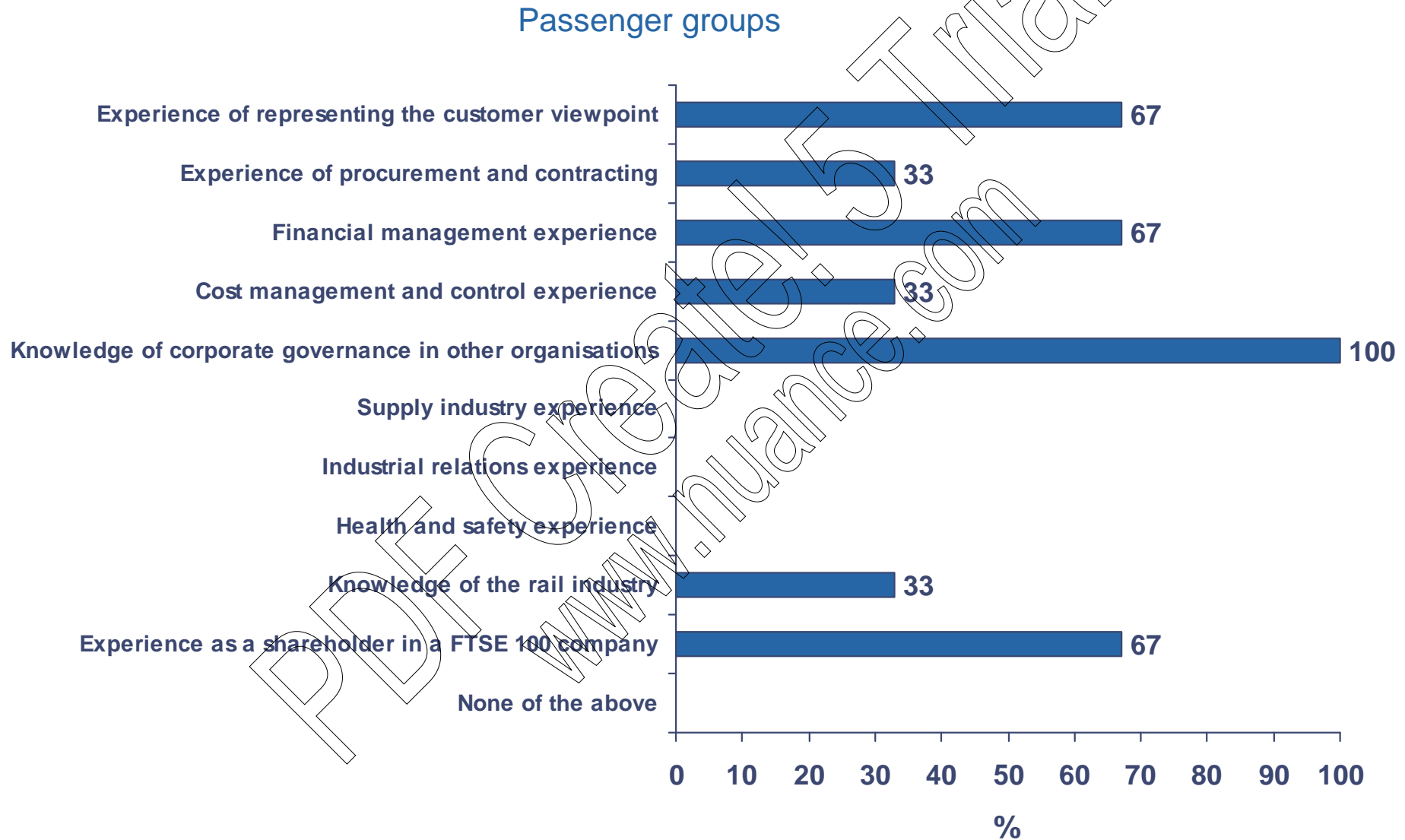
Base: 47

PricewaterhouseCoopers LLP

February 2009

Slide 95

Q9a) In your opinion, which of the following skills are appropriate in the mix of skills that Network Rail Members should have? Select all that apply



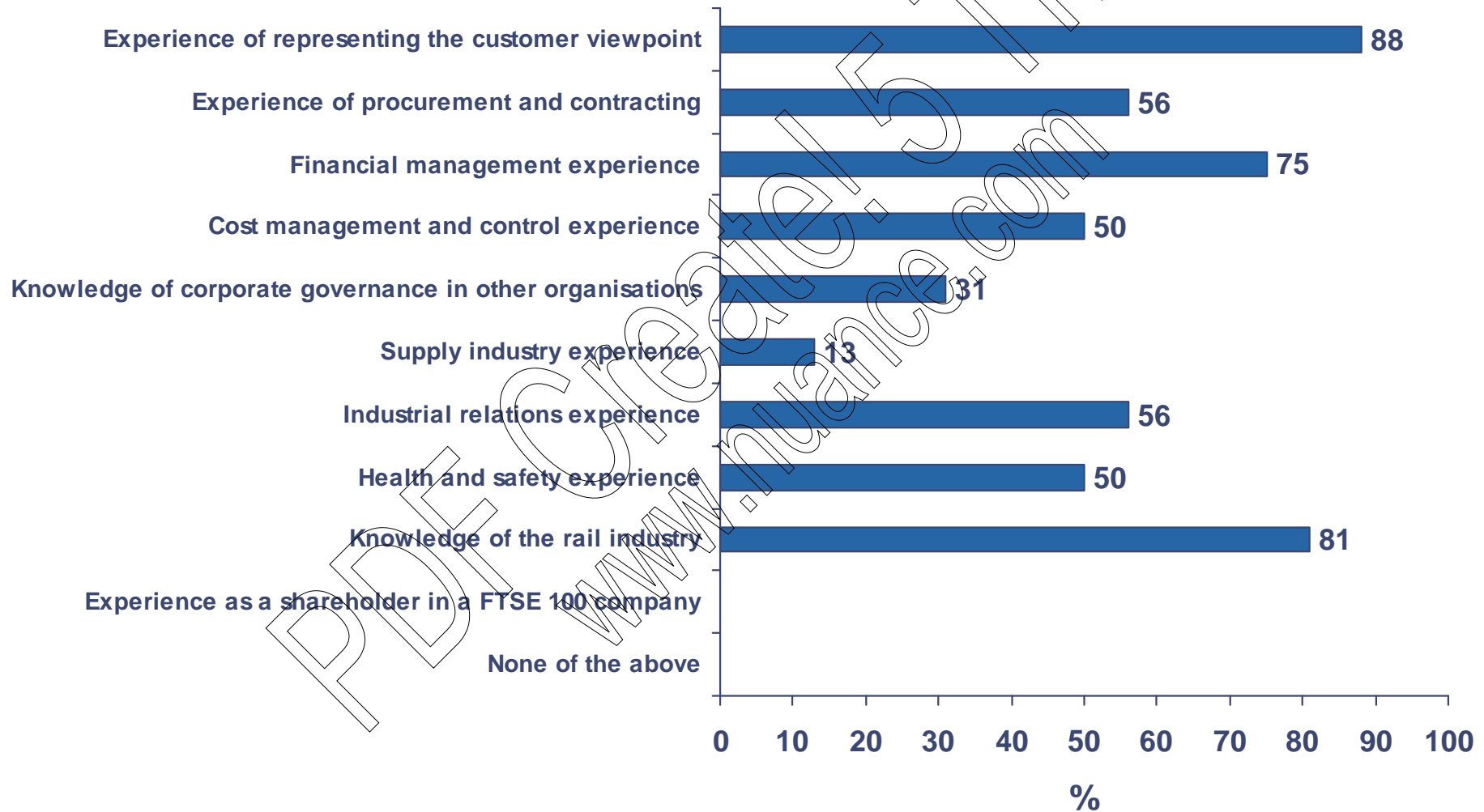
Base: 3

PricewaterhouseCoopers LLP

February 2009
Slide 96

Q9a) In your opinion, which of the following skills are appropriate in the mix of skills that Network Rail Members should have? Select all that apply

Political parties & politicians



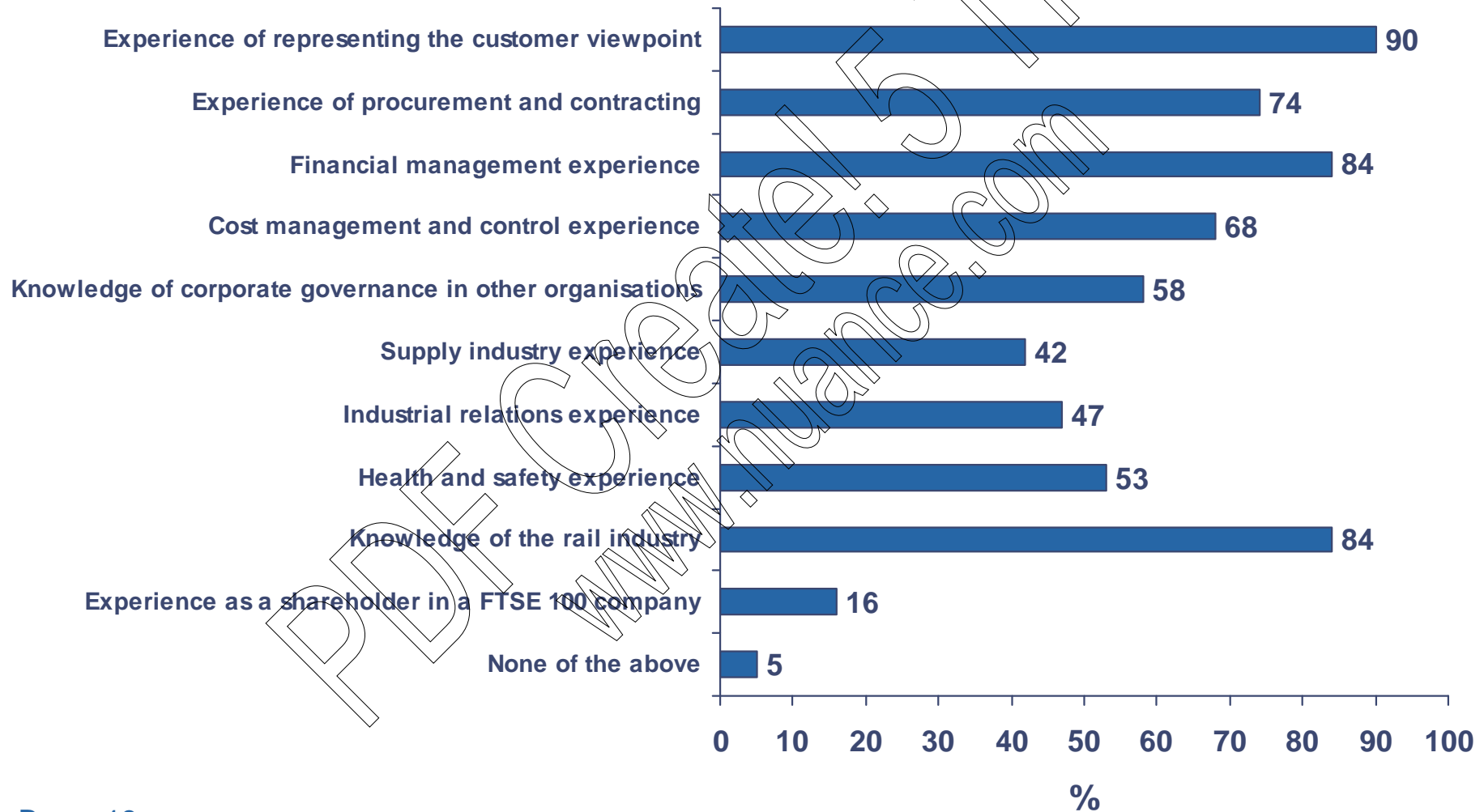
Base: 16

PricewaterhouseCoopers LLP

February 2009
Slide 97

Q9a) In your opinion, which of the following skills are appropriate in the mix of skills that Network Rail Members should have? Select all that apply

Other stakeholders

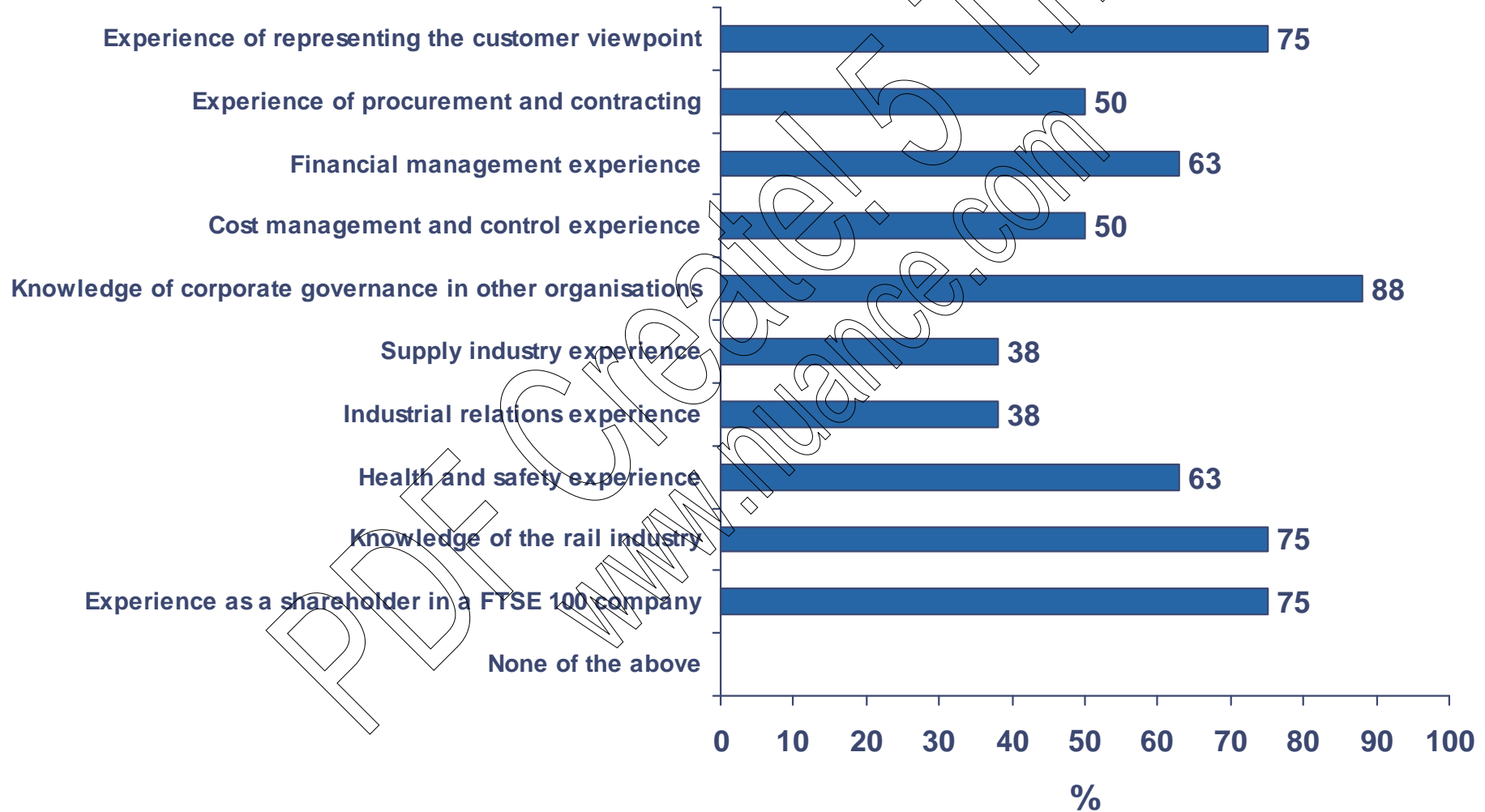


Base: 19

PricewaterhouseCoopers LLP

Q9a) In your opinion, which of the following skills are appropriate in the mix of skills that Network Rail Members should have? Select all that apply

NR Directors



Base: 8

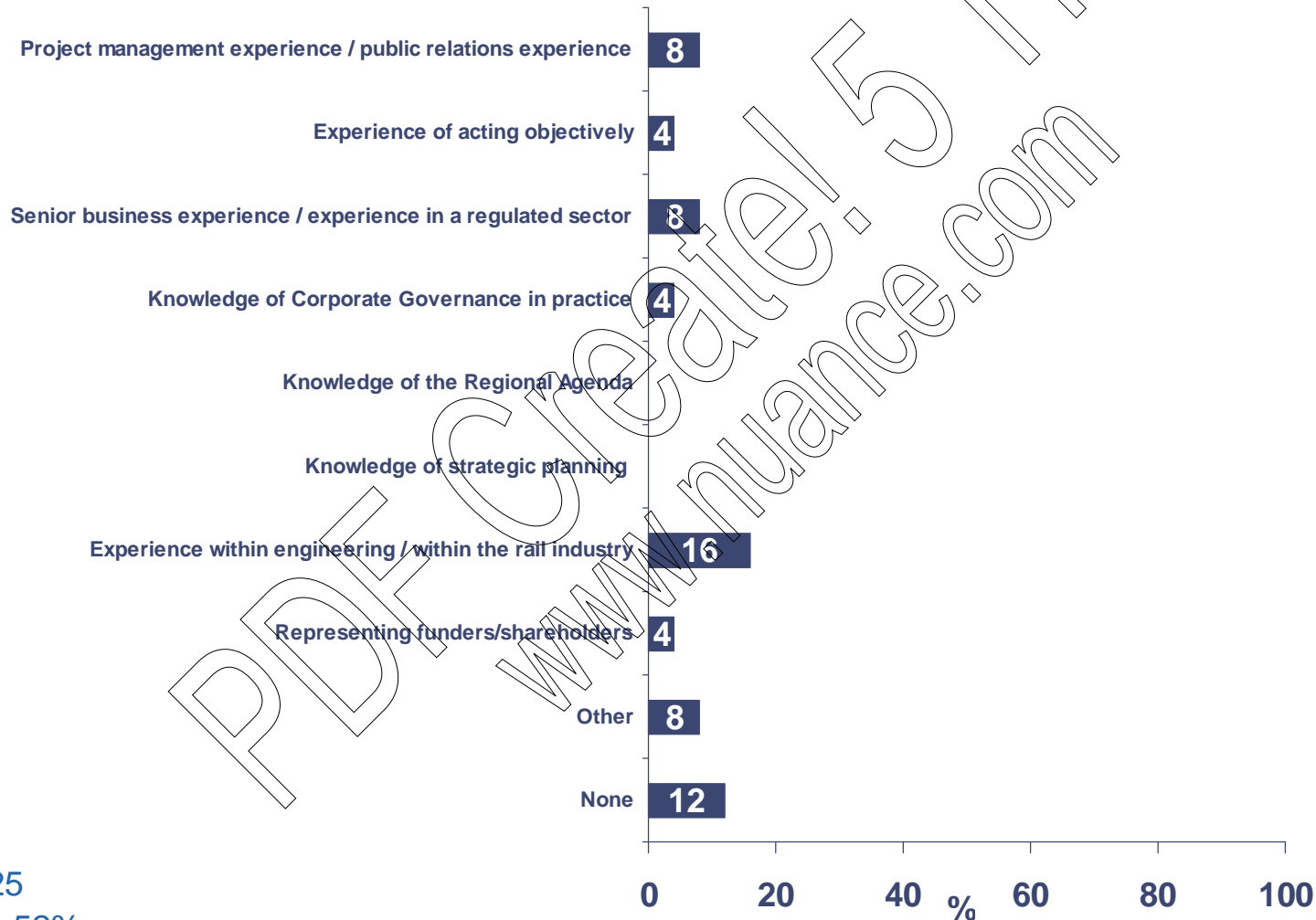
PricewaterhouseCoopers LLP

February 2009

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Q9b) Are there are any others skills/types of experience that you consider to be important in the mix of skills and experience that Members should have? (Open-end question with multiple responses)

Passenger / freight operators



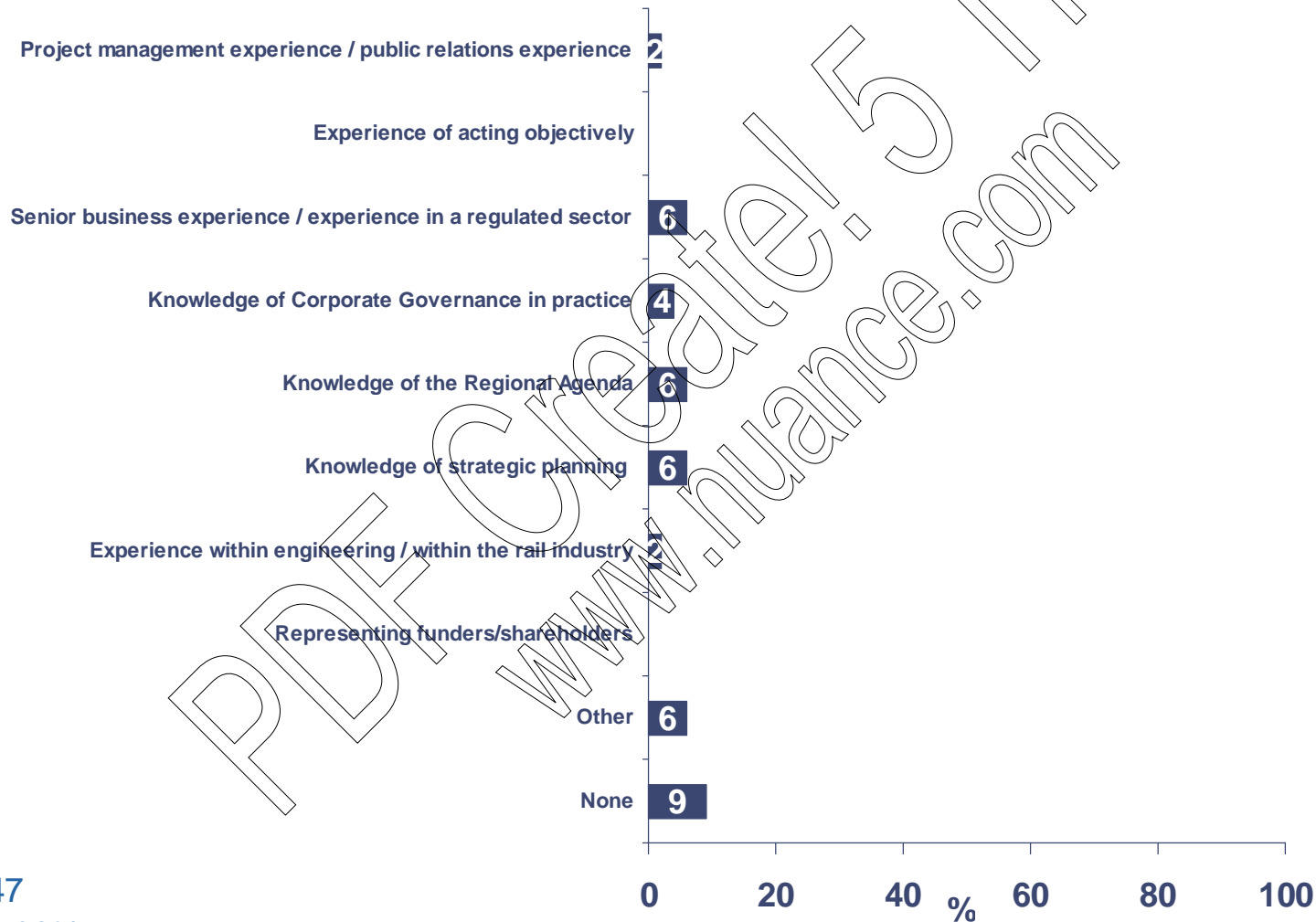
Base: 25

DK/NA: 52%

PricewaterhouseCoopers LLP

Q9b) Are there are any others skills/types of experience that you consider to be important in the mix of skills and experience that Members should have?
 (Open-end question with multiple responses)

Regional public bodies

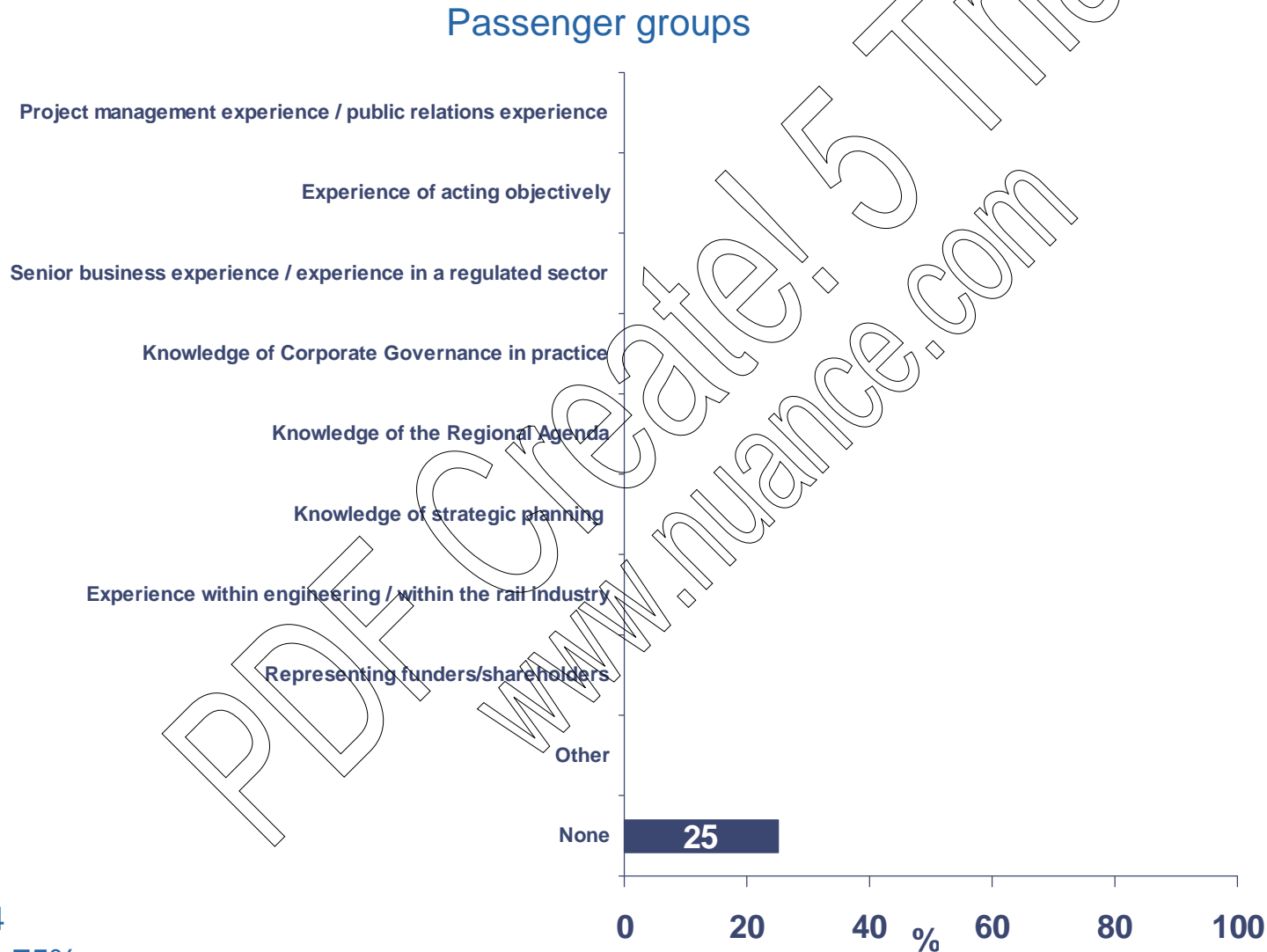


Base: 47

DK/NA: 62%

PricewaterhouseCoopers LLP

Q9b) Are there are any others skills/types of experience that you consider to be important in the mix of skills and experience that Members should have? (Open-end question with multiple responses)

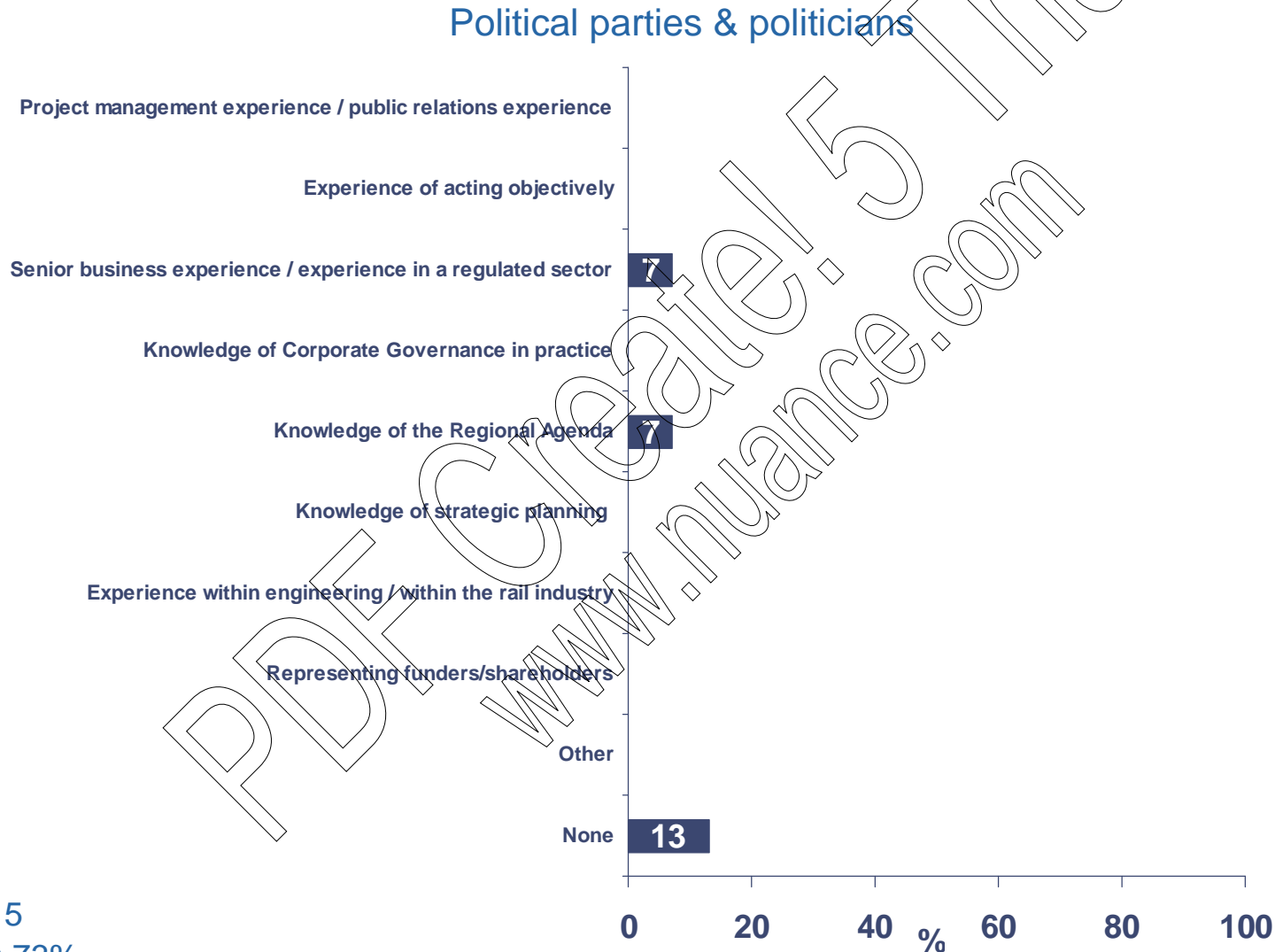


Base: 4

DK/NA: 75%

PricewaterhouseCoopers LLP

Q9b) Are there are any others skills/types of experience that you consider to be important in the mix of skills and experience that Members should have? (Open-end question with multiple responses)



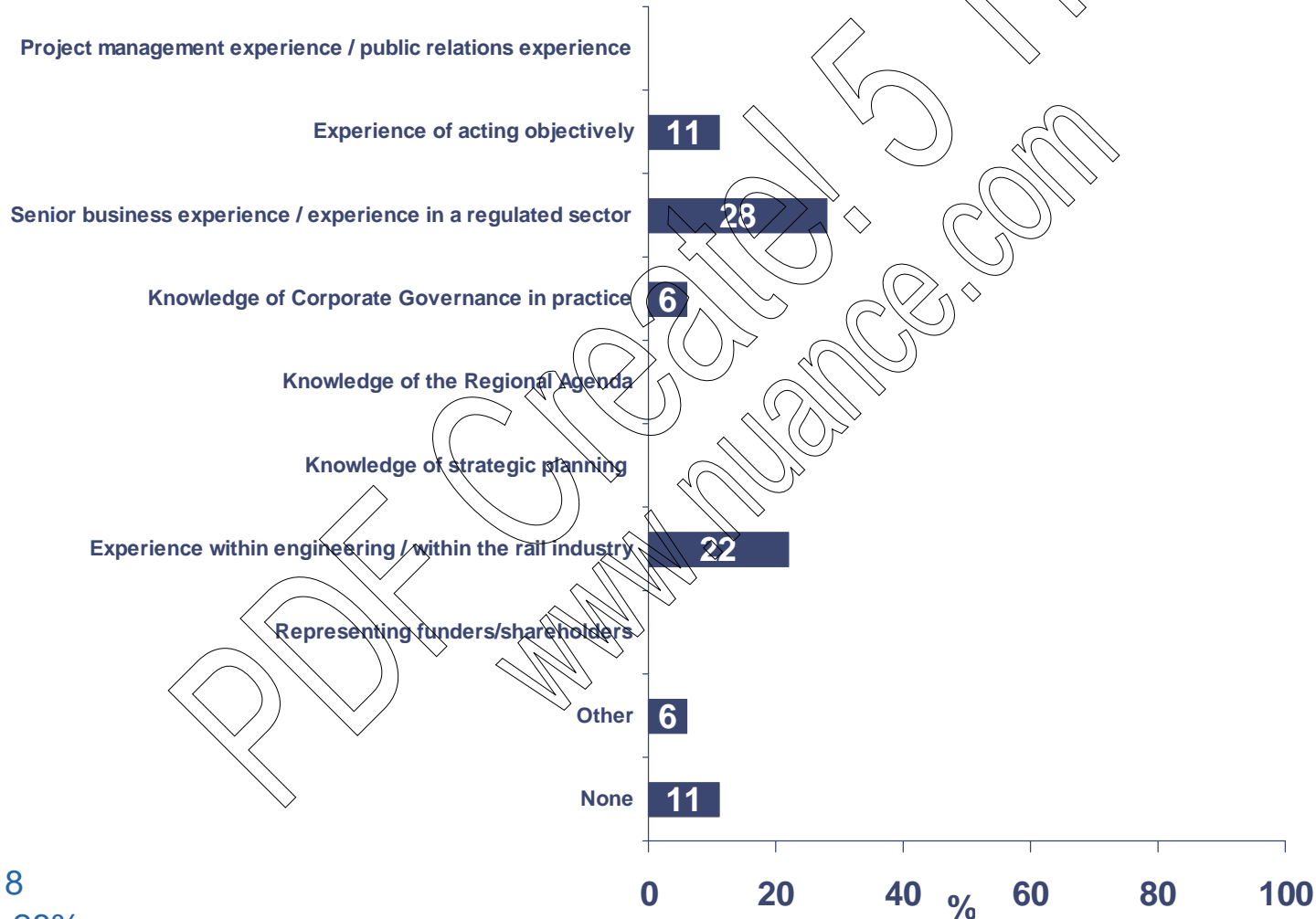
Base: 15

DK/NA: 73%

PricewaterhouseCoopers LLP

Q9b) Are there are any others skills/types of experience that you consider to be important in the mix of skills and experience that Members should have? (Open-end question with multiple responses)

Other stakeholders



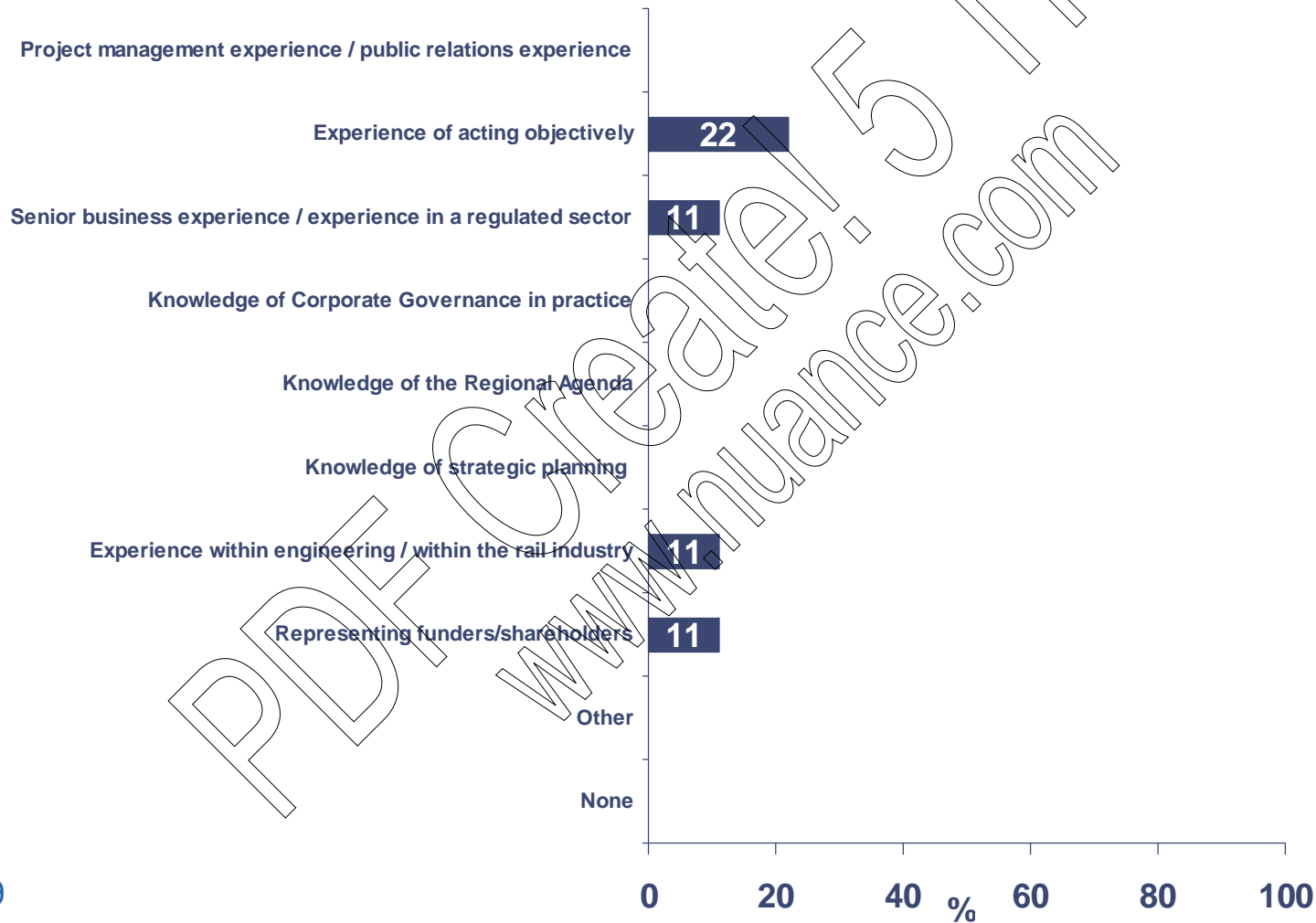
Base: 18

DK/NA: 28%

PricewaterhouseCoopers LLP

Q9b) Are there are any others skills/types of experience that you consider to be important in the mix of skills and experience that Members should have? (Open-end question with multiple responses)

NR Directors

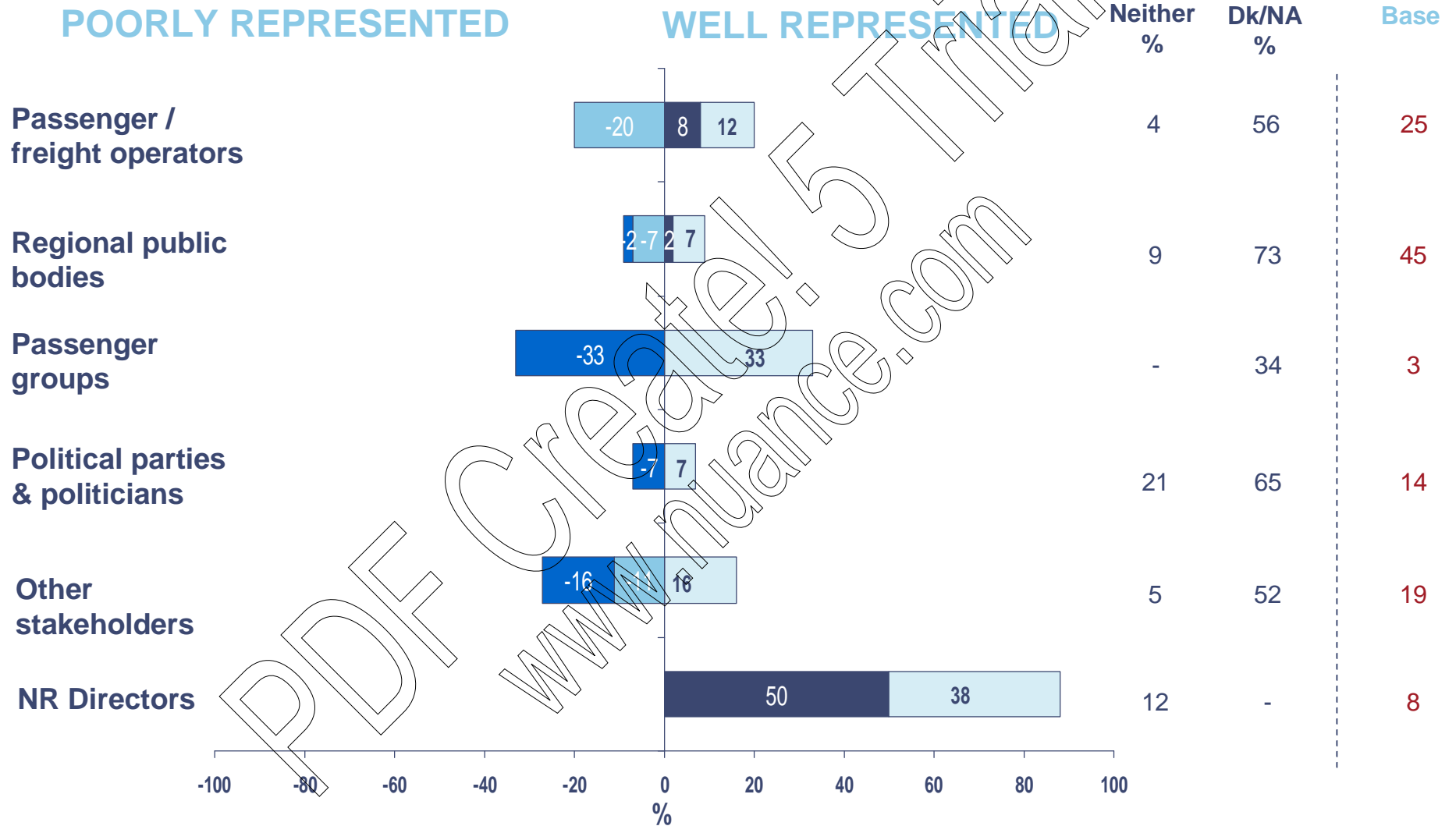


Base: 9

DK/NA: 44%

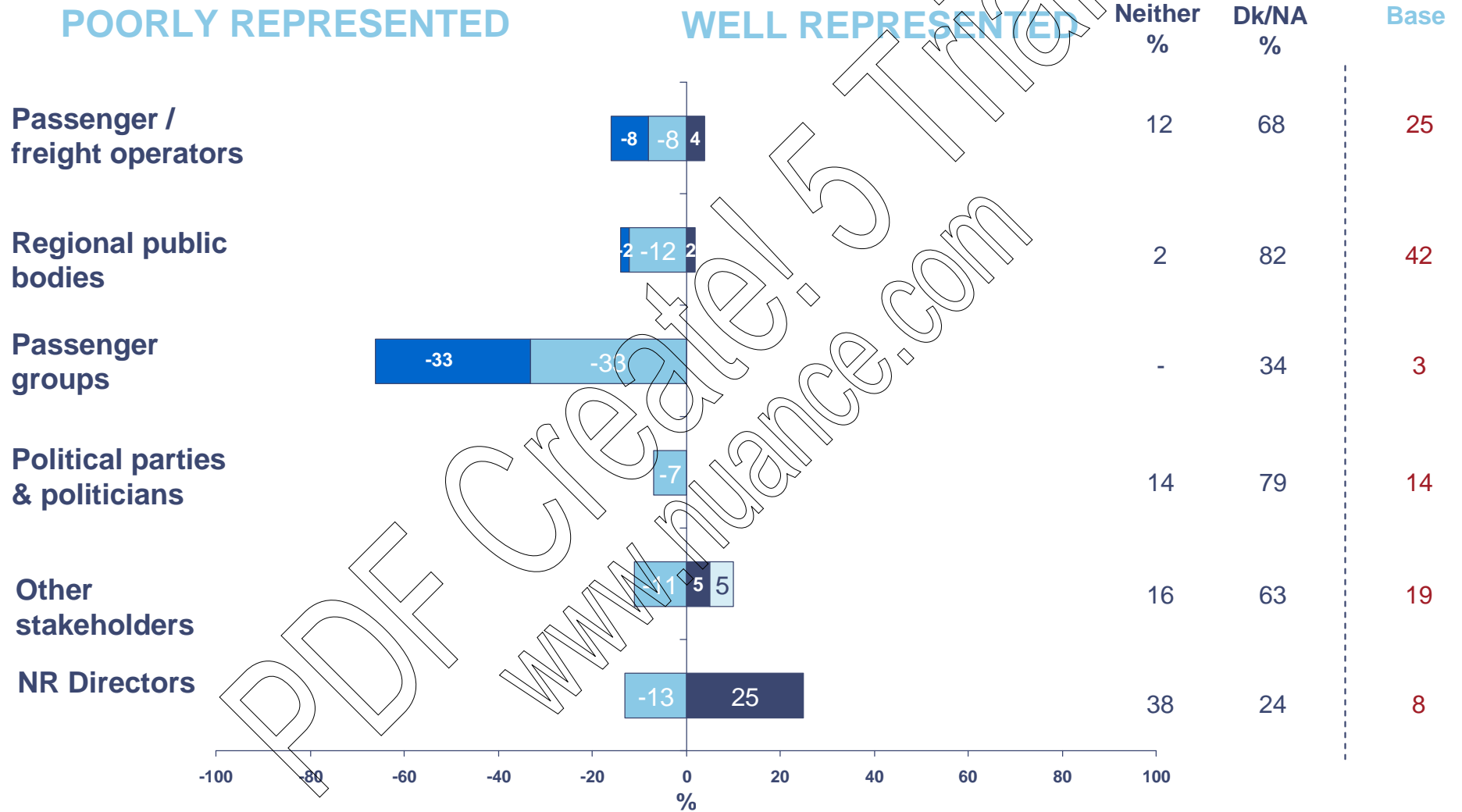
PricewaterhouseCoopers LLP

Q9c) How well represented is the **experience of representing the customer viewpoint** in the current Network Rail Membership?



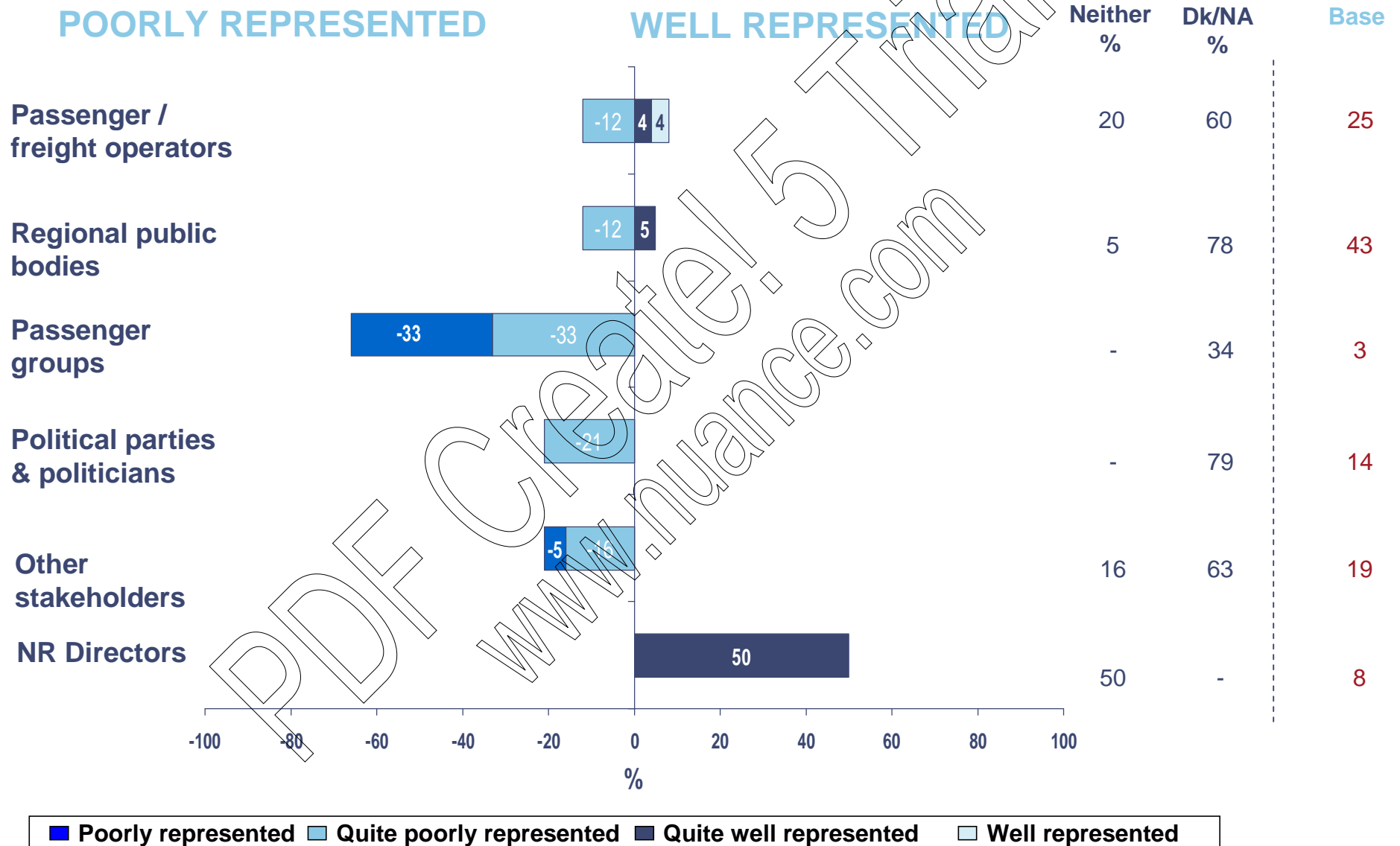
■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q9c) How well represented is the **experience of procurement and contracting** in the current Network Rail Membership?

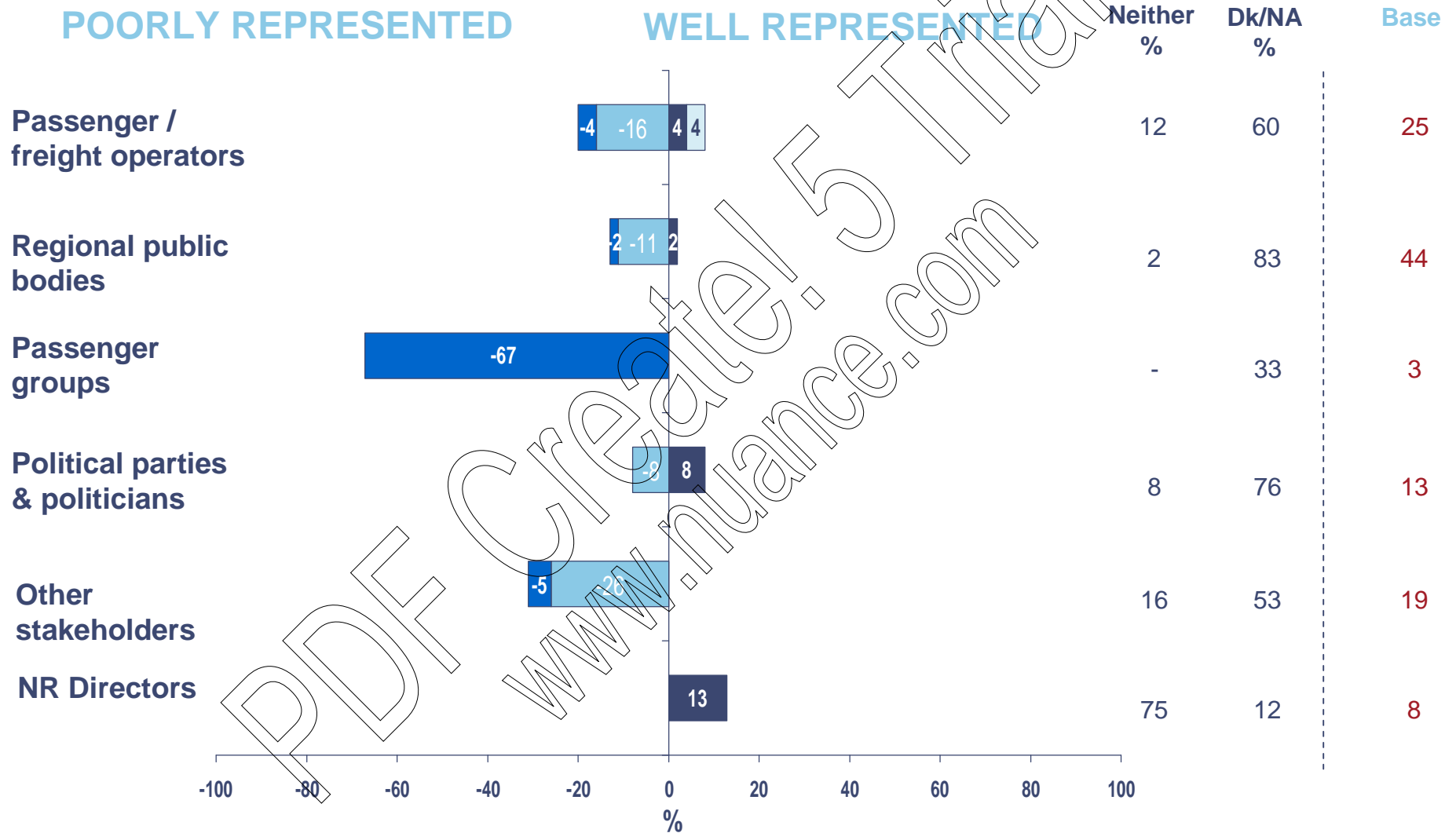


■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q9c) How well represented is **financial management experience** in the current Network Rail Membership?

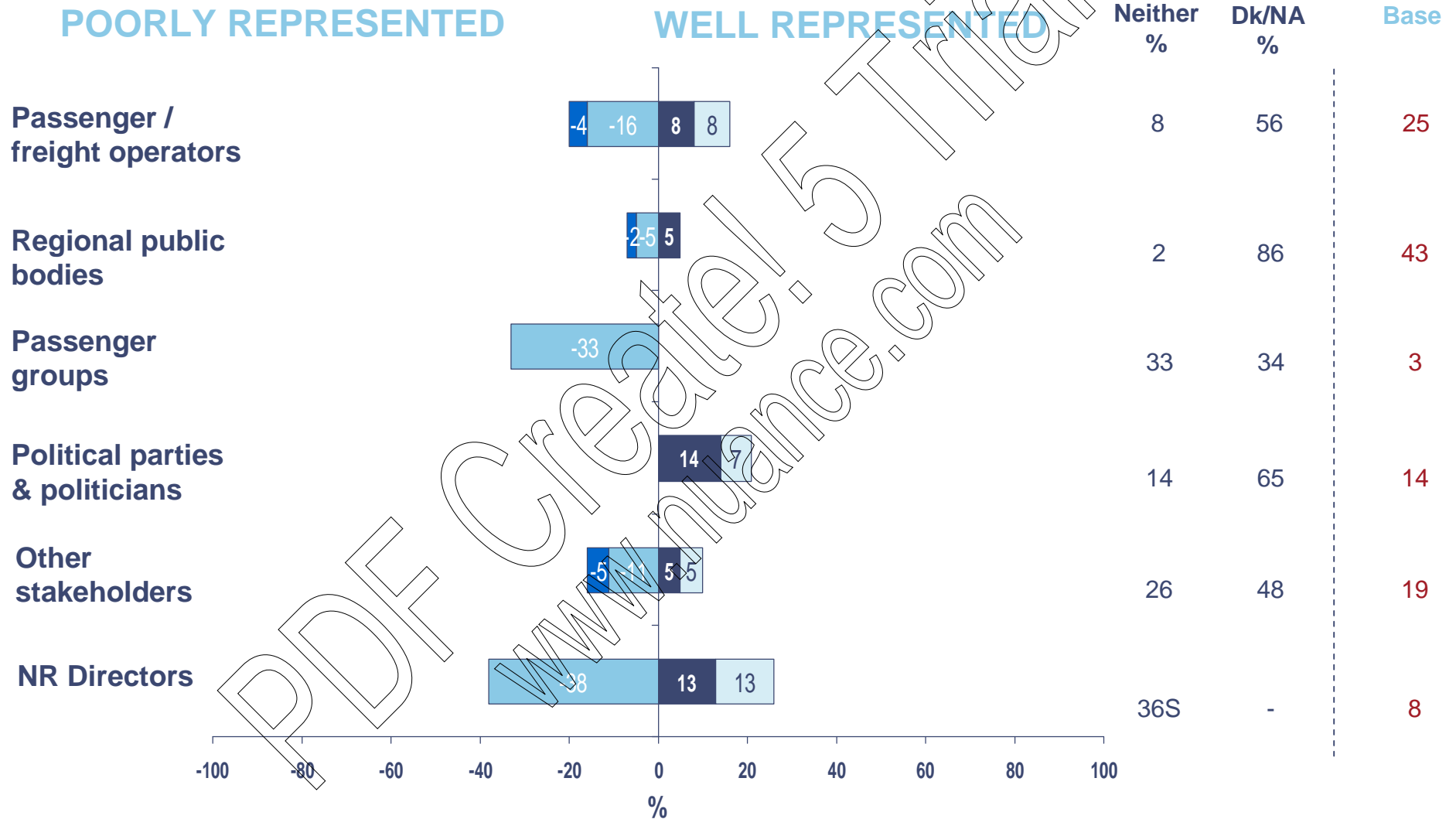


Q9c) How well represented is **cost management and control experience** in the current Network Rail Membership?



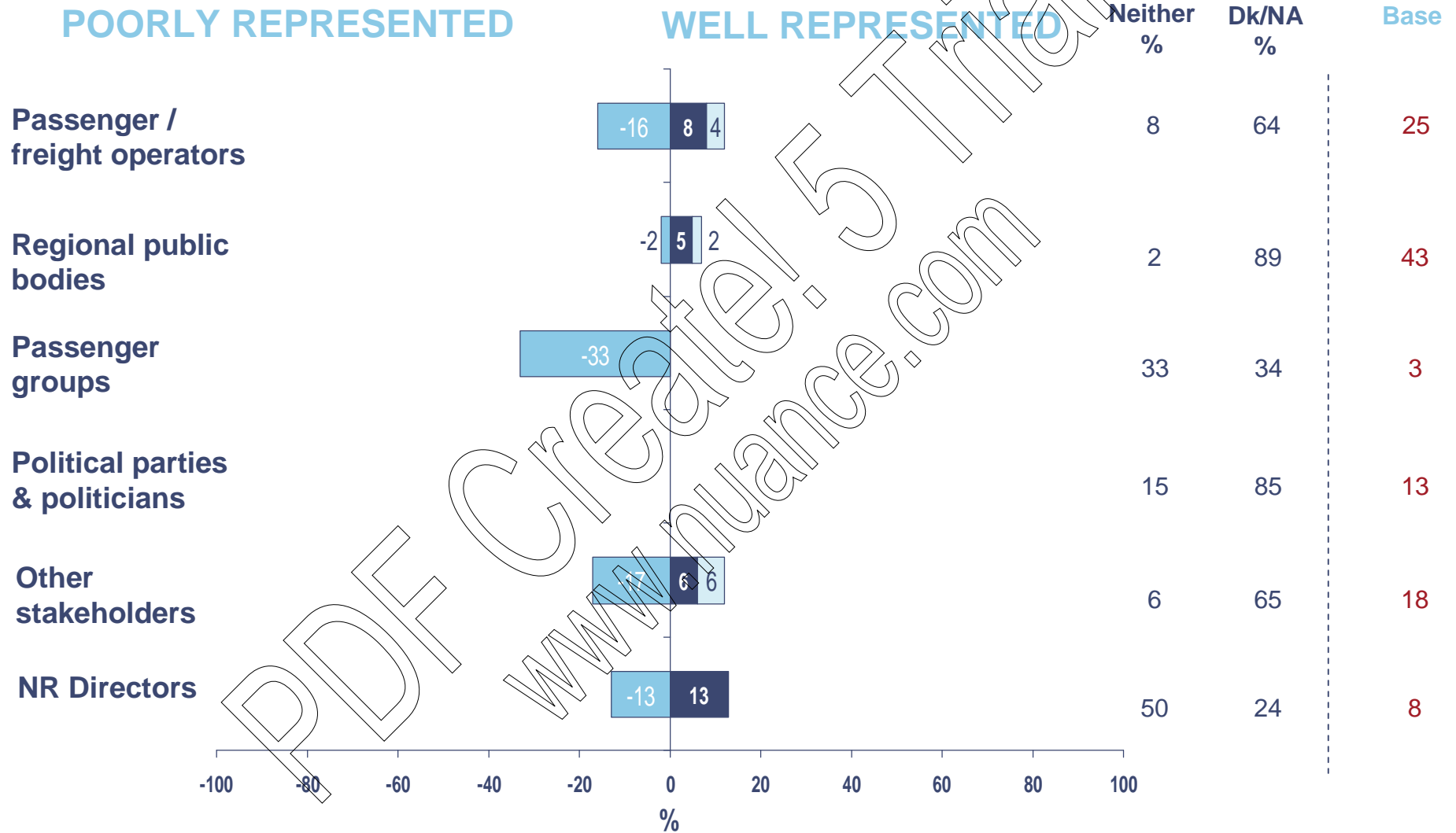
■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q9c) How well represented is a **knowledge of corporate governance in other organisations** in the current Network Rail Membership?



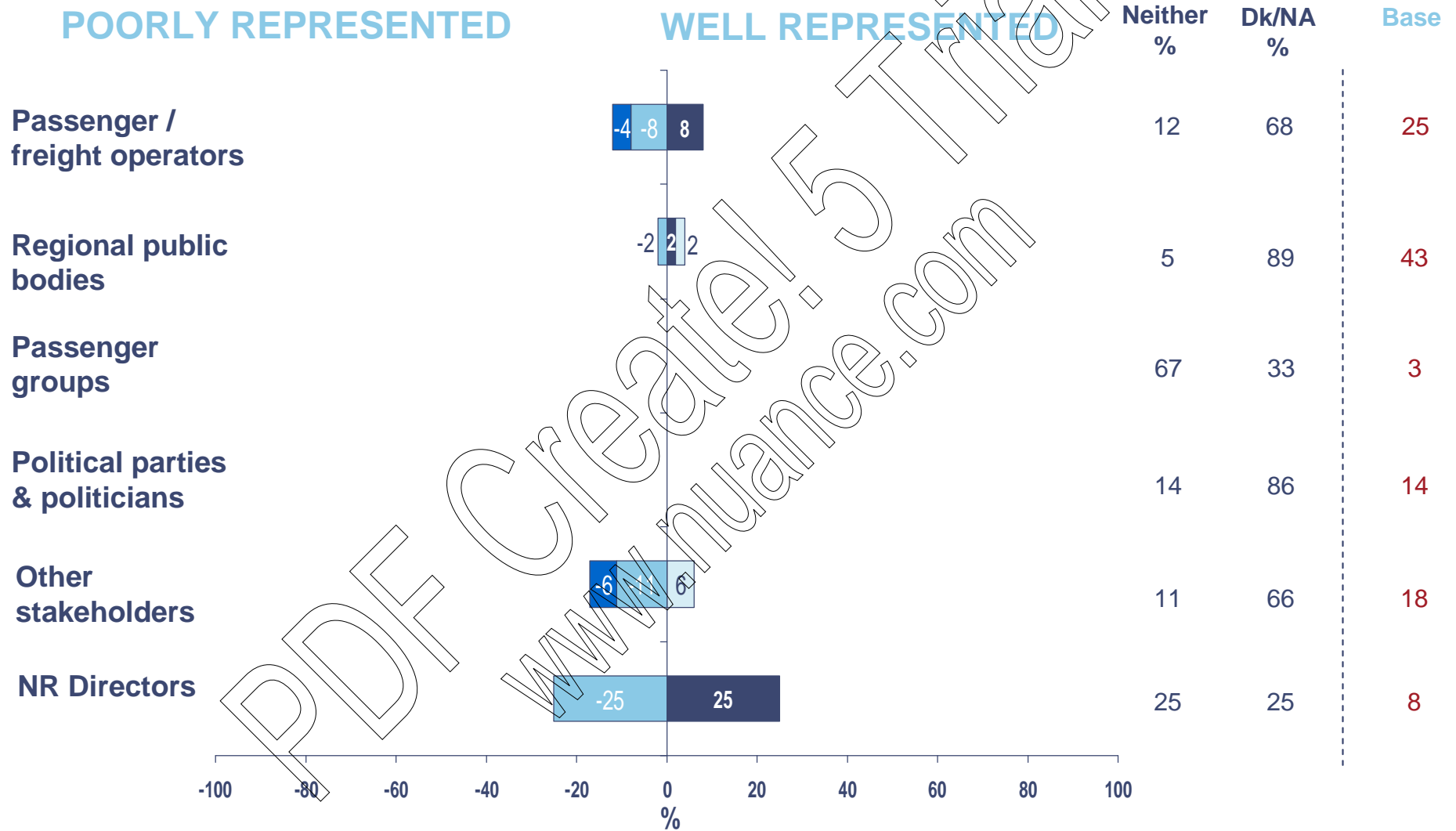
■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q9c) How well represented is **supply industry experience** in the current Network Rail Membership?



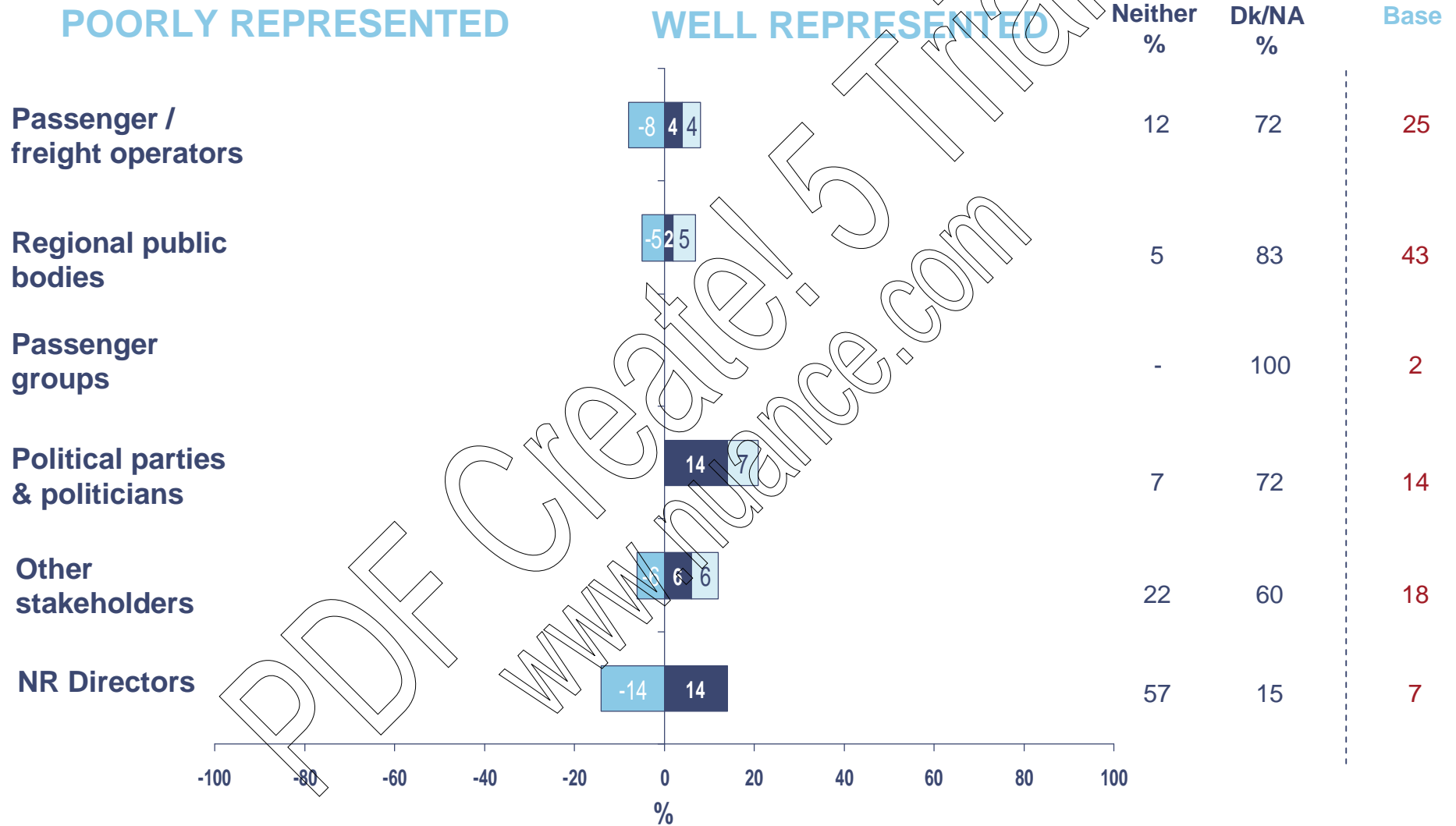
■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q9c) How well represented is **Industrial relations experience** in the current Network Rail Membership?



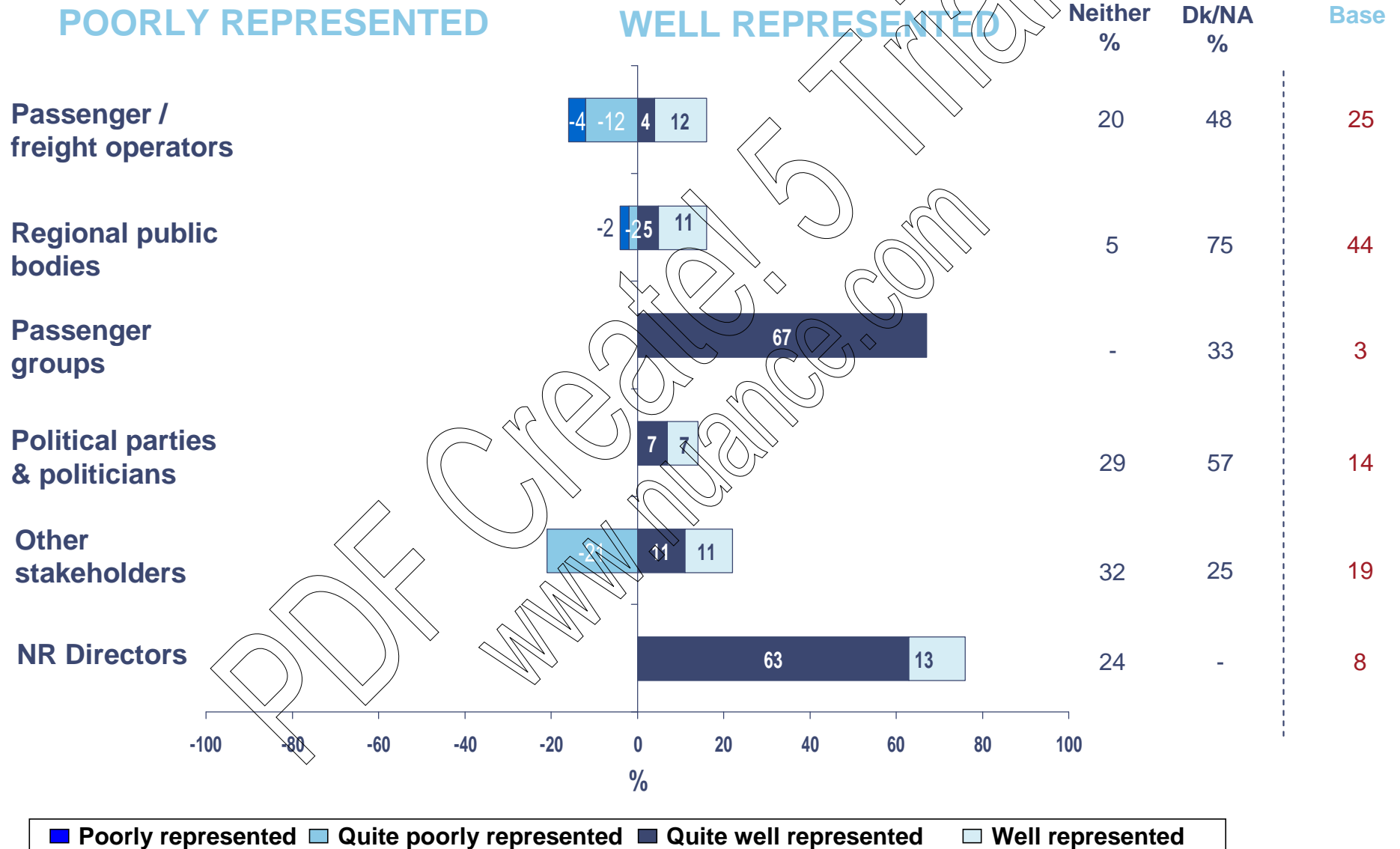
■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q9c) How well represented is **health and safety experience** in the current Network Rail Membership?

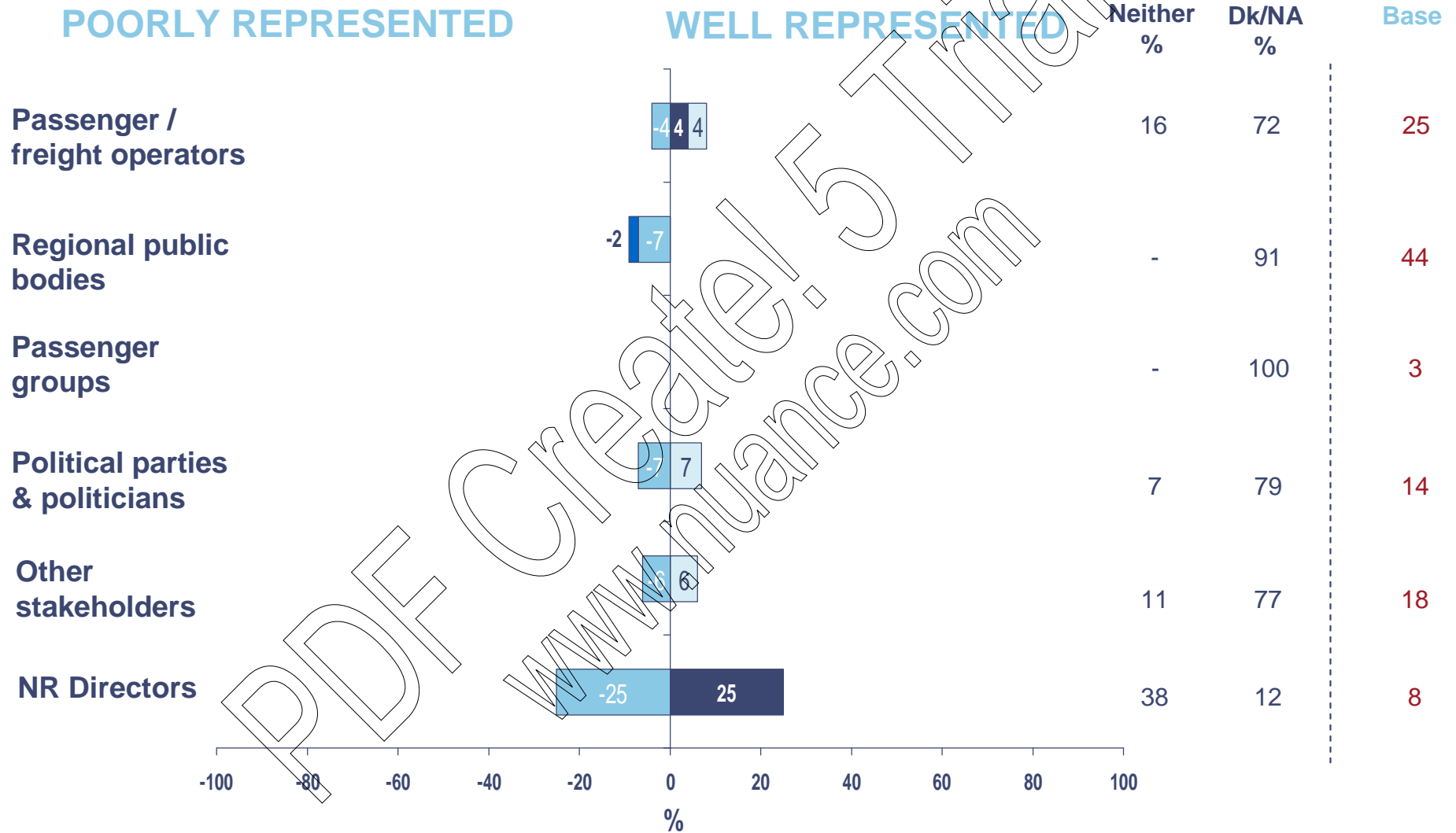


■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q9c) How well represented is a **knowledge of the rail industry** in the current Network Rail Membership?

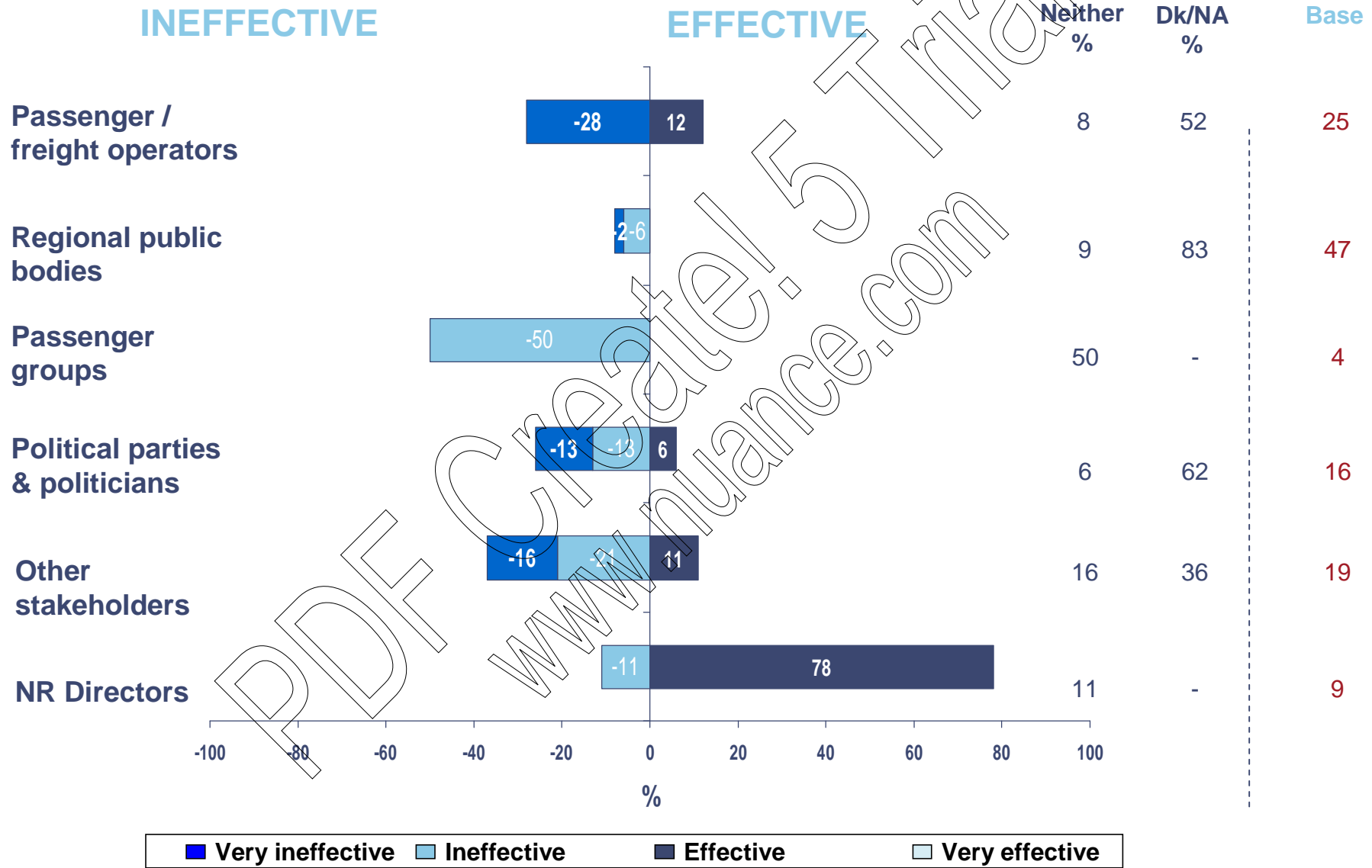


Q9c) How well represented is **experience as a shareholder in a FTSE 100 company** in the current Network Rail Membership?

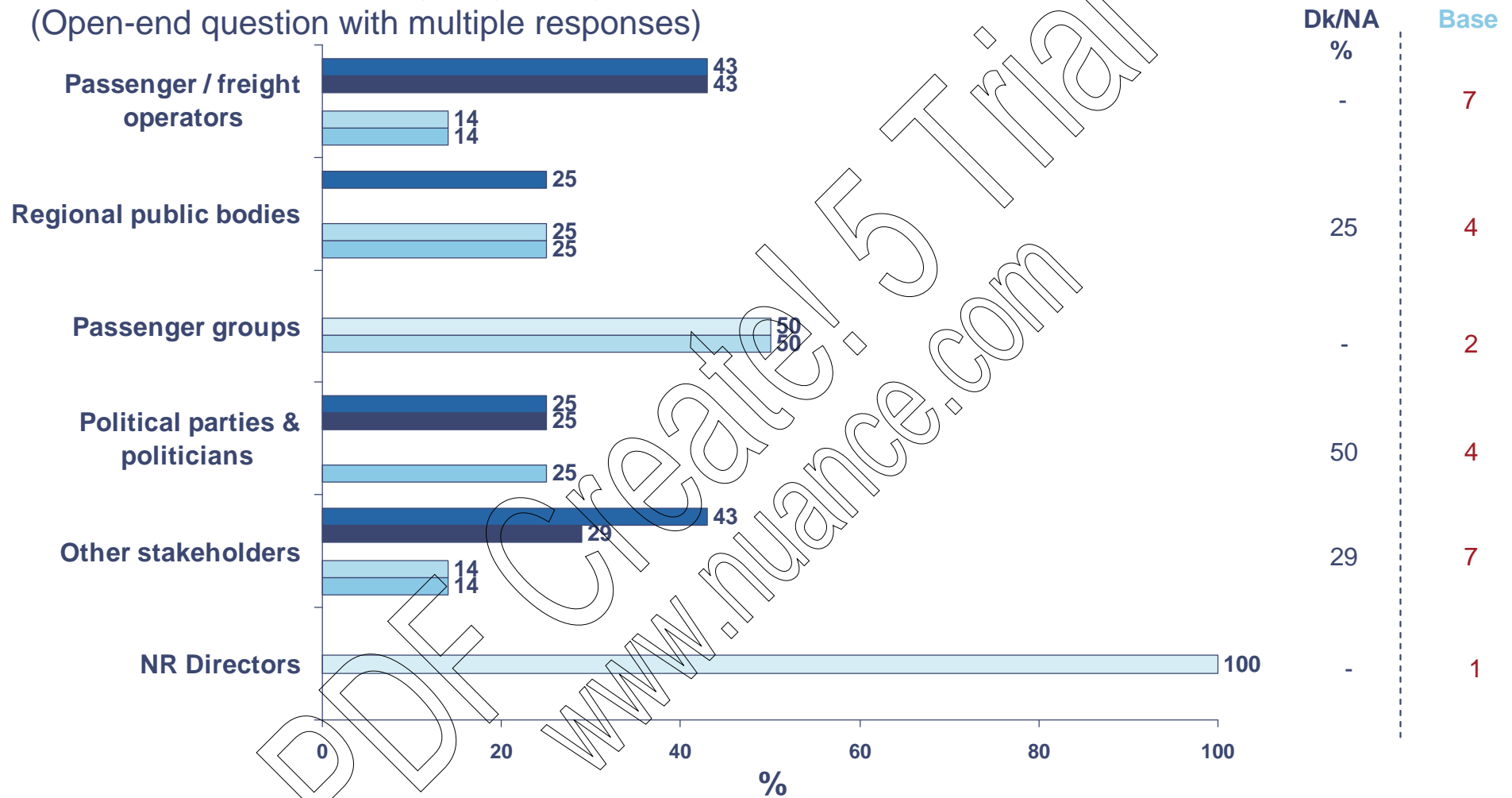


■ Poorly represented
 ■ Quite poorly represented
 ■ Quite well represented
 ■ Well represented

Q10a) In your opinion how effective or ineffective is the current process of selecting and appointing Network Rail's public Members?

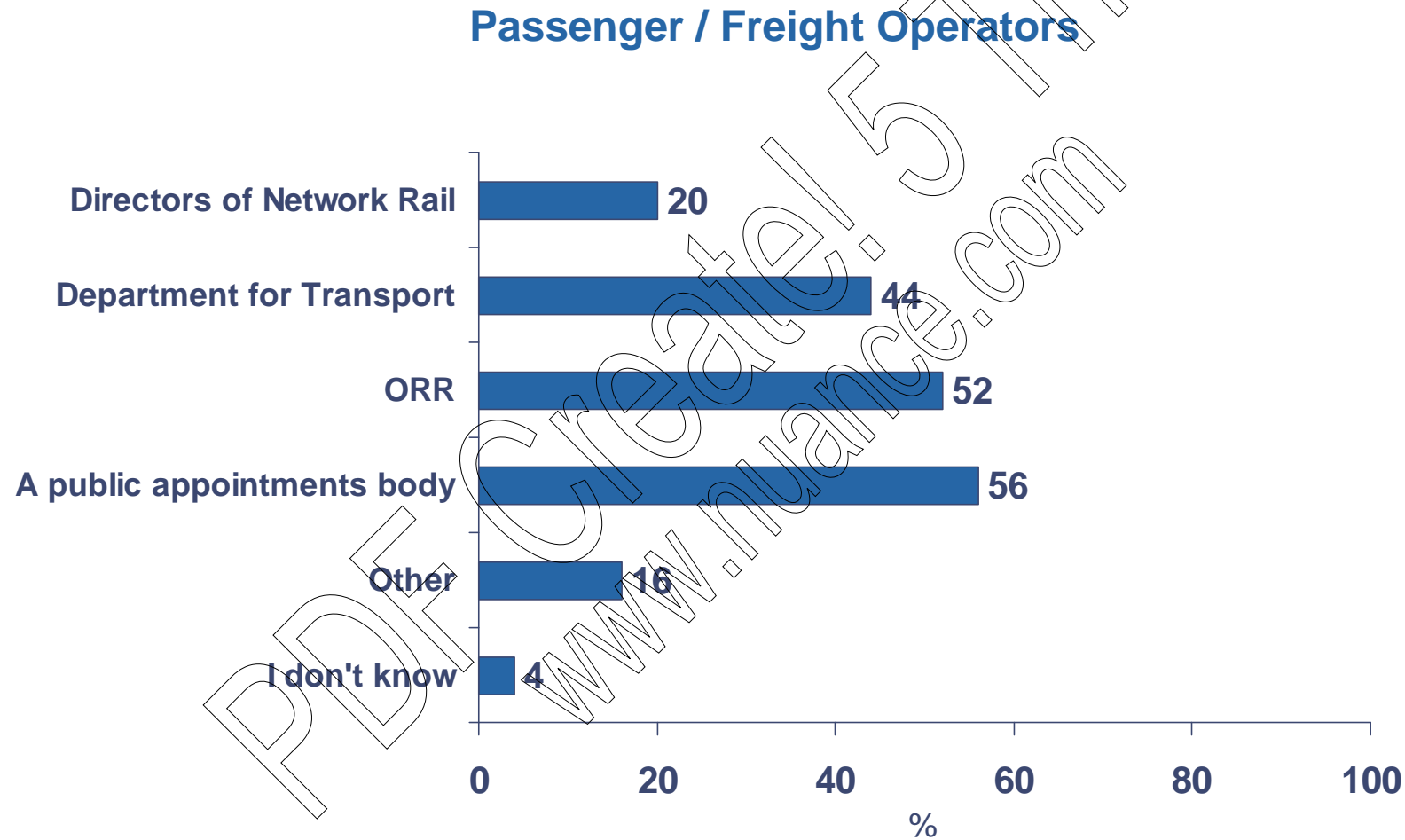


Q10b) If you believe the current process of selecting and appointing Network Rail's public Members is ineffective, why do you say that?
 (Open-end question with multiple responses)



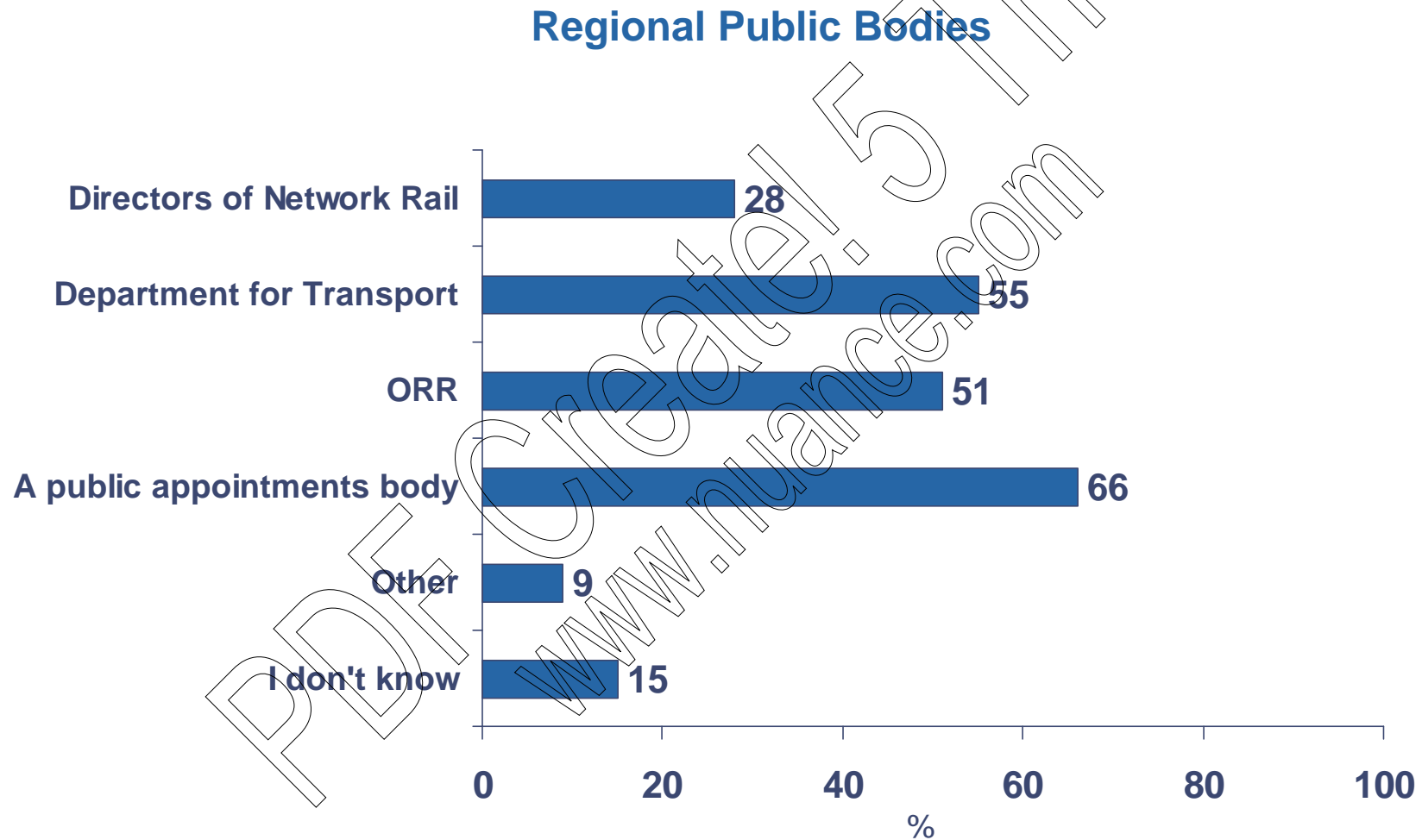
- Board appoints the Members Selection Panel/it's not an independent process
- Unqualified people are selected
- No clear job description
- The Members are not holding the Board to account
- Too many of the right people are rejected

Q11a) Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?
Select all that apply



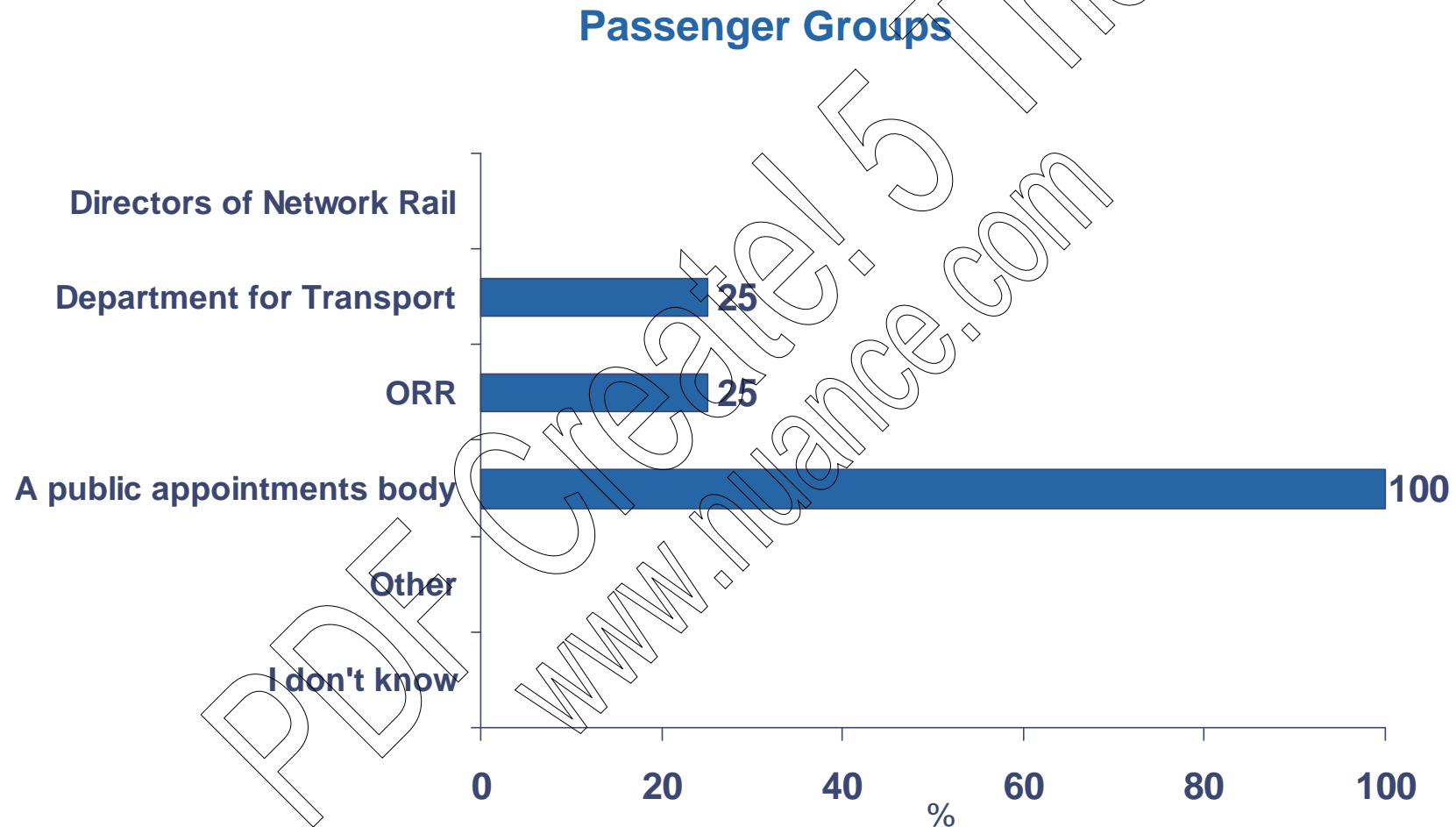
Base: 25

Q11a) Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?
Select all that apply



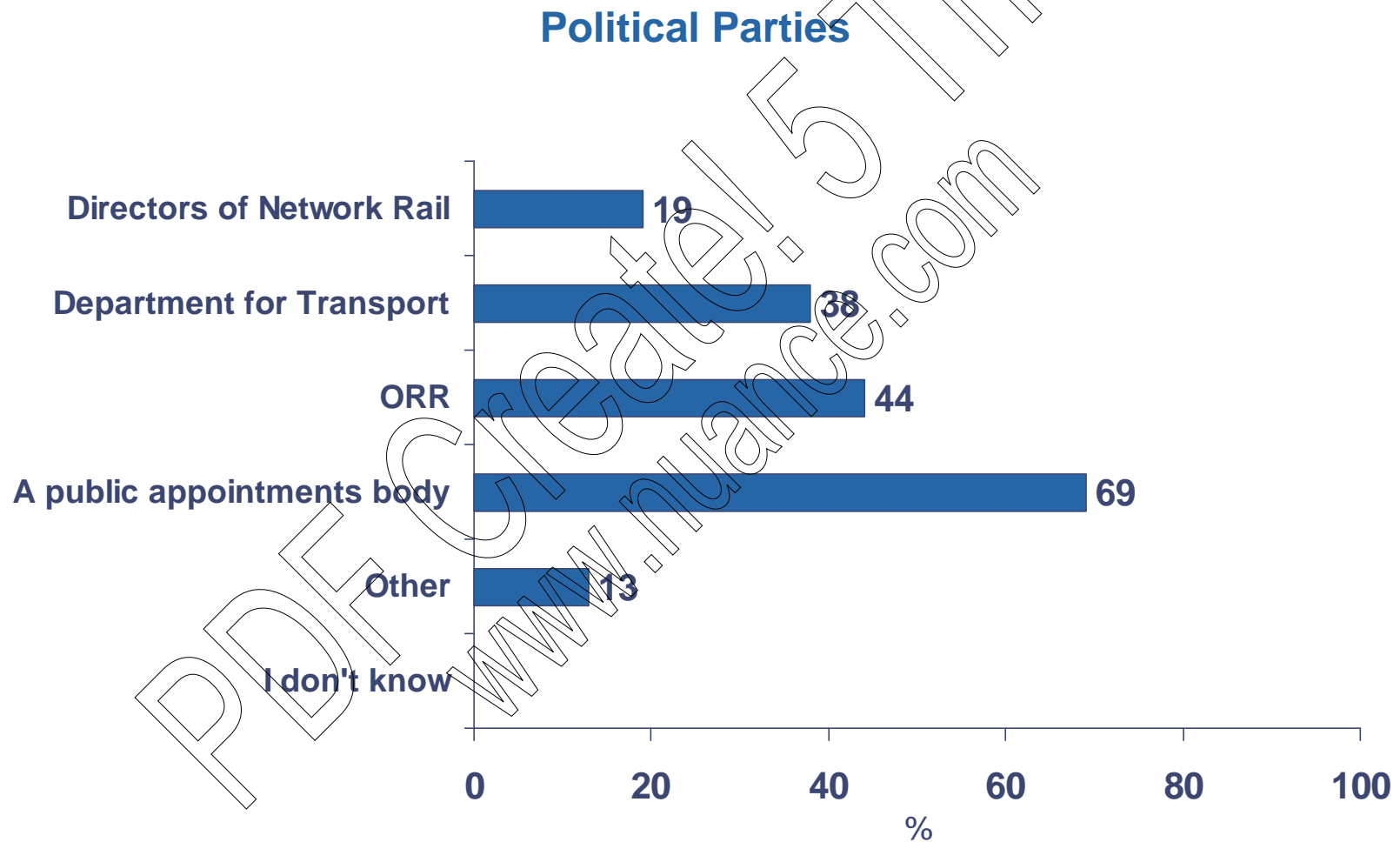
Base: 47

Q11a) Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?
Select all that apply



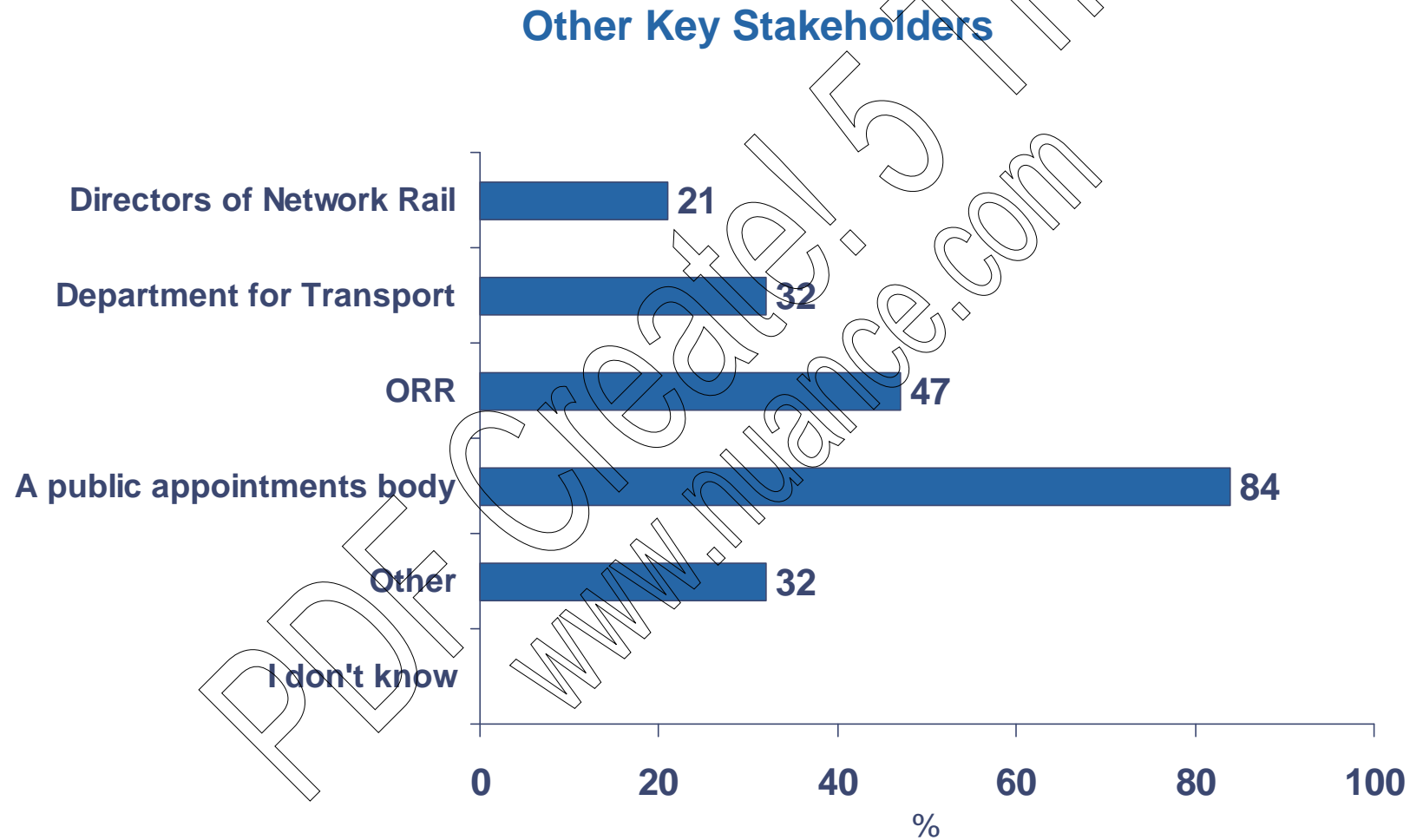
Base: 4

Q11a) Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?
Select all that apply



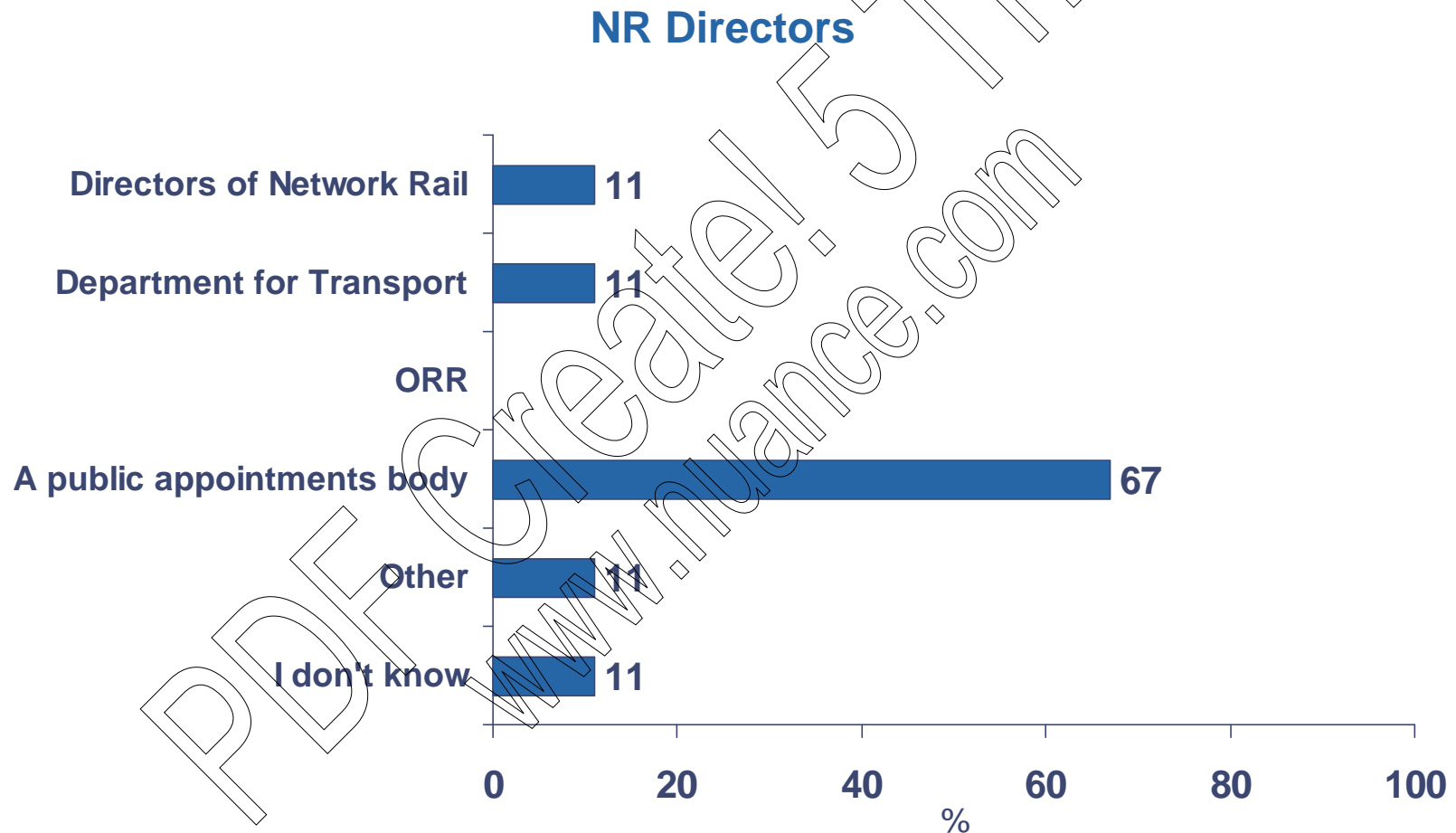
Base: 16

Q11a) Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?
Select all that apply



Base: 19

Q11a) Which of the following should be involved in the process of selecting and appointing Network Rail's public Members?
Select all that apply



Base: 9

Q11b) Who else should be involved in the process of selecting and appointing Network Rail's public Members?
(Open-end question with multiple responses)

Passenger / freight operators

1. Two of four respondents believed it should be 'Industry Members' (50%)
2. One of four respondents believed it should be 'Customers' (25%)
3. One of four respondents believed it should be 'Representatives of Funding Bodies' (25%)

Base: 4

Q11b) Who else should be involved in the process of selecting and appointing Network Rail's public Members?
(Open-end question with multiple responses)

Regional public bodies

1. Two of four respondents believed it should be 'Customers' (50%)
2. One of four respondents believed it should be 'Industry members' (25%)
3. One of four respondents believed it should be 'Parliament' (25%)

Base: 4

Q11b) Who else should be involved in the process of selecting and appointing Network Rail's public Members?
(Open-end question with multiple responses)

Passenger groups

No Passenger groups listed additional aspects

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Q11b) Who else should be involved in the process of selecting and appointing Network Rail's public Members?
(Open-end question with multiple responses)

Political parties and politicians

1. One of two respondents believed it should be 'Existing Members' (50%)
2. One of two respondents believed it should be 'Parliament' (50%)

Base: 2

Q11b) Who else should be involved in the process of selecting and appointing Network Rail's public Members?
(Open-end question with multiple responses)

Other stakeholders

1. Two of six respondents believed it should be 'Representatives of Funding Bodies' (33%)
2. Two of six respondents believed it should be 'Parliament' (33%)
3. One of six respondents believed it should be 'Existing Members' (17%)
4. One of six respondents believed it should be 'Industry Members' (17%)

Base: 6

Q11b) Who else should be involved in the process of selecting and appointing Network Rail's public Members?
(Open-end question with multiple responses)

NR Directors

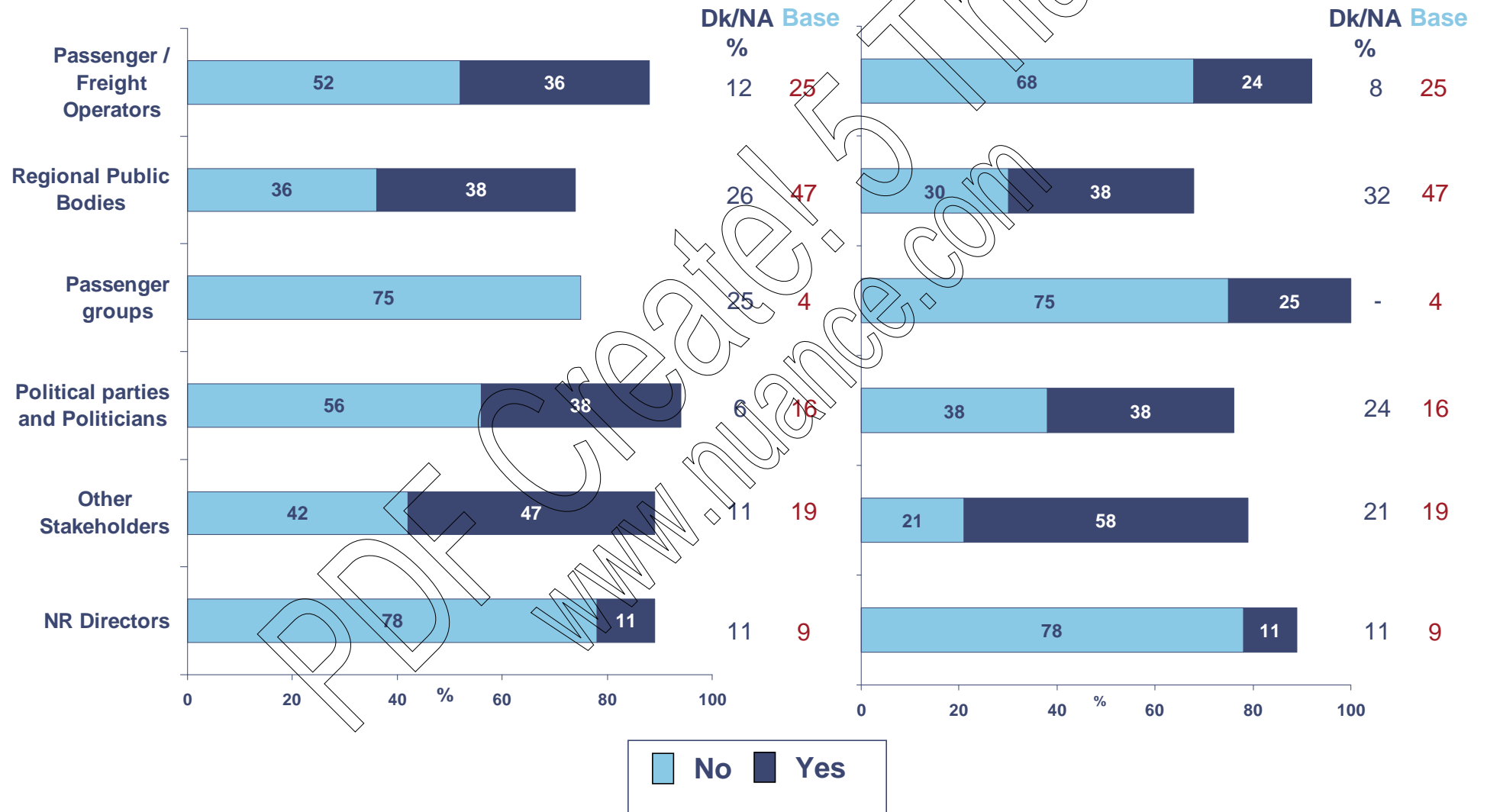
1. One respondent answered this question, believing it should be 'an Independent Appointments Body' (100%)

Base: 1

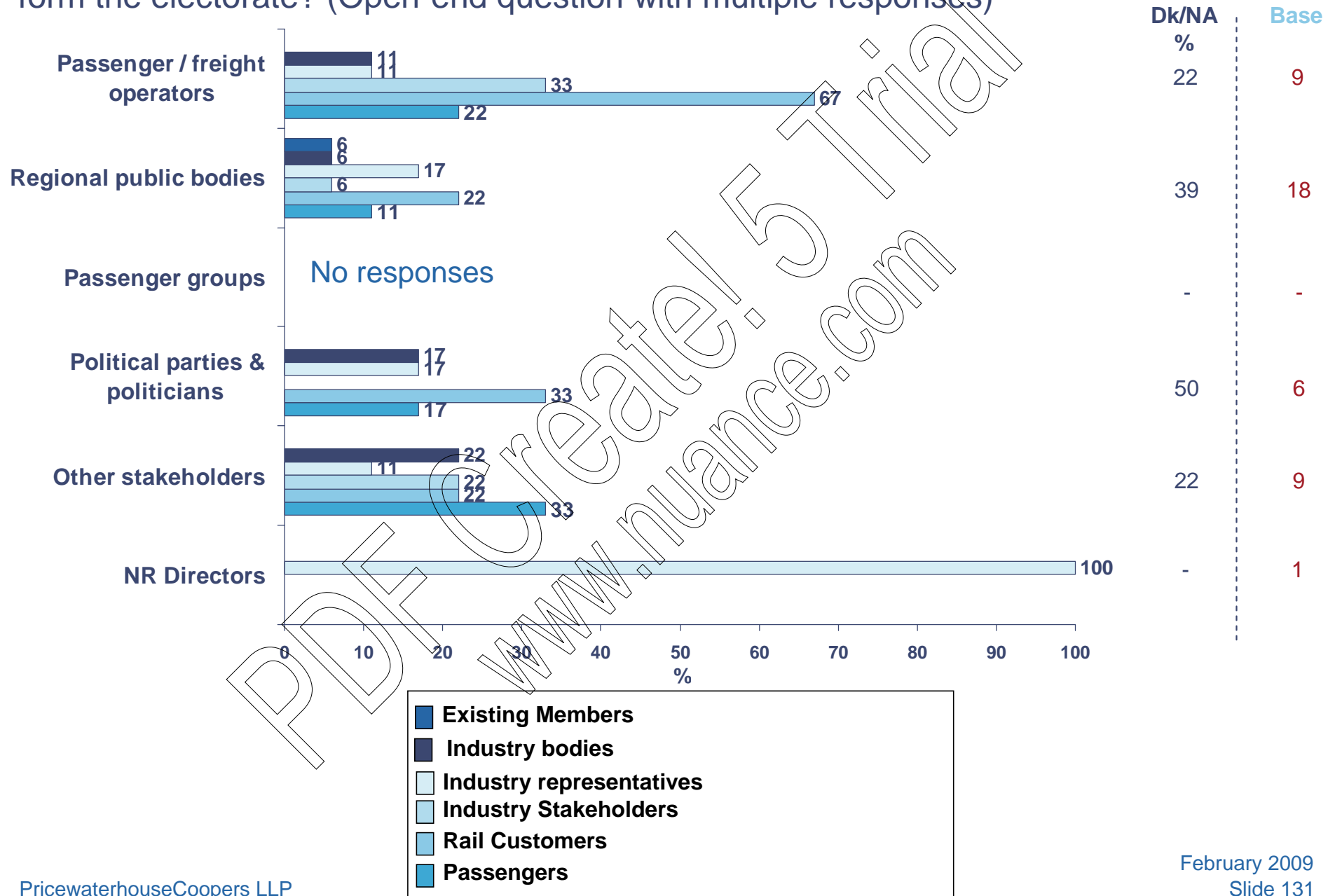
Q12. Should:

a) Network Rail **public** Members be elected?

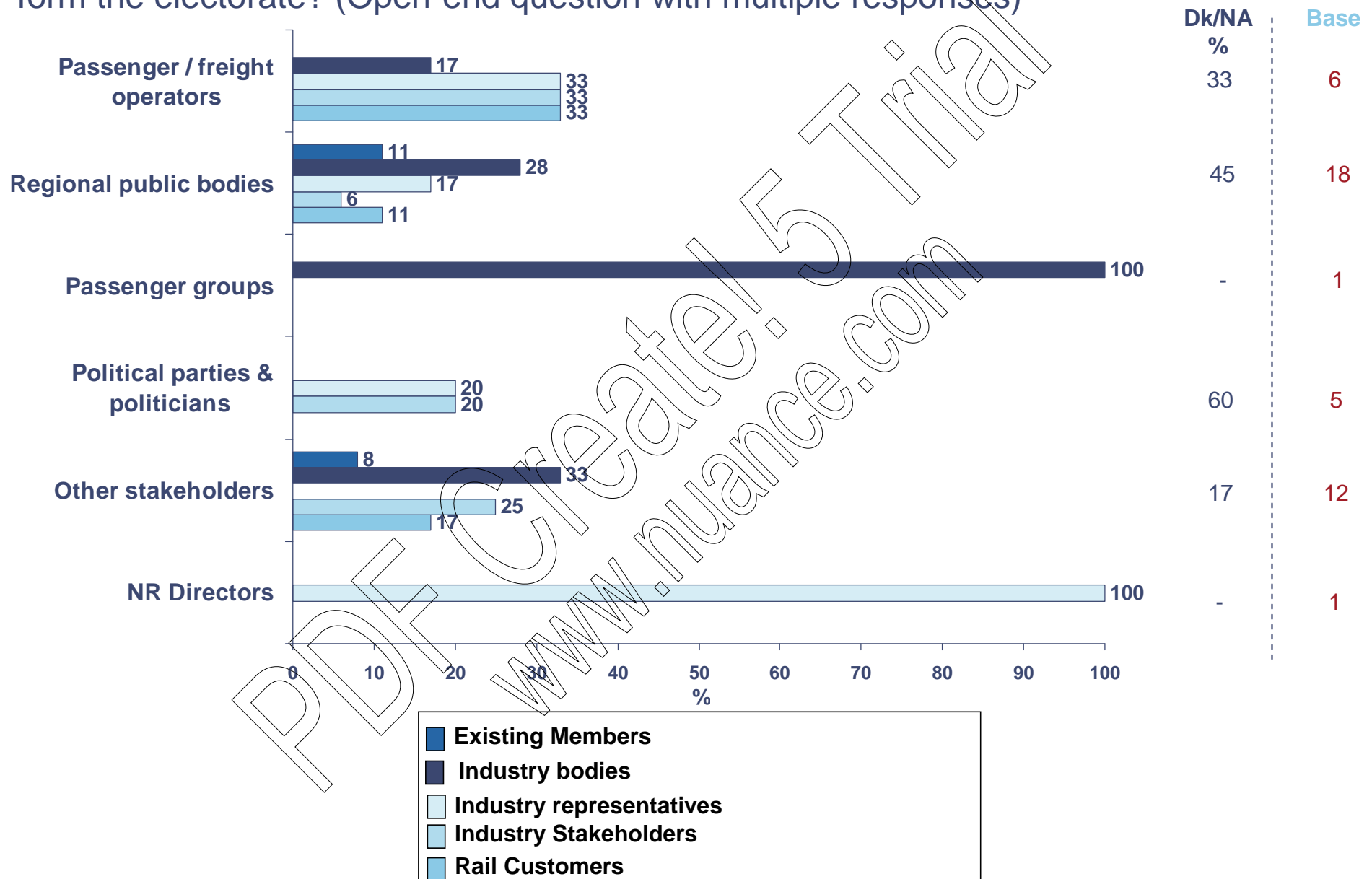
b) Network Rail **industry** Members be elected?



Q12 c. i) If you believe Network Rail **public** Members should be elected, who should form the electorate? (Open-end question with multiple responses)



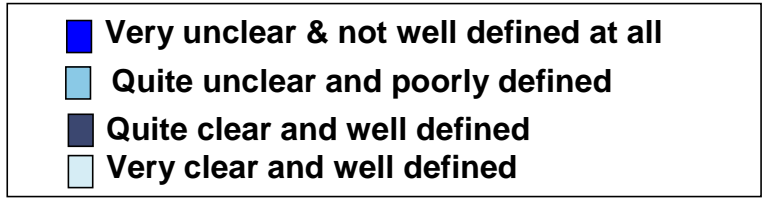
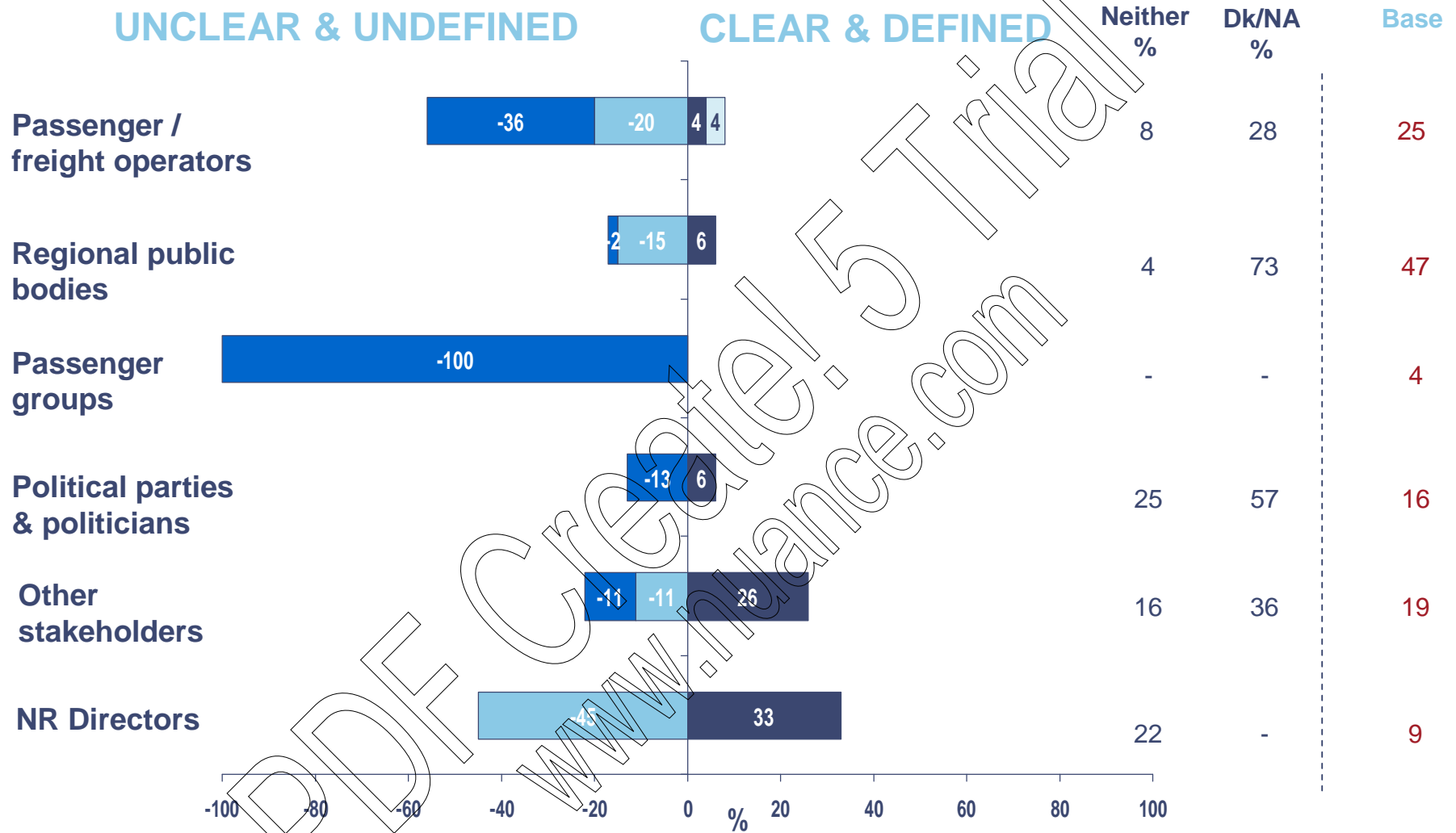
Q12 c. ii) If you believe Network Rail **industry** Members should be elected, who should form the electorate? (Open-end question with multiple responses)



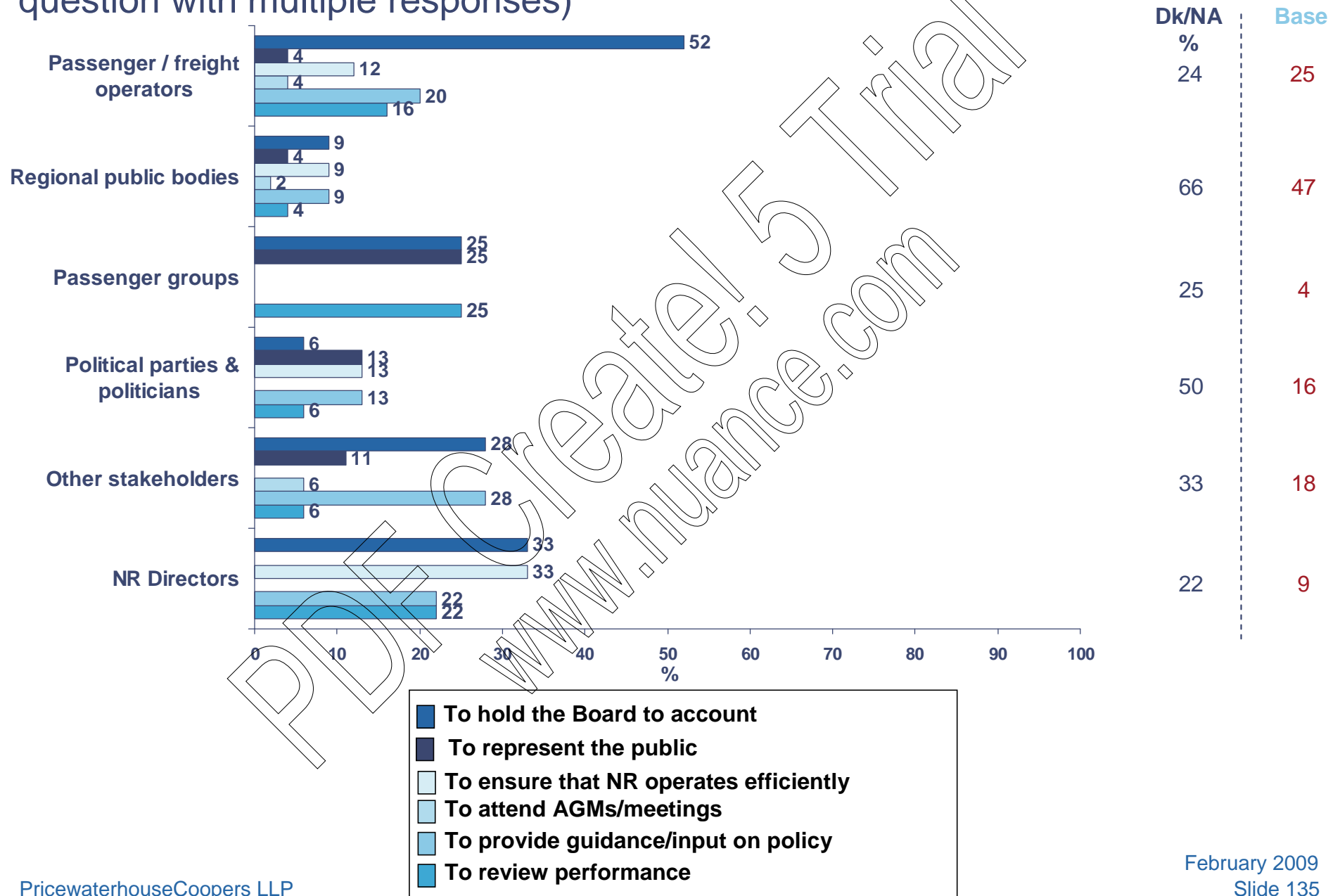
The role of Members

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Q13a) How well defined is the role of the Members of Network Rail?

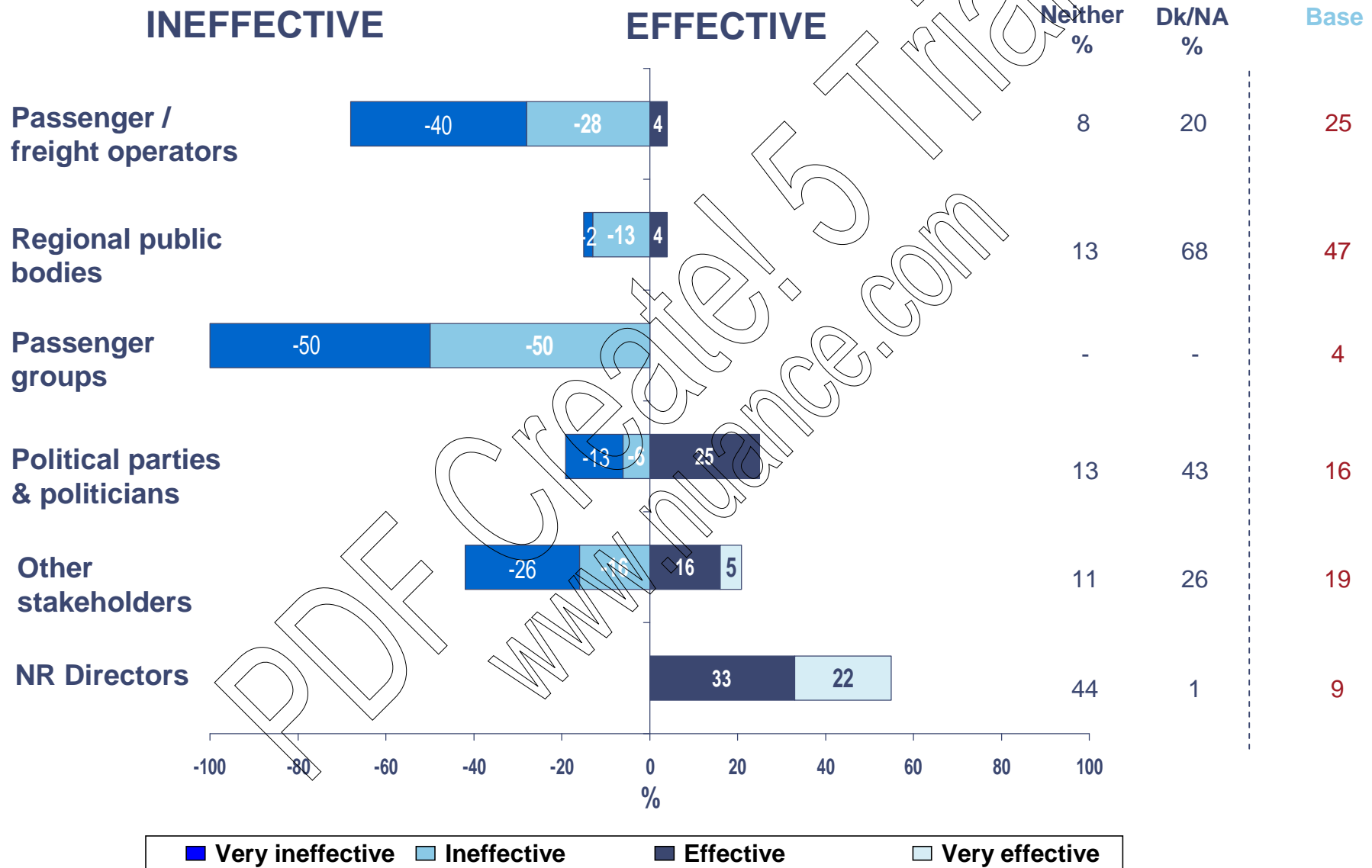


Q13b) What do you understand the role of Members to be? (Open-end question with multiple responses)



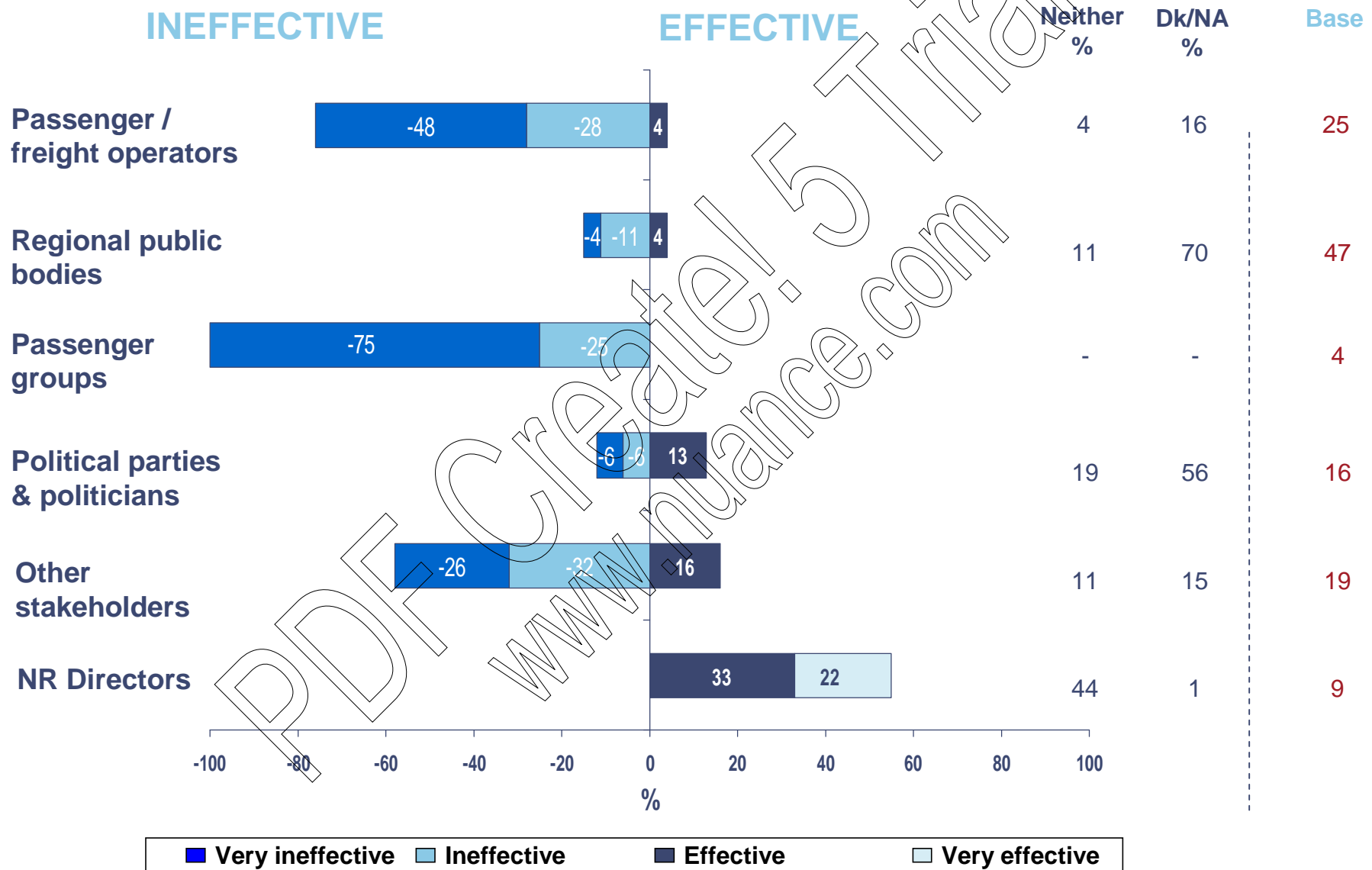
Q14. In your opinion, how effective are:

a) the Members **collectively**?

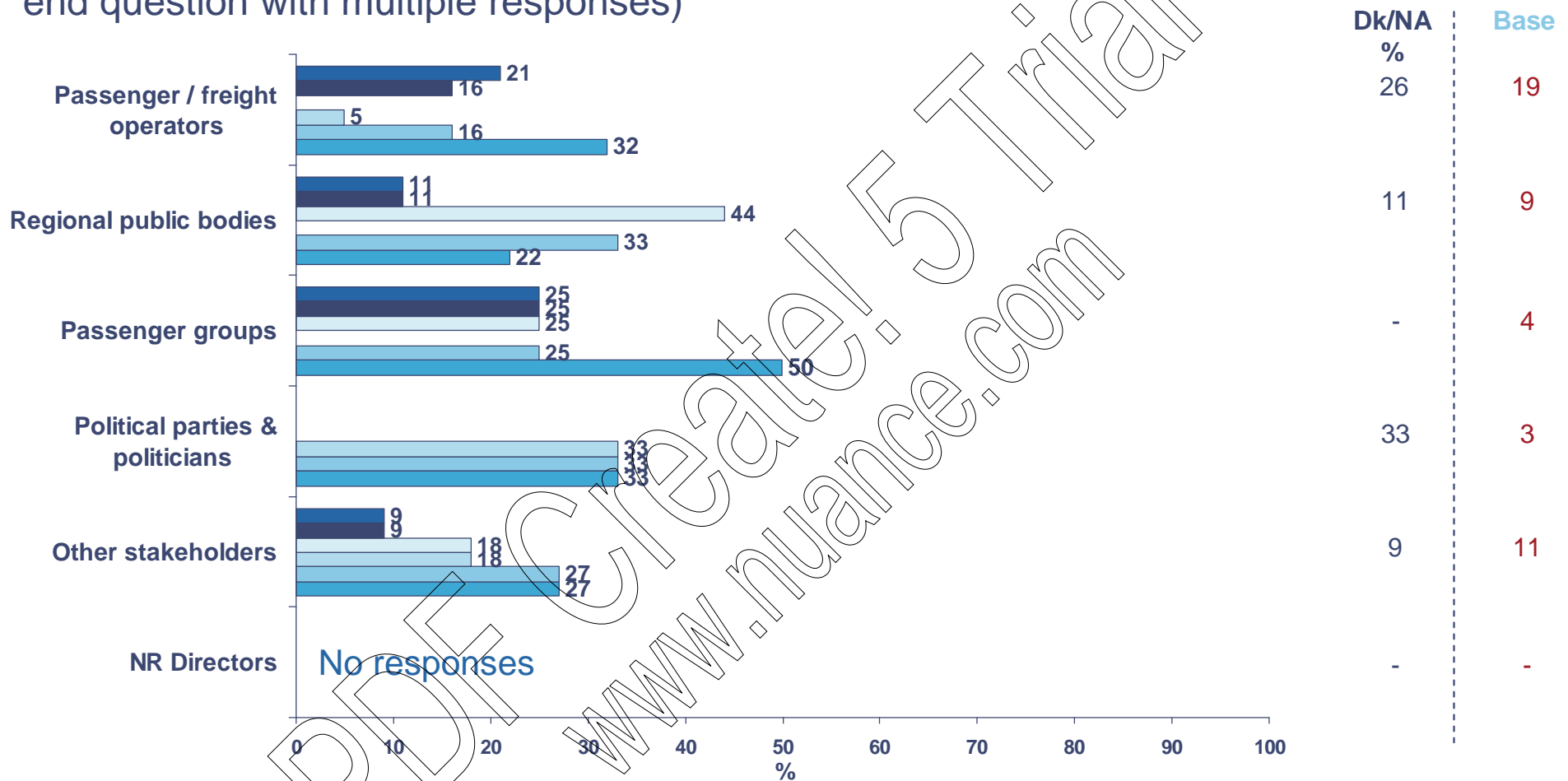


Q14. In your opinion, how effective are:

b) the Members at holding the Board of Network Rail to account?



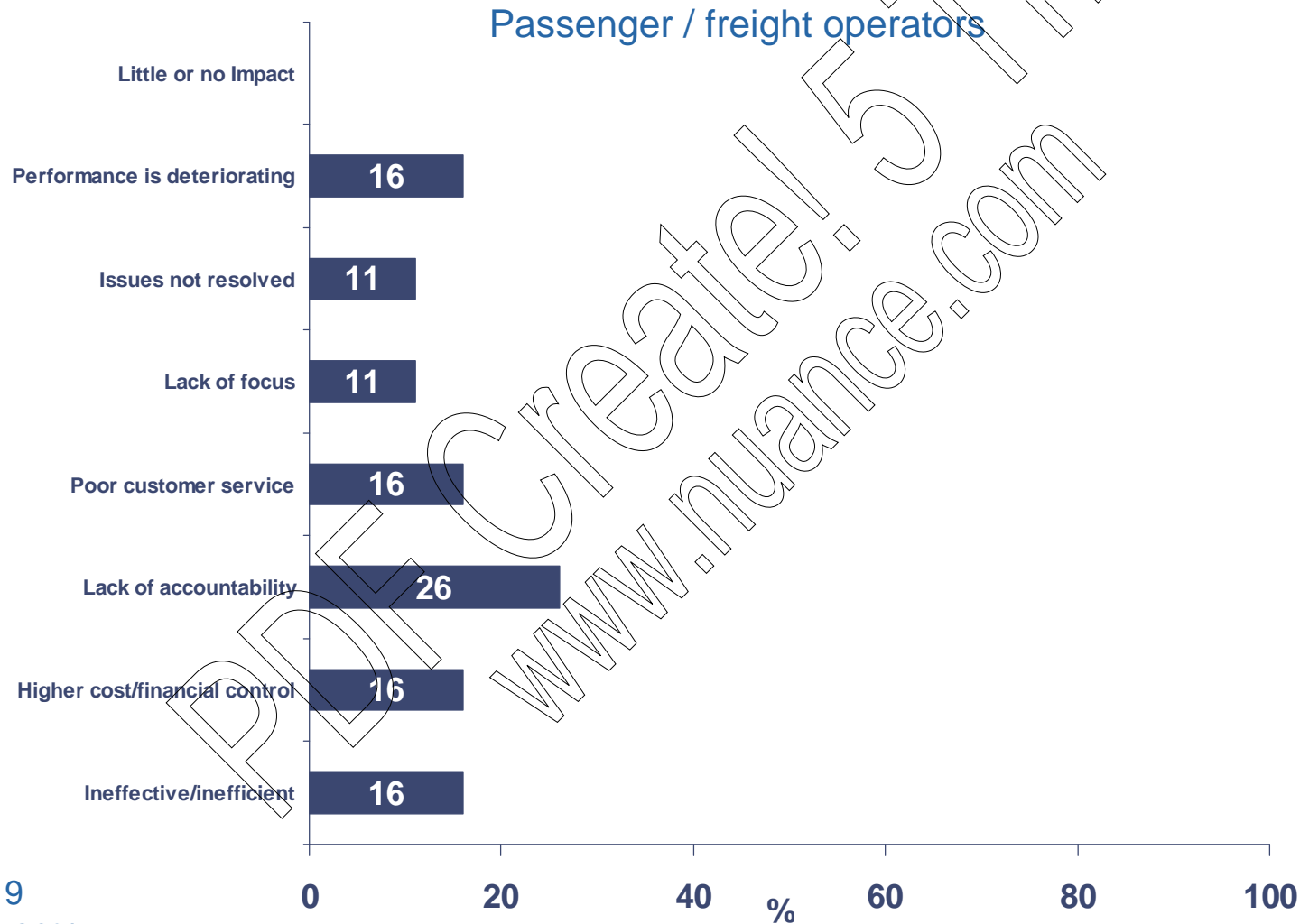
Q14c) If you believe the Members are ineffective collectively and/or are ineffective at holding the Board of Network Rail Members to account, please give examples (Open-end question with multiple responses)



- There is no involvement in remuneration arrangements/appointments
- There is a lack of unity/direction
- The Members are inefficient
- They do not challenge board/ hold it to account
- They suffer from poor performance/project management
- They have no influence/power

Q14d) If you believe the Members are ineffective collectively and/or are ineffective at holding the Board of Network Rail Members to account, what impact is this having on the performance of Network Rail?

(Open-end question with multiple responses)



Base: 19

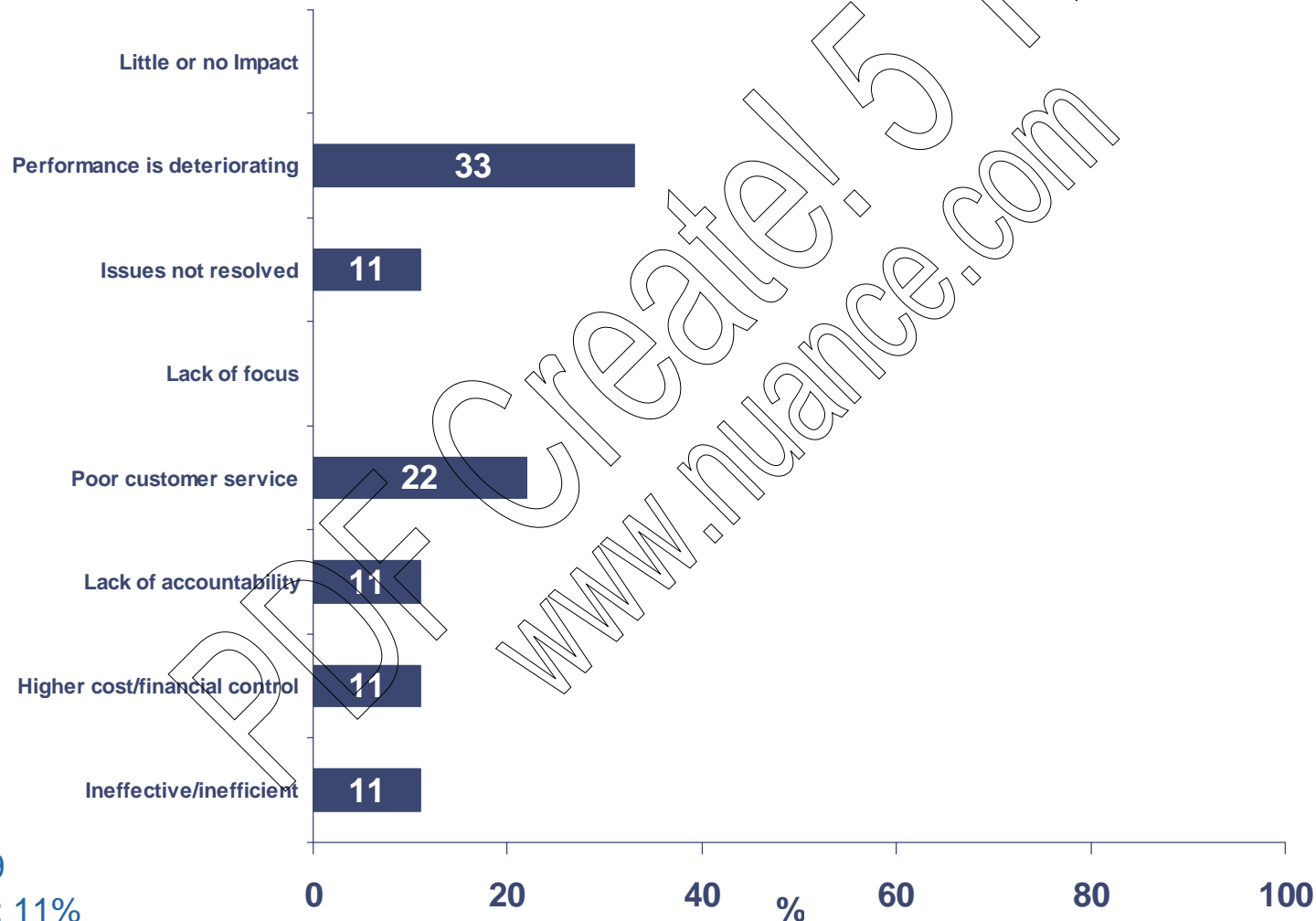
DK/NA: 26%

PricewaterhouseCoopers LLP

Q14d) If you believe the Members are ineffective collectively and/or are ineffective at holding the Board of Network Rail Members to account, what impact is this having on the performance of Network Rail?

(Open-end question with multiple responses)

Regional public bodies



Base: 9

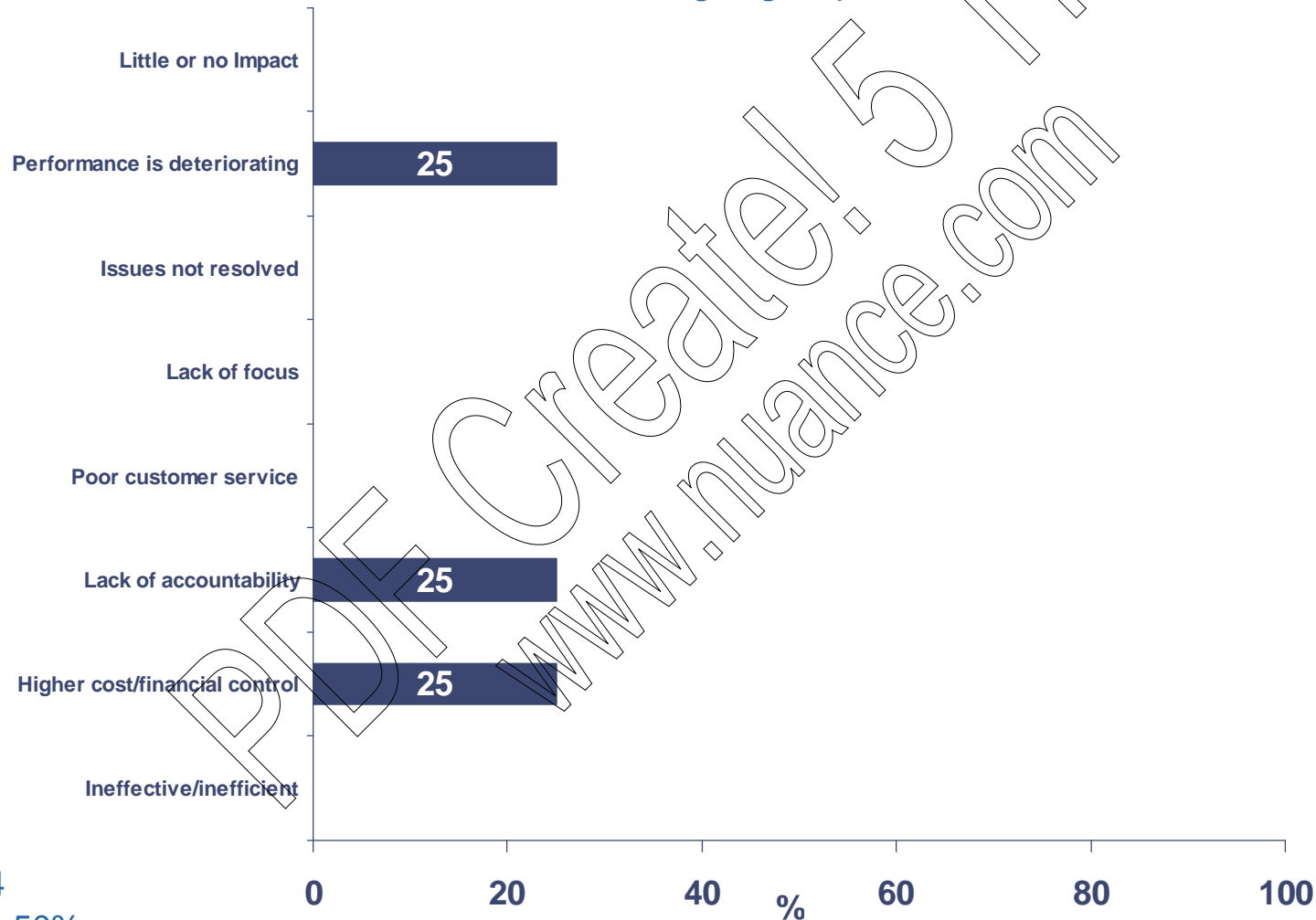
DK/NA: 11%

PricewaterhouseCoopers LLP

Q14d) If you believe the Members are ineffective collectively and/or are ineffective at holding the Board of Network Rail Members to account, what impact is this having on the performance of Network Rail?

(Open-end question with multiple responses)

Passenger groups



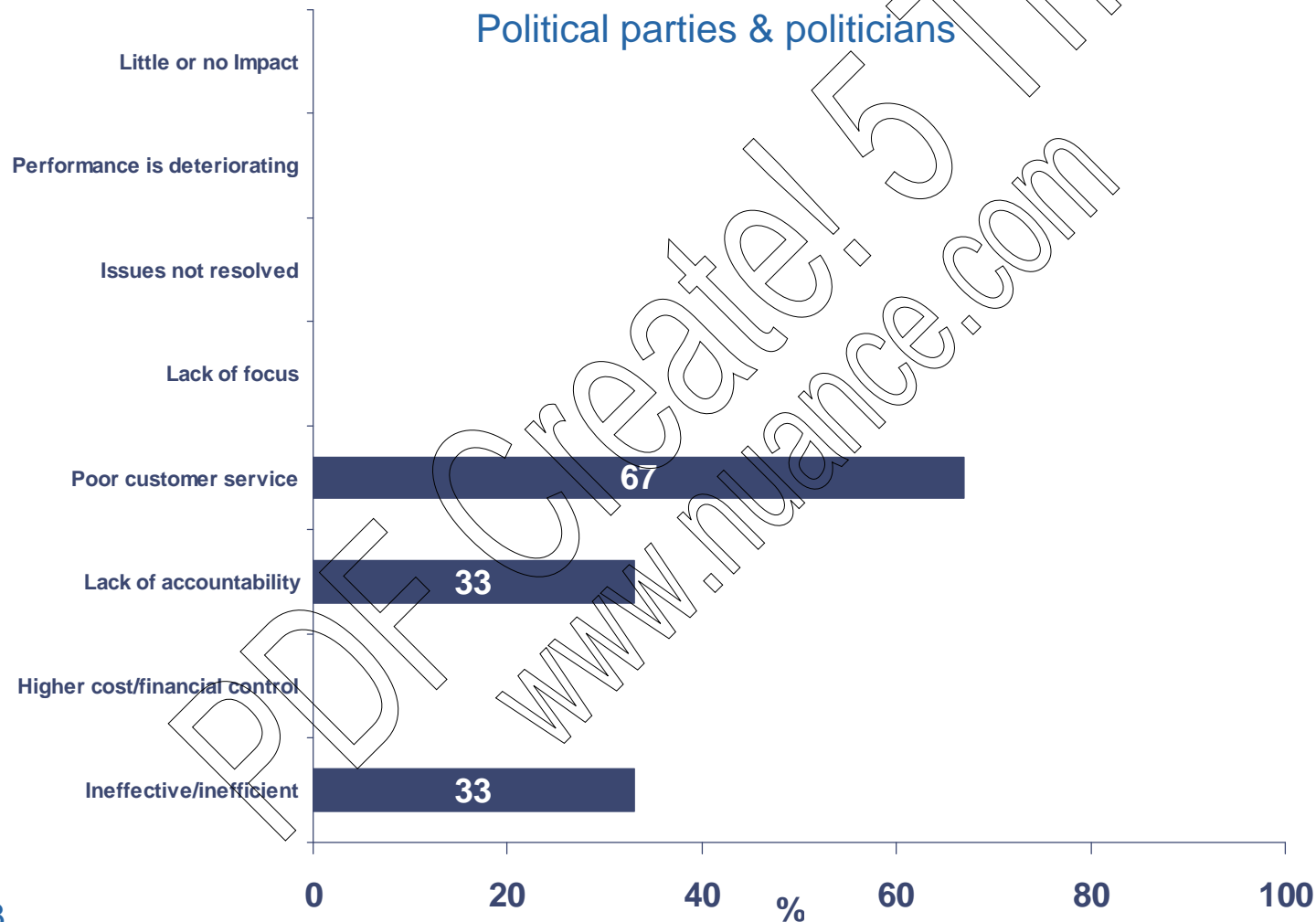
Base: 4

DK/NA: 50%

PricewaterhouseCoopers LLP

Q14d) If you believe the Members are ineffective collectively and/or are ineffective at holding the Board of Network Rail Members to account, what impact is this having on the performance of Network Rail?

(Open-end question with multiple responses)



Base: 3

DK/NA: 0%

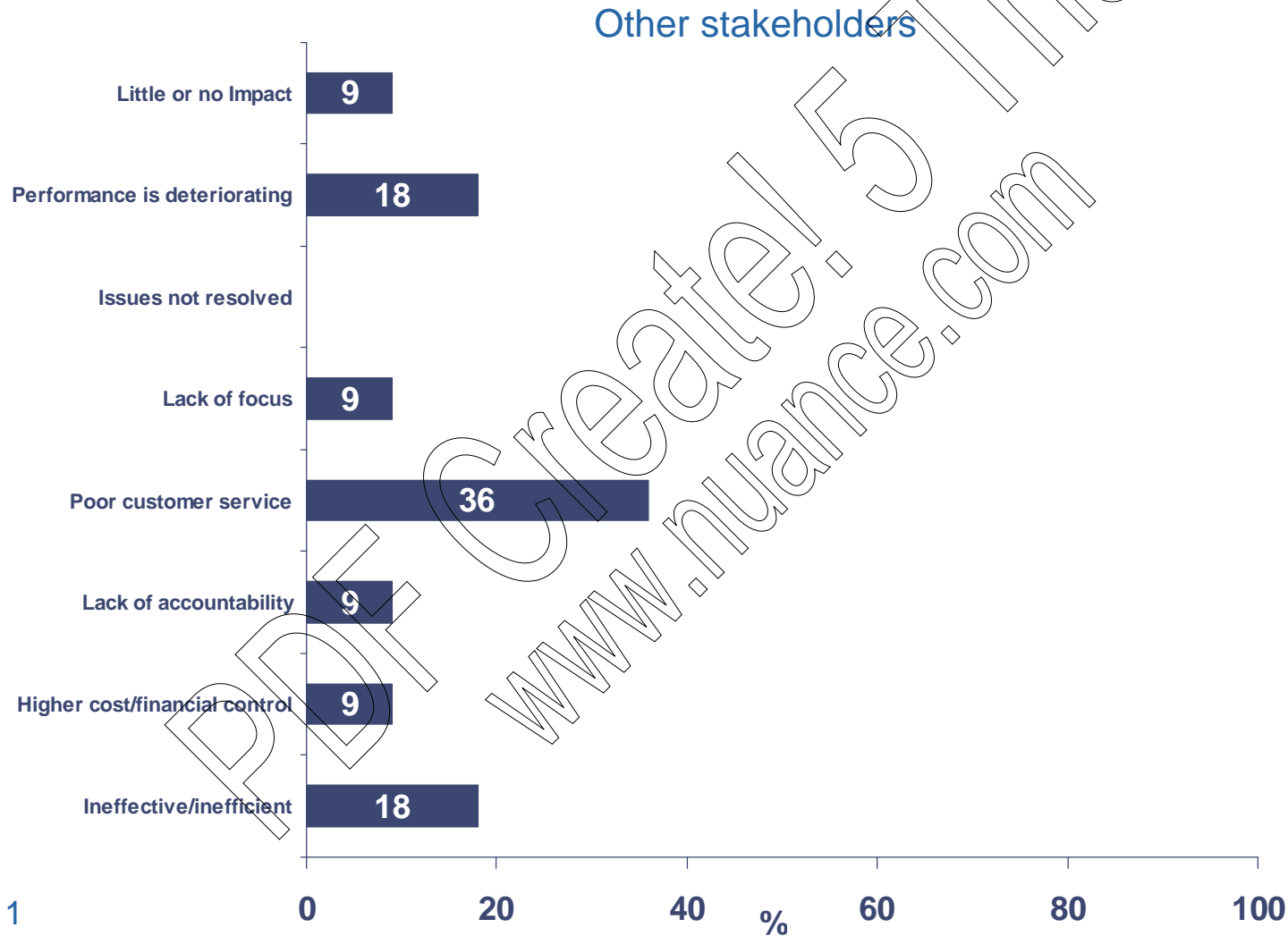
PricewaterhouseCoopers LLP

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Q14d) If you believe the Members are ineffective collectively and/or are ineffective at holding the Board of Network Rail Members to account, what impact is this having on the performance of Network Rail?

(Open-end question with multiple responses)



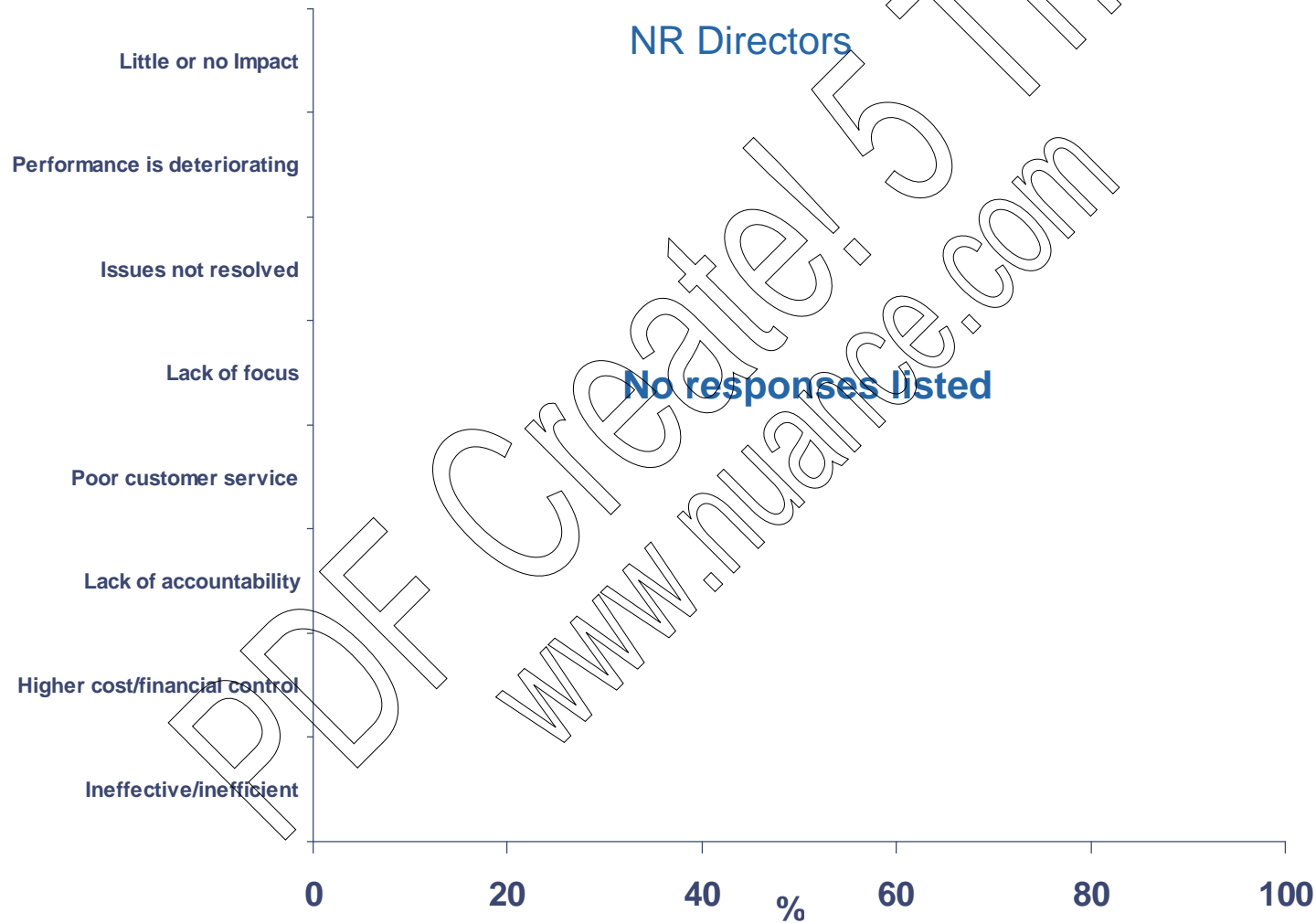
Base: 11

DK/NA: 9%

PricewaterhouseCoopers LLP

Q14d) If you believe the Members are ineffective collectively and/or are ineffective at holding the Board of Network Rail Members to account, what impact is this having on the performance of Network Rail?

(Open-end question with multiple responses)



Base: -

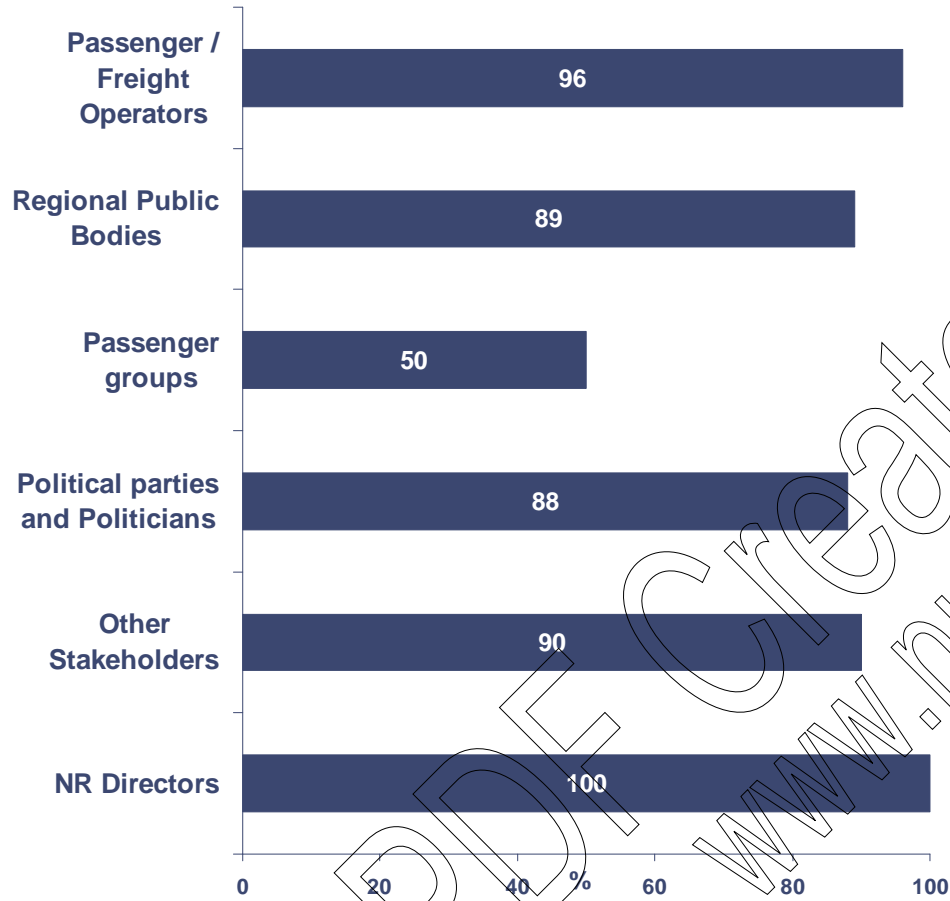
DK/NA: -

PricewaterhouseCoopers LLP

Q15. Should Network Rail continue to have:

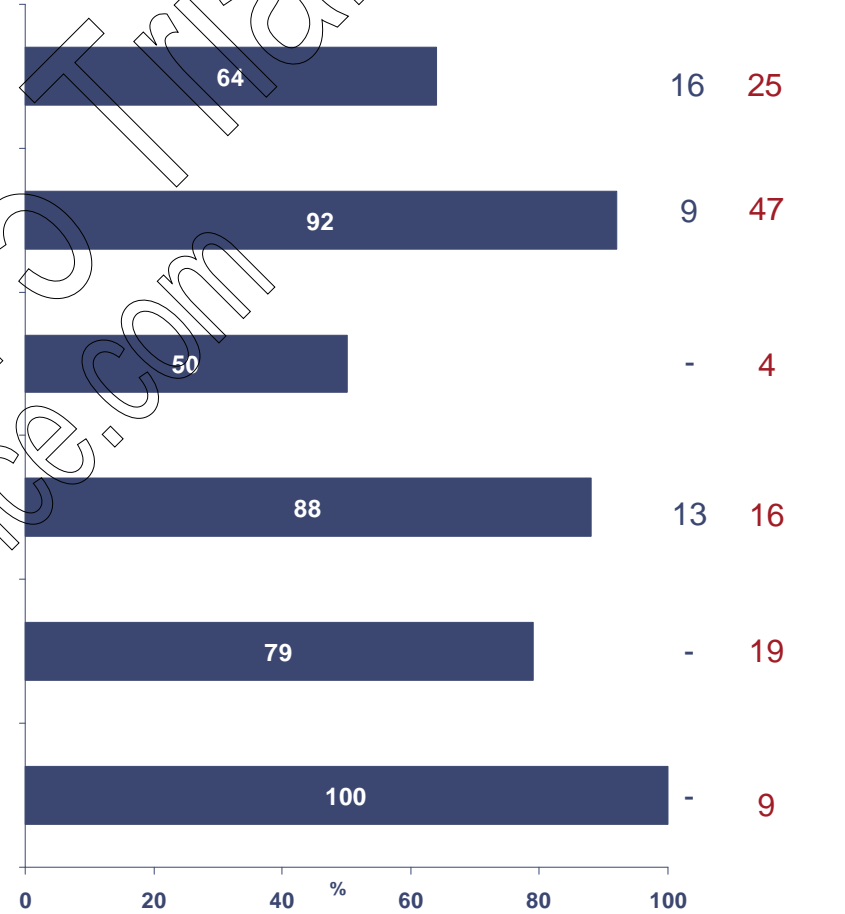
a) Industry Members?

DK/NA Base %



b) Public Members?

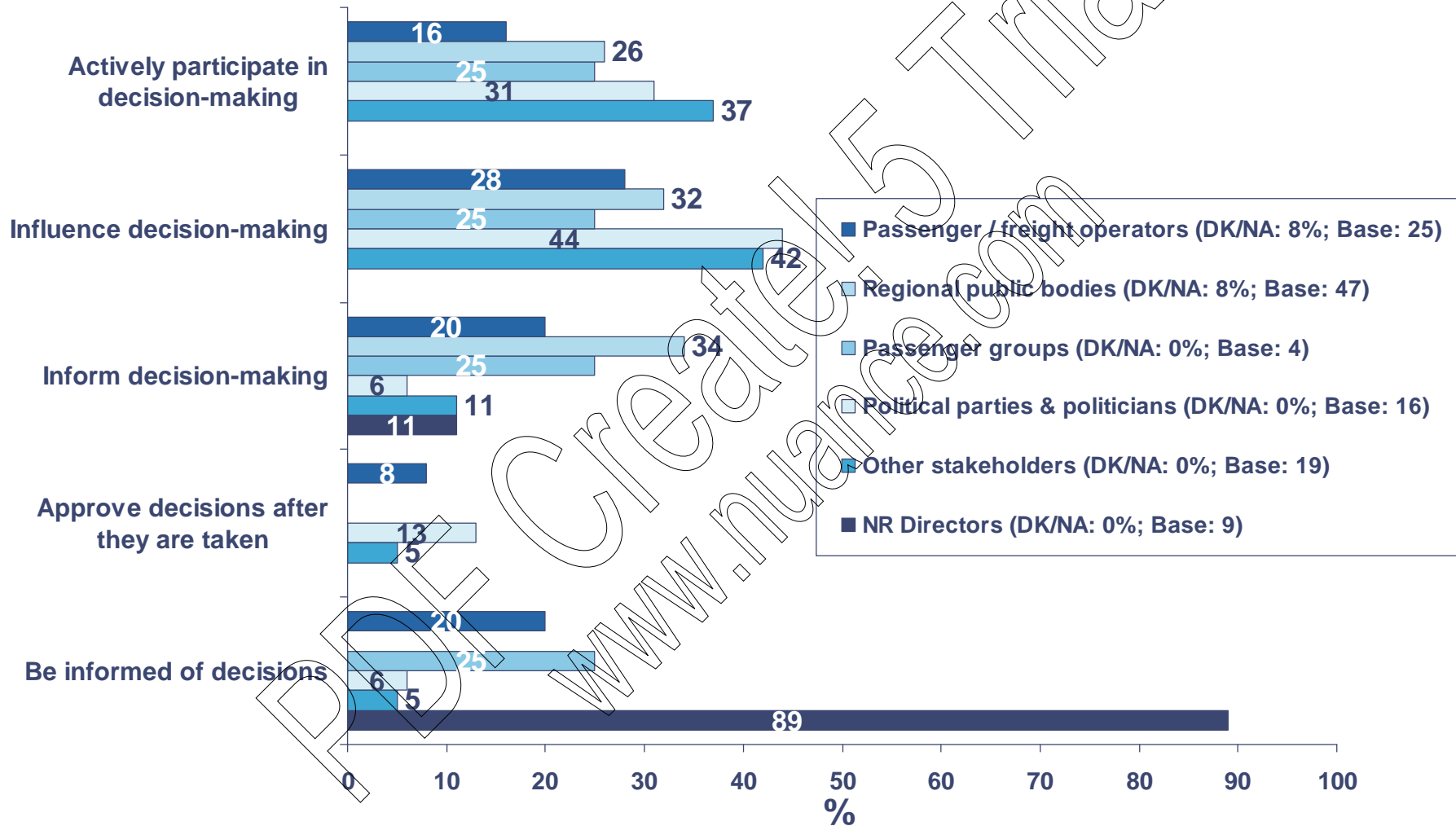
DK/NA Base %



■ Yes

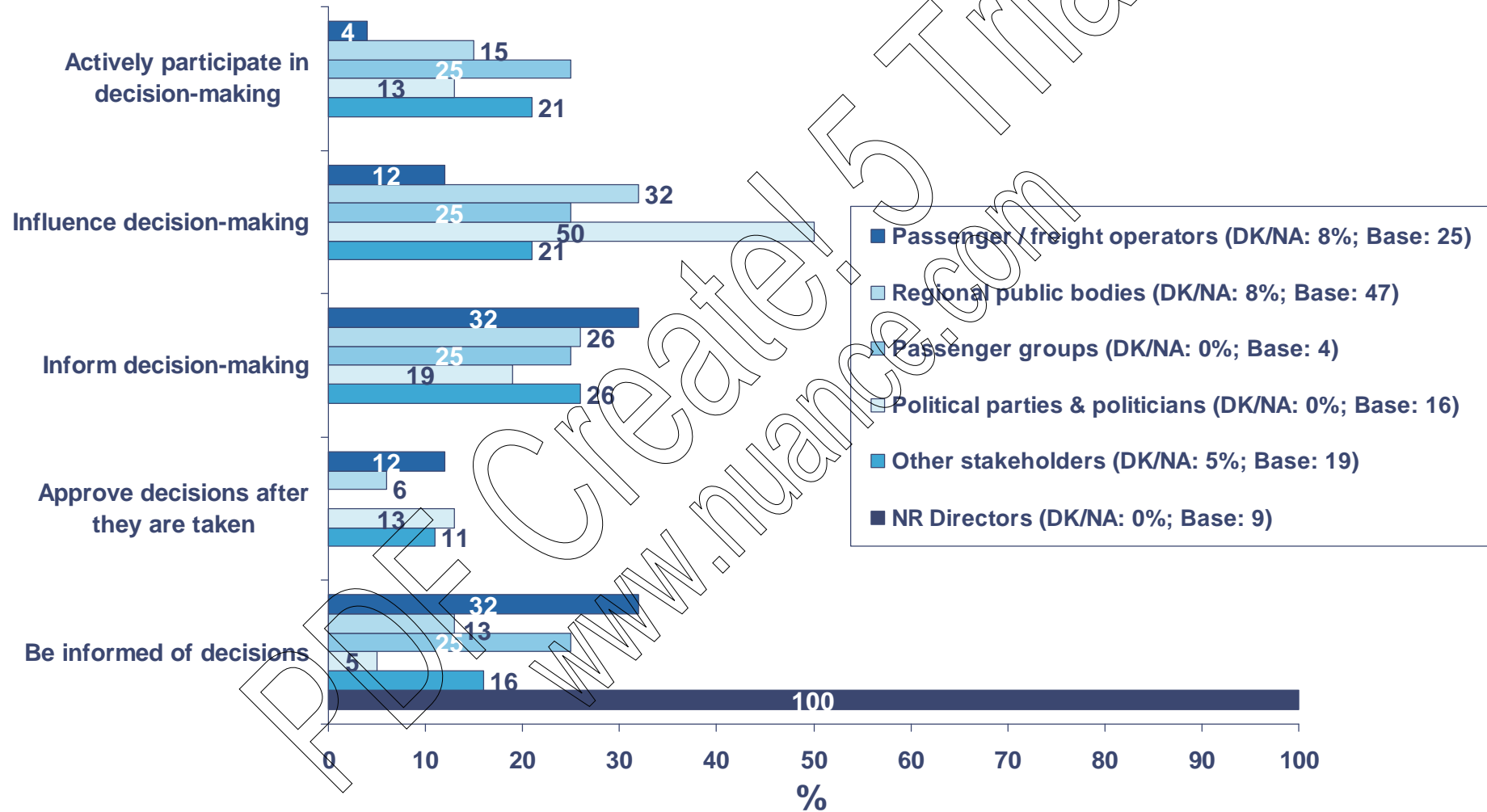
Q16. What should be the role of Members regarding the establishment of Network Rail's business strategy?

Select one only



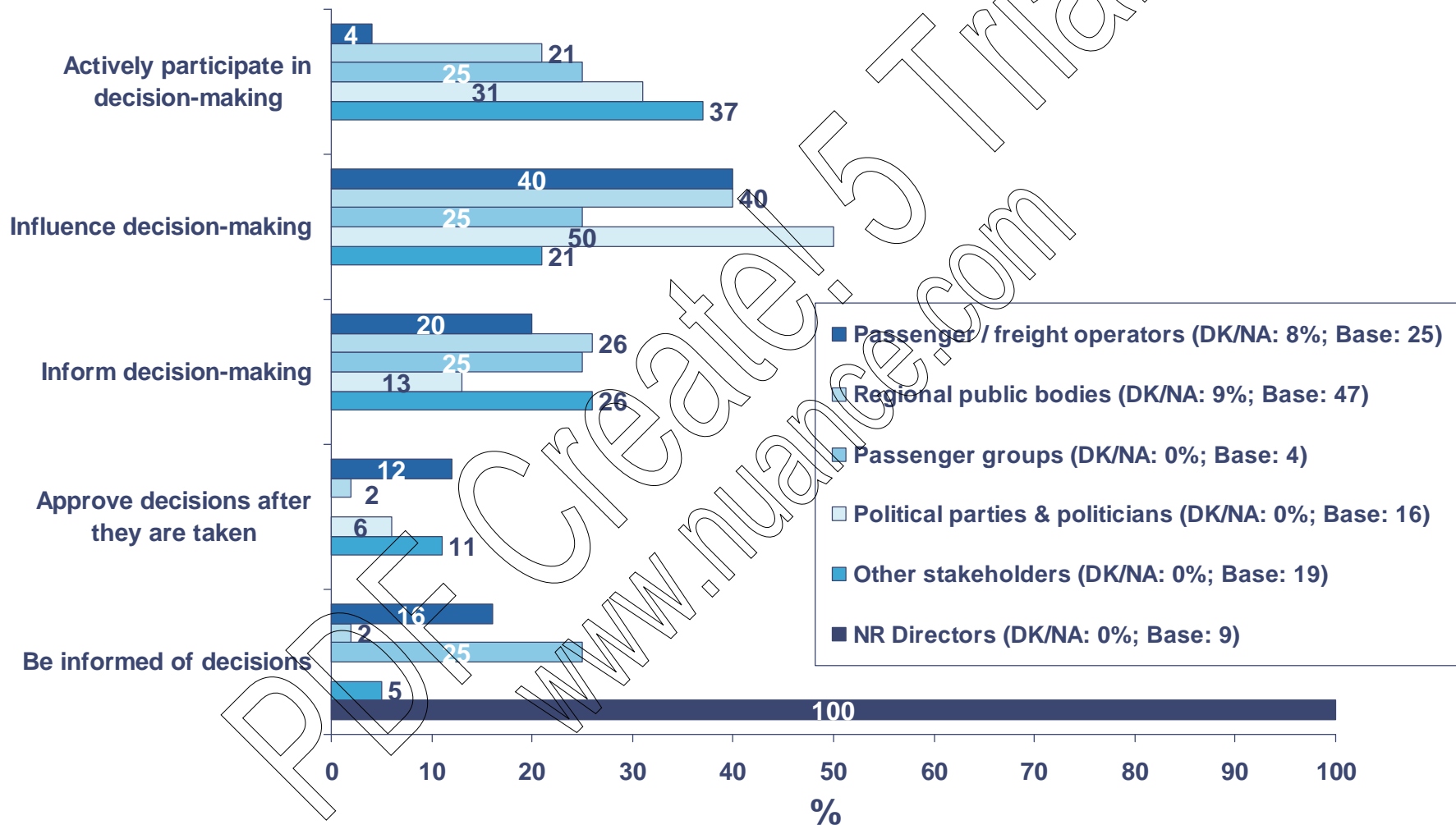
Q16. What should be the role of Members regarding the establishment of Network Rail's annual financial budget?

Select one only



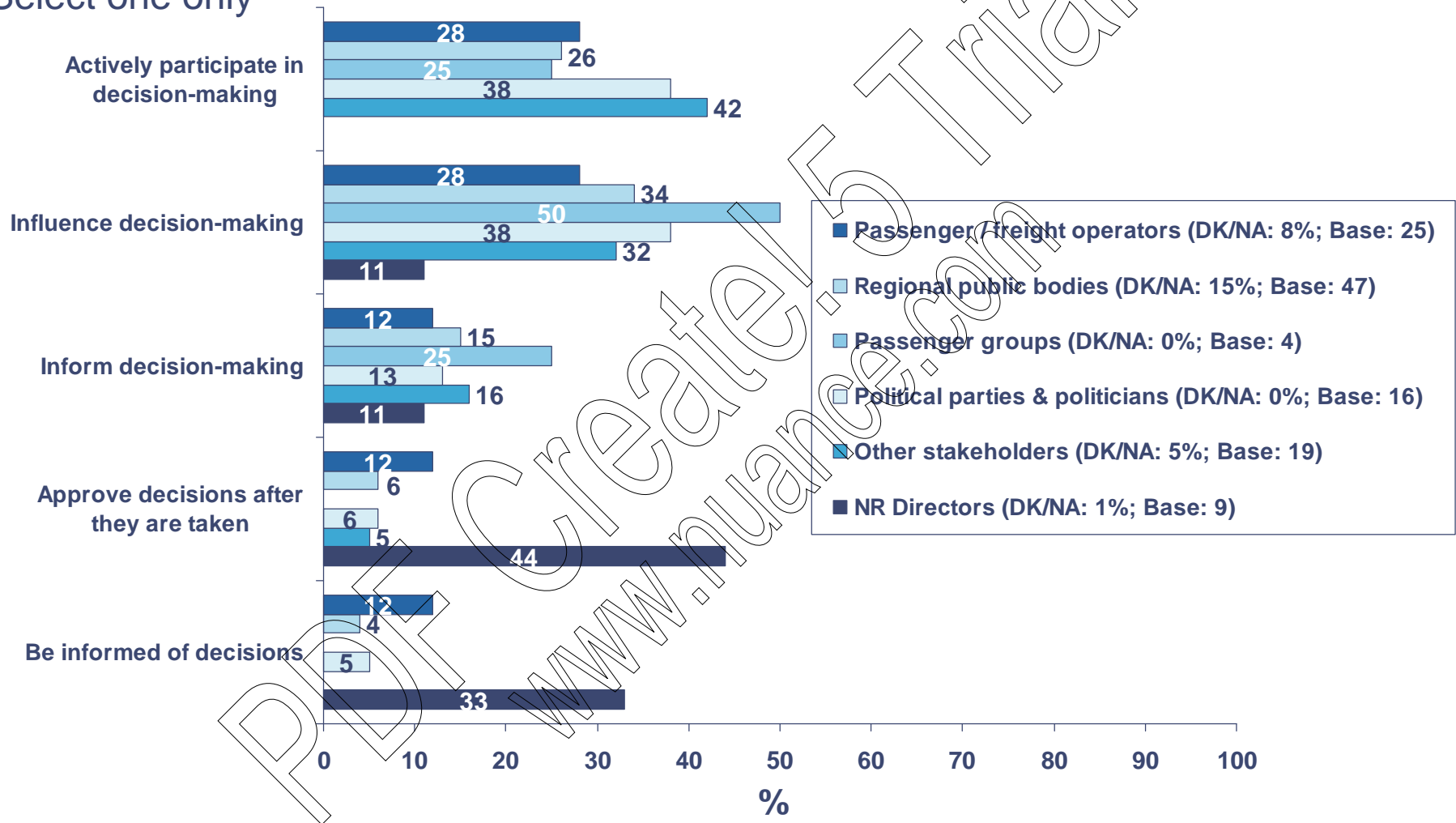
Q16. What should be the role of Members regarding the establishment of Network Rail's business plan and its targets?

Select one only

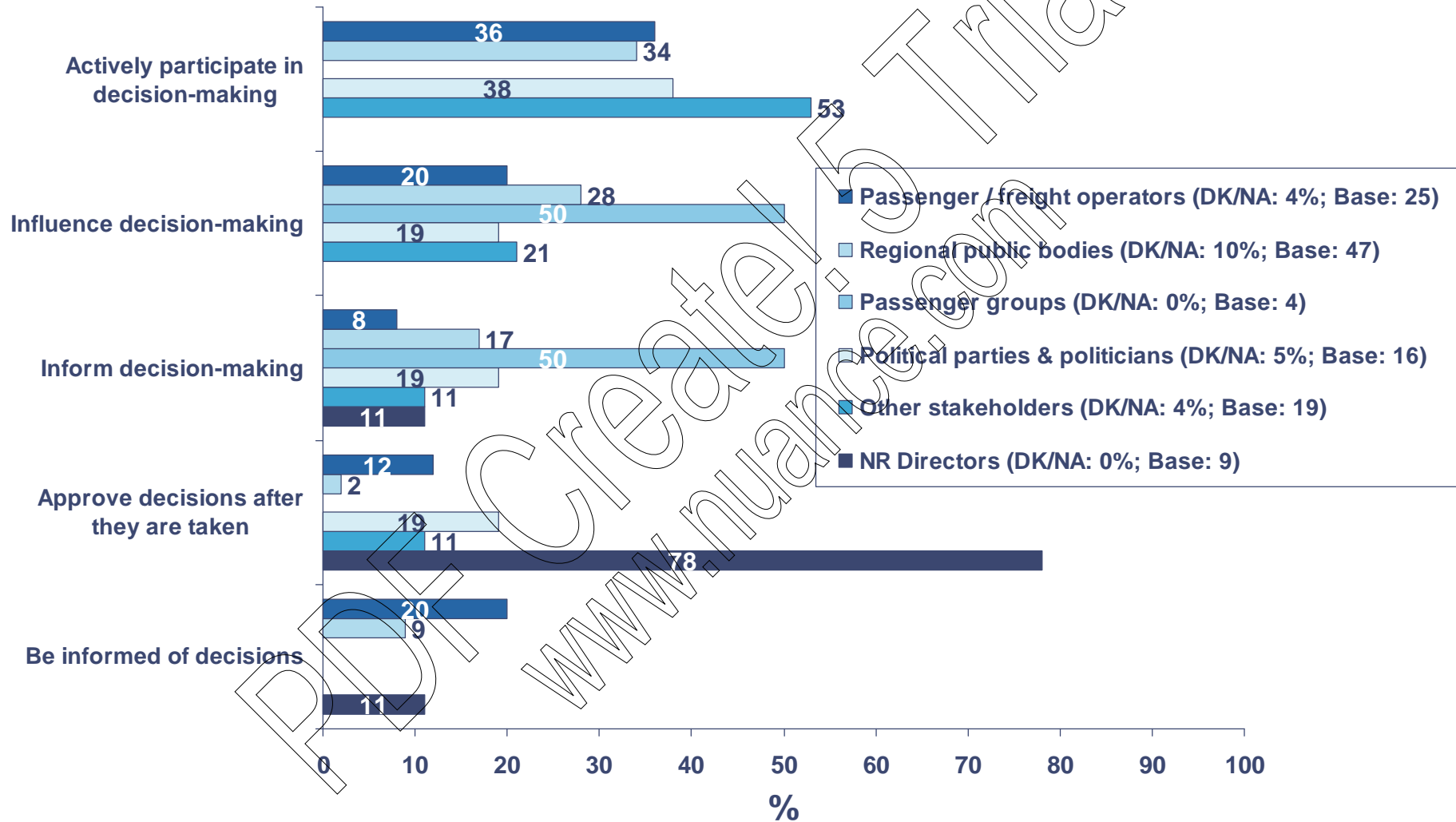


Q16. What should be the role of Members regarding **setting directors' remuneration?**

Select one only

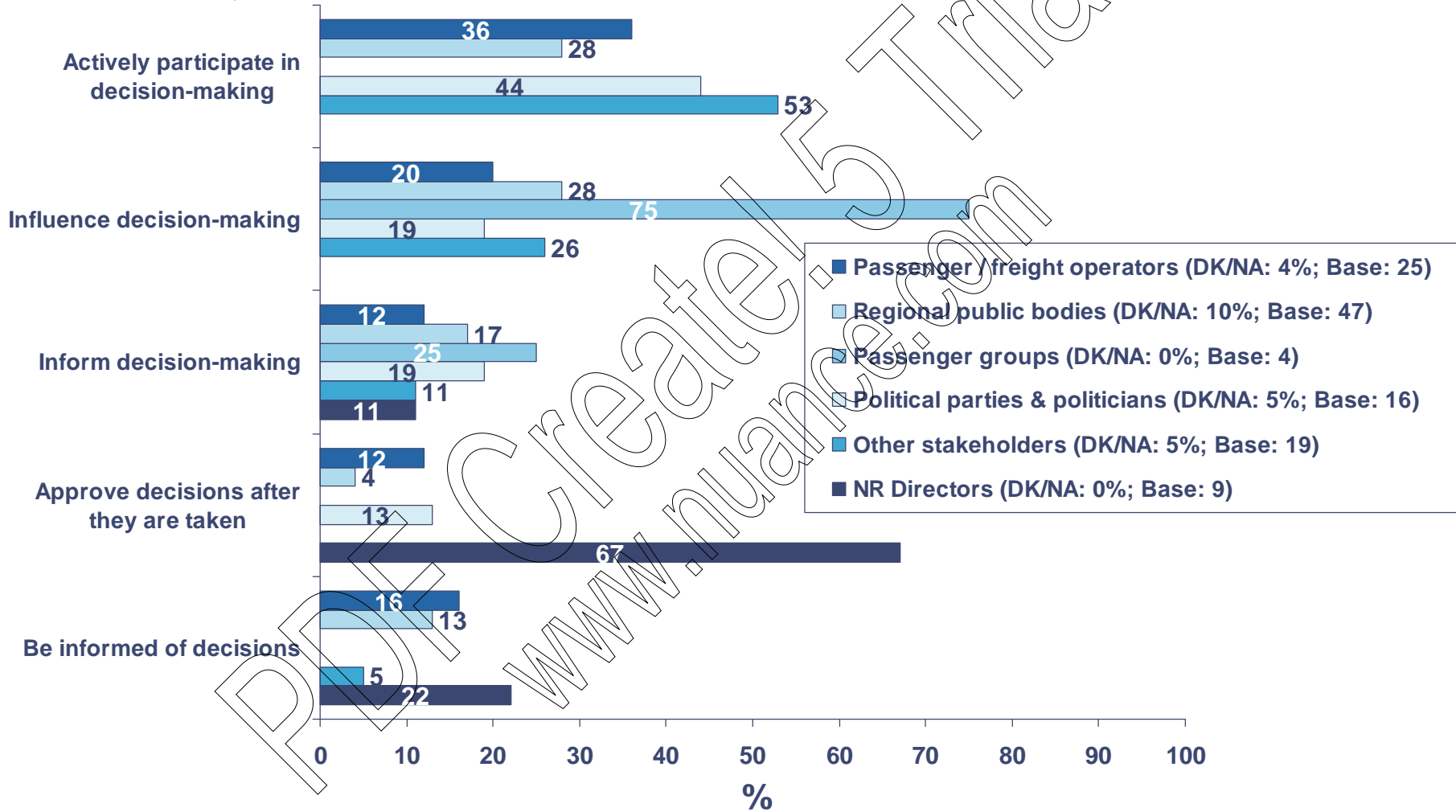


Q16. What should be the role of Members regarding **appointing the Chairman**?
 Select one only

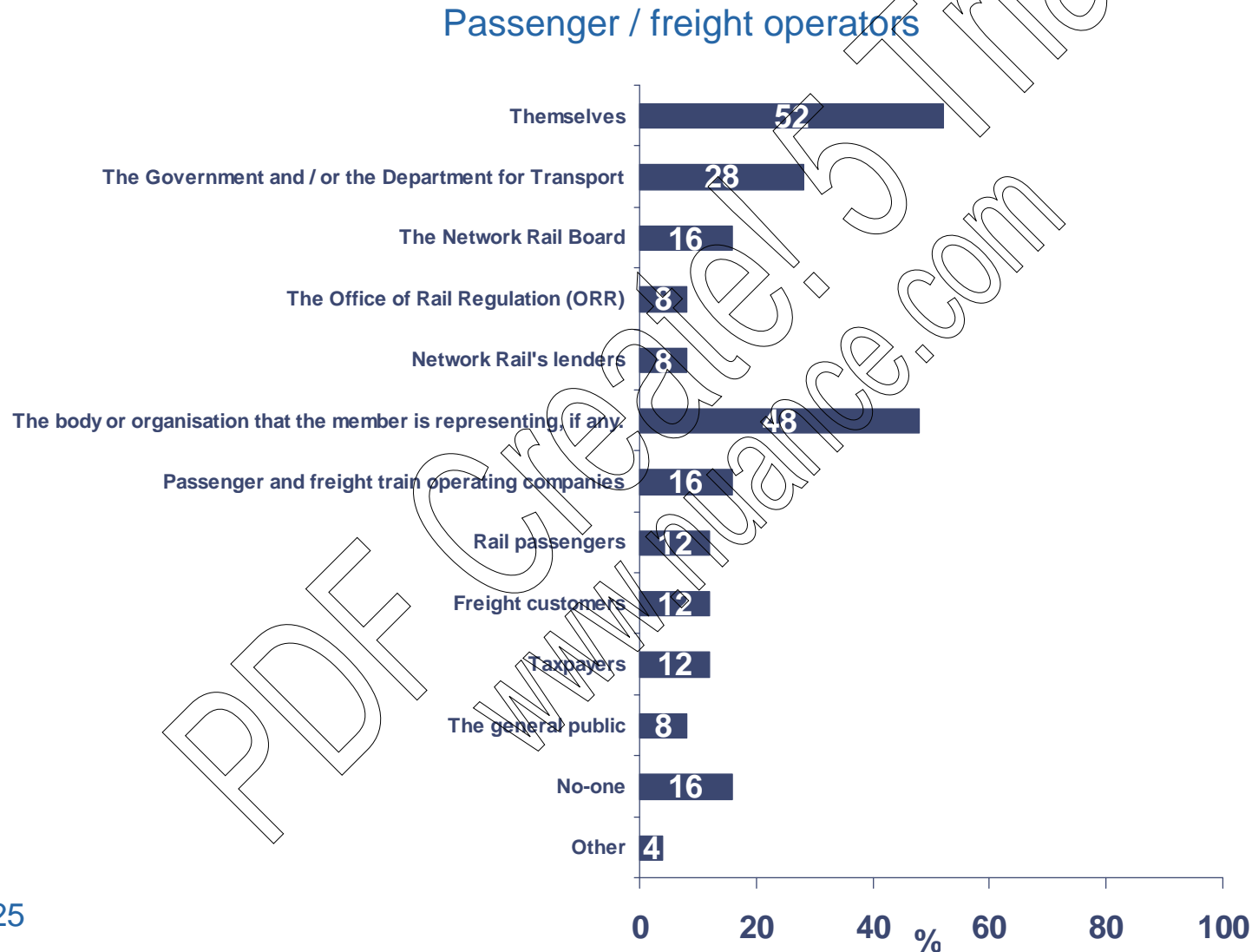


Q16. What should be the role of Members regarding **appointing non-executive directors**?

Select one only

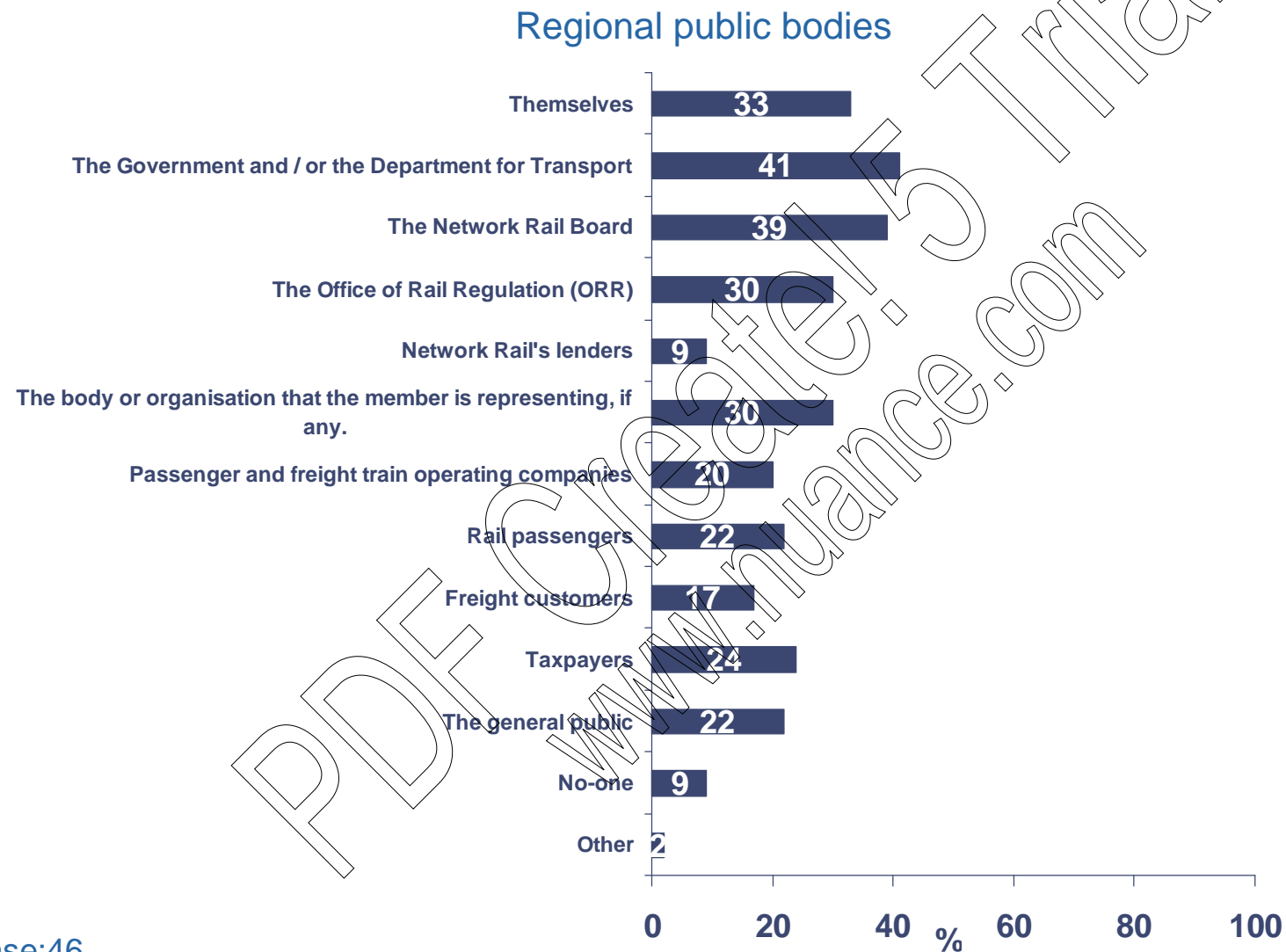


Q17a) Who do you believe a Member or Members are accountable to? Select all that apply



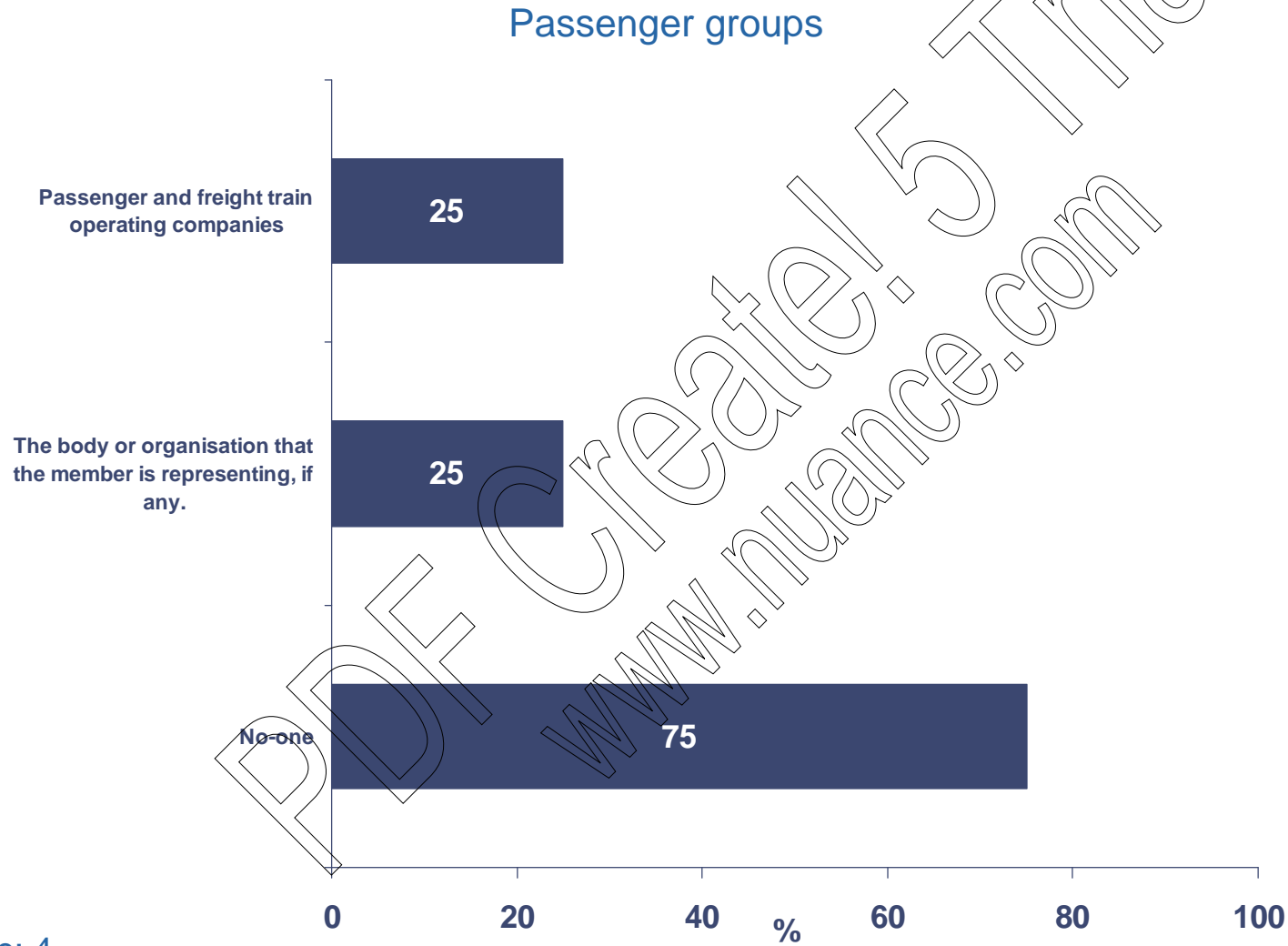
Base: 25

Q17a) Who do you believe a Member or Members are accountable to? Select all that apply



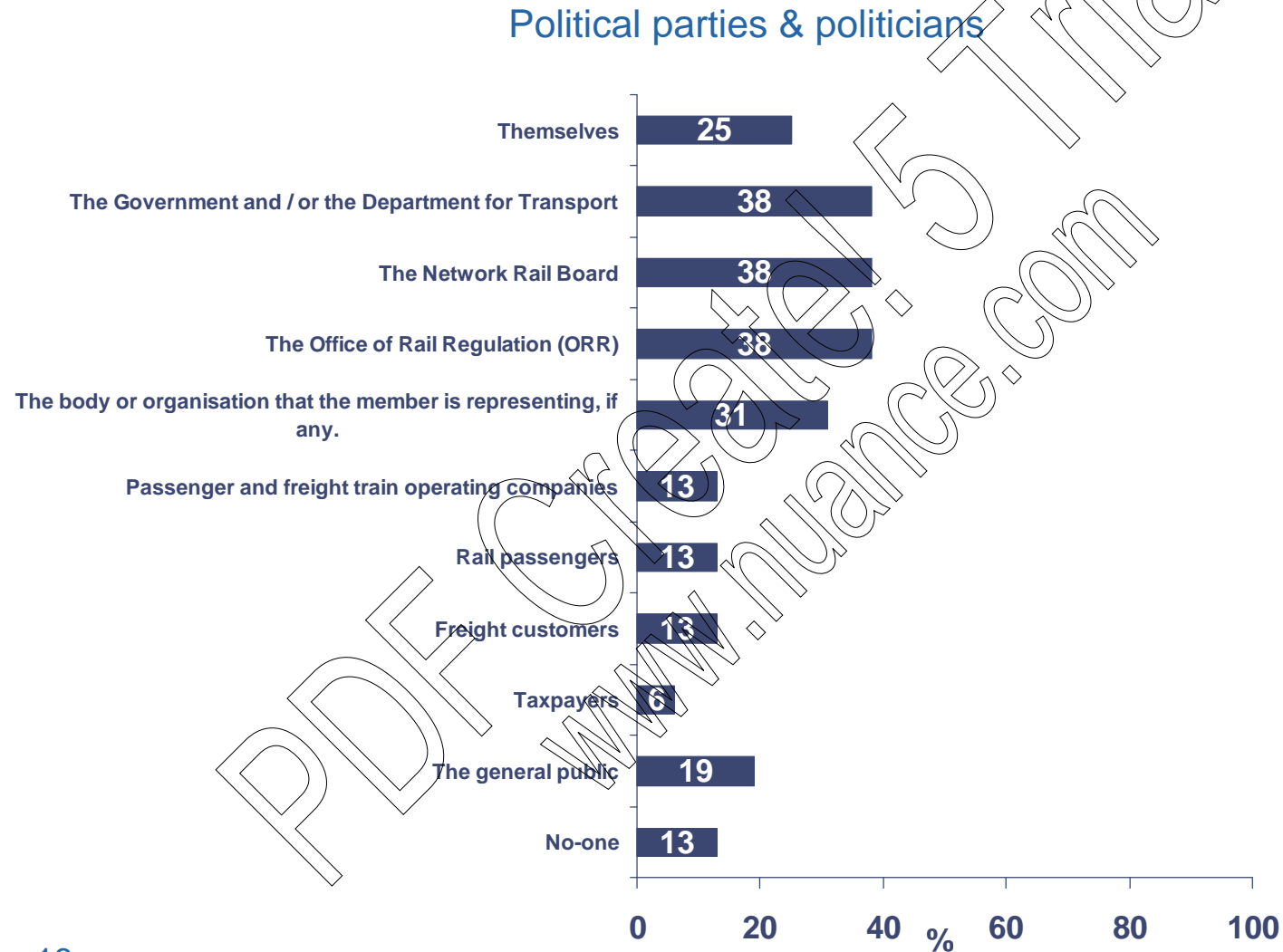
Base:46

Q17a) Who do you believe a Member or Members are accountable to? Select all that apply



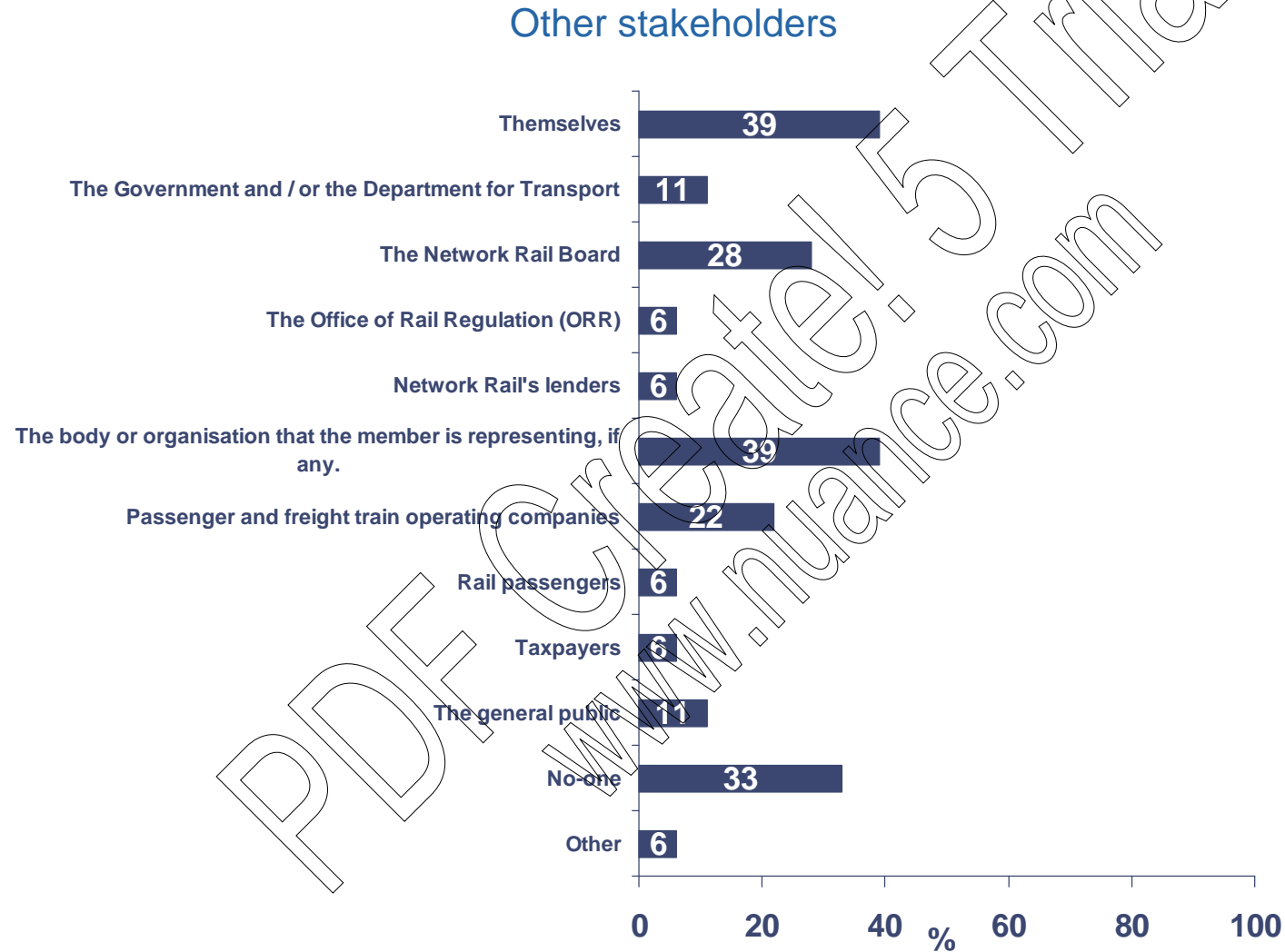
Base: 4

Q17a) Who do you believe a Member or Members are accountable to? Select all that apply



Base: 16

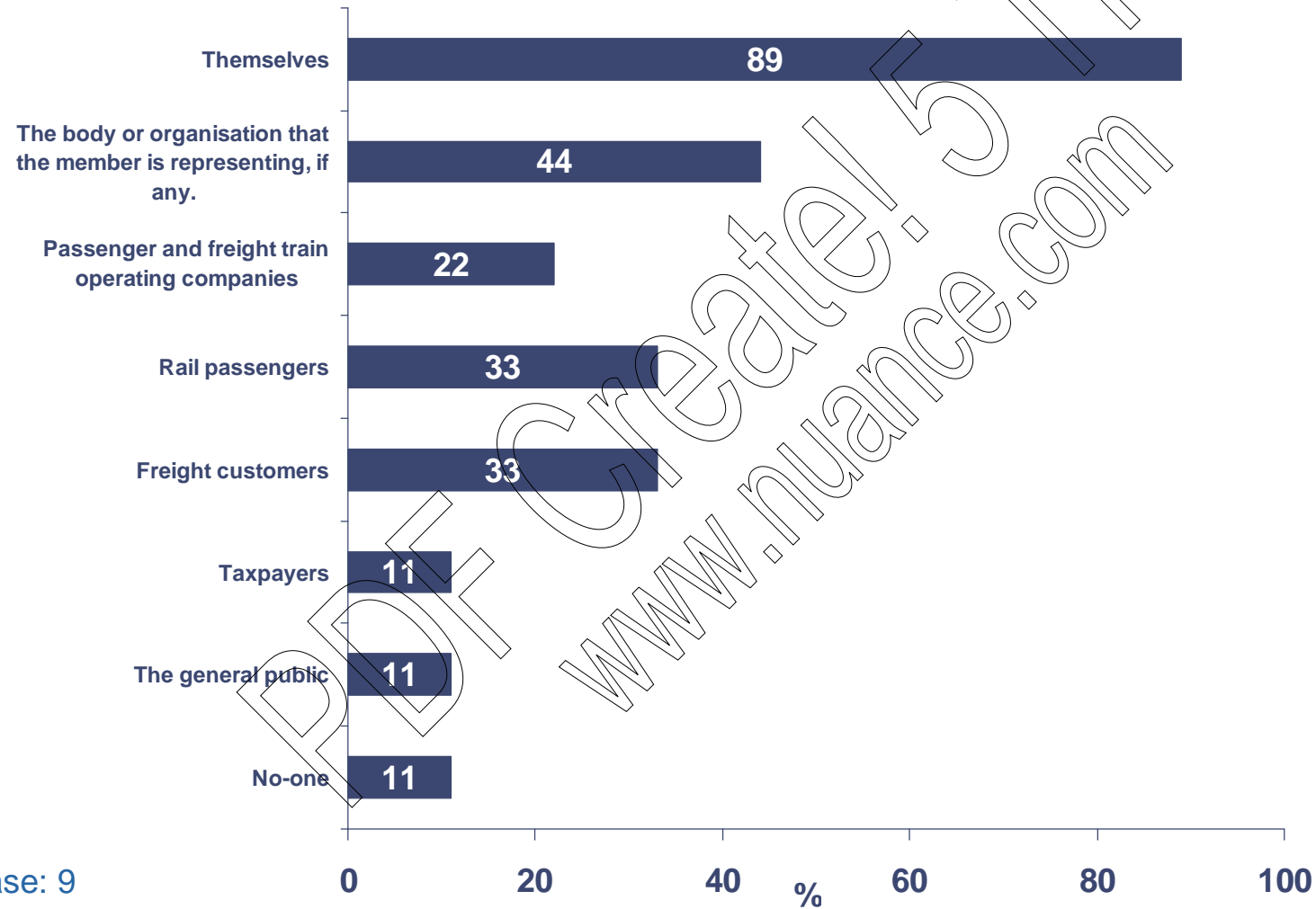
Q17a) Who do you believe a Member or Members are accountable to? Select all that apply



Base: 18

Q17a) Who do you believe a Member or Members are accountable to? Select all that apply

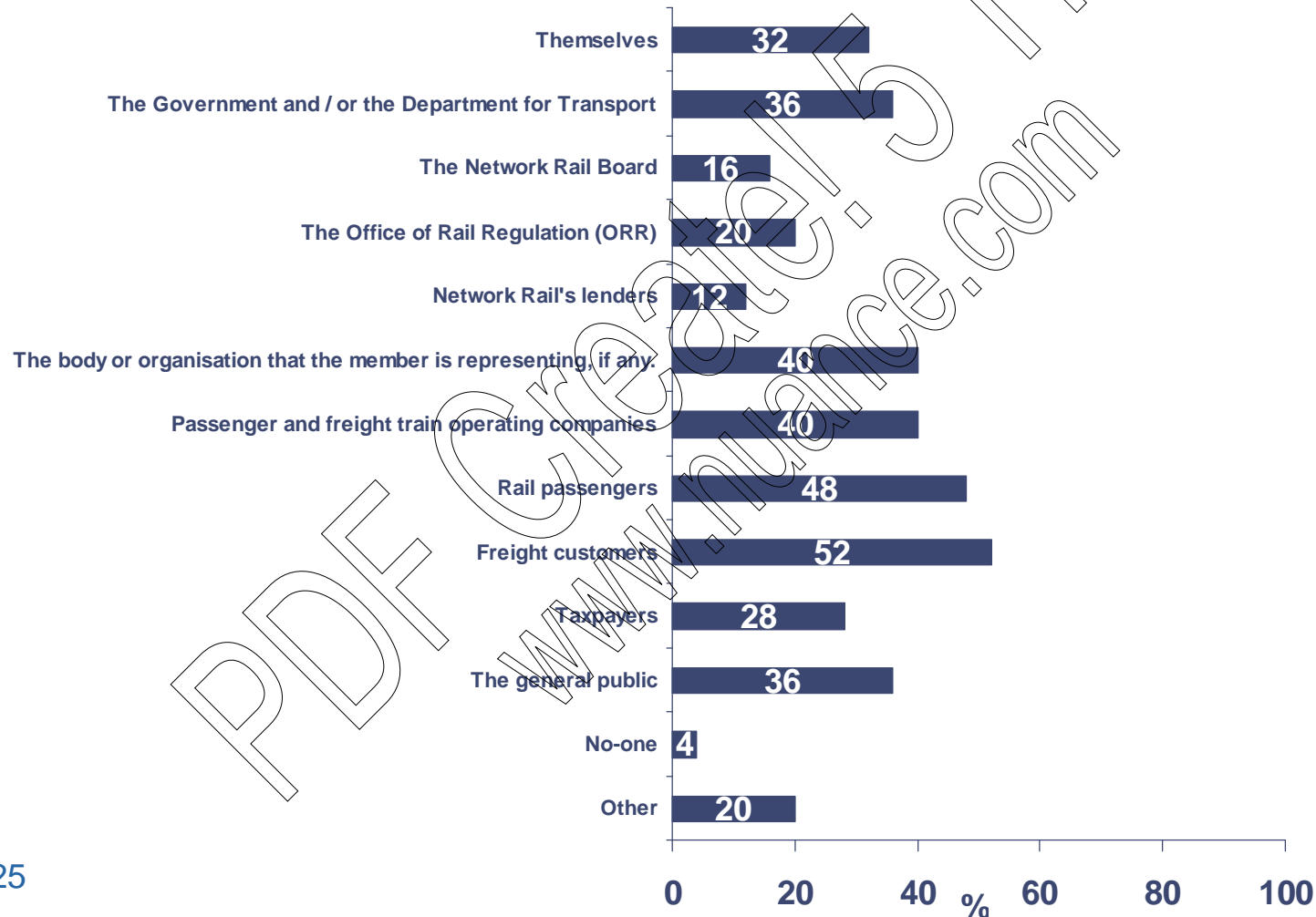
NR Directors



Base: 9

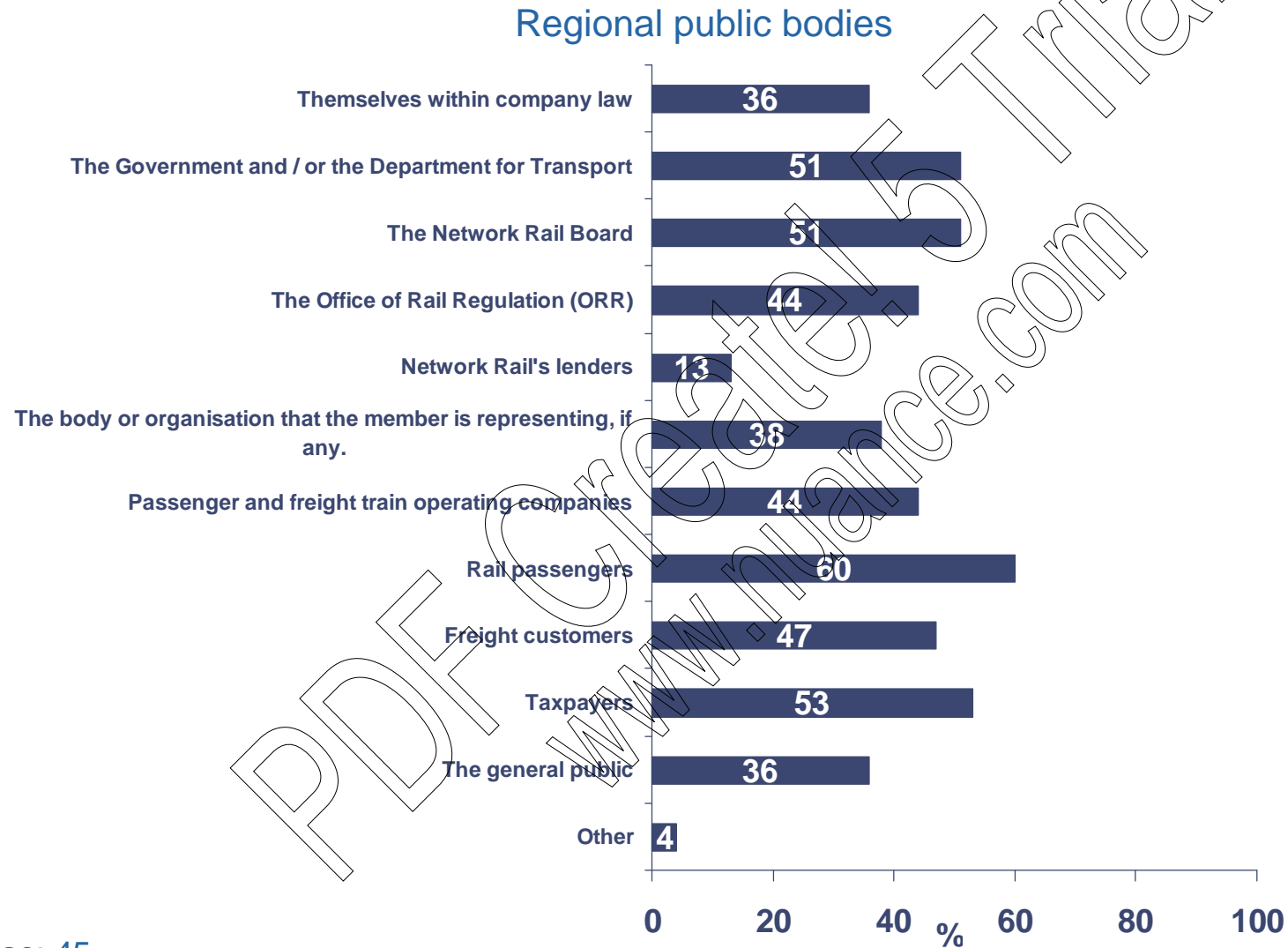
Q17b) Who **should** a Member or Members be accountable to? Select all that apply

Passenger / freight operators



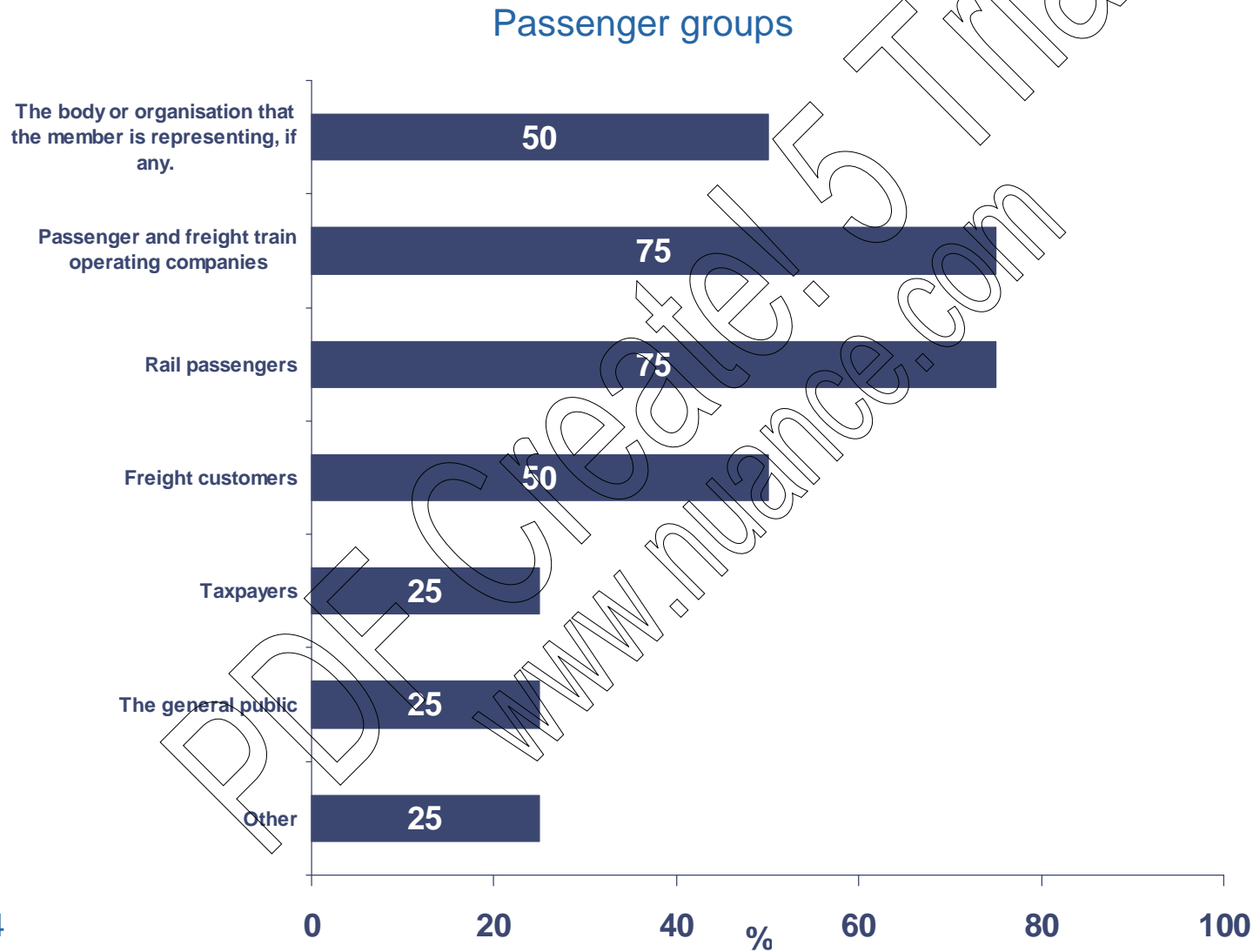
Base: 25

Q17b) Who **should** a Member or Members be accountable to? Select all that apply



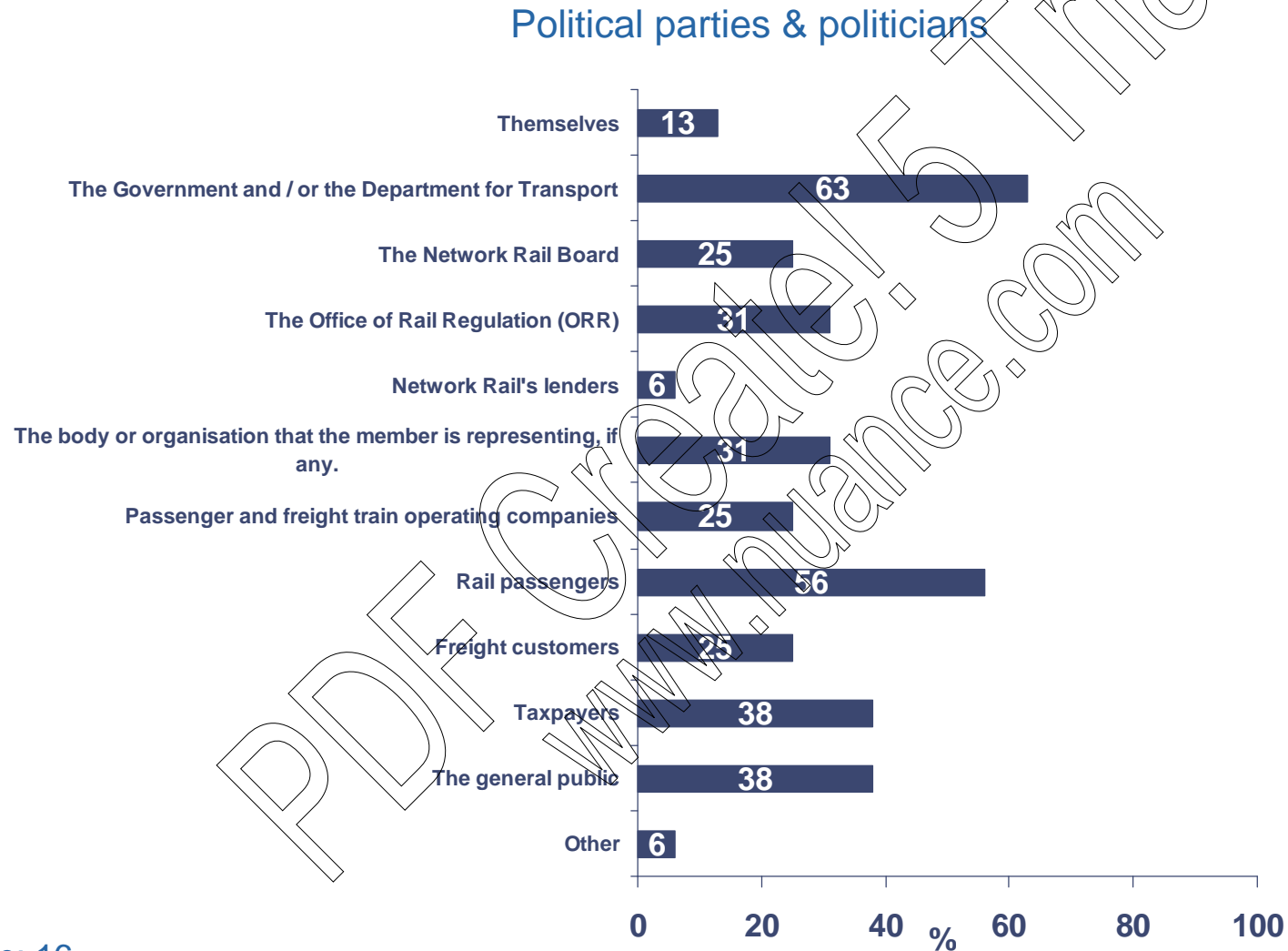
Base: 45

Q17b) Who **should** a Member or Members be accountable to? Select all that apply



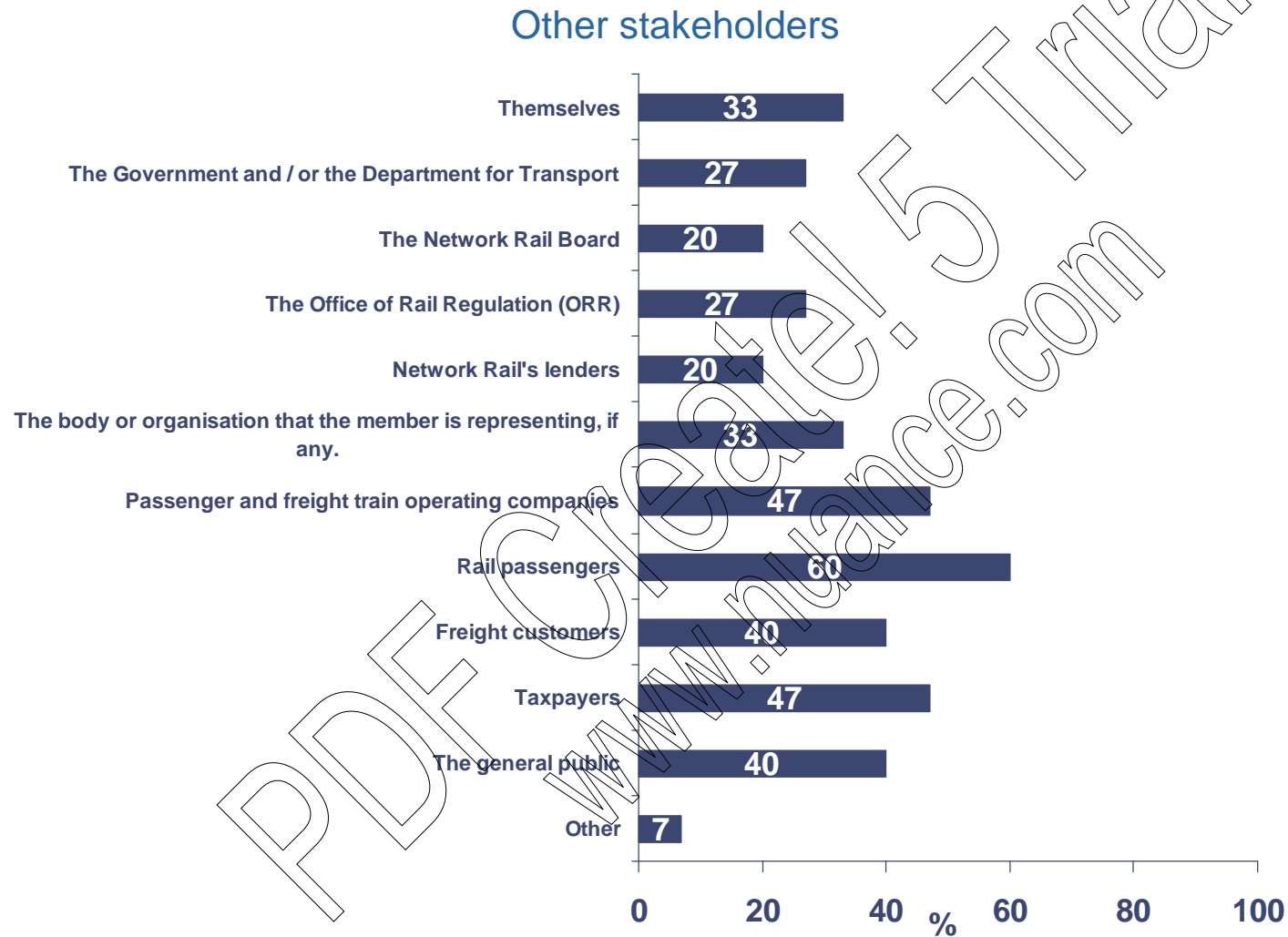
Base: 4

Q17b) Who **should** a Member or Members be accountable to? Select all that apply



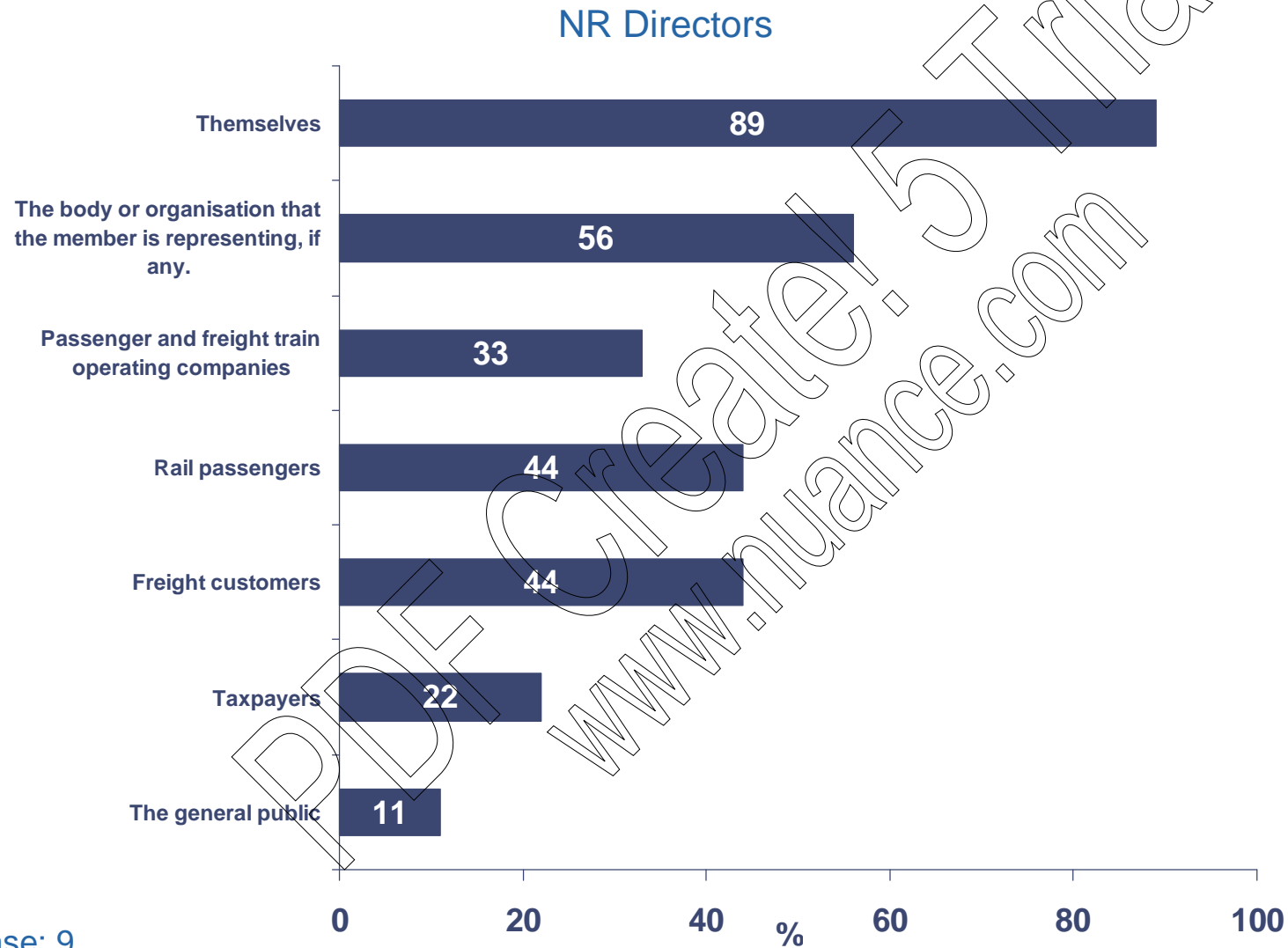
Base: 16

Q17b) Who **should** a Member or Members be accountable to? Select all that apply



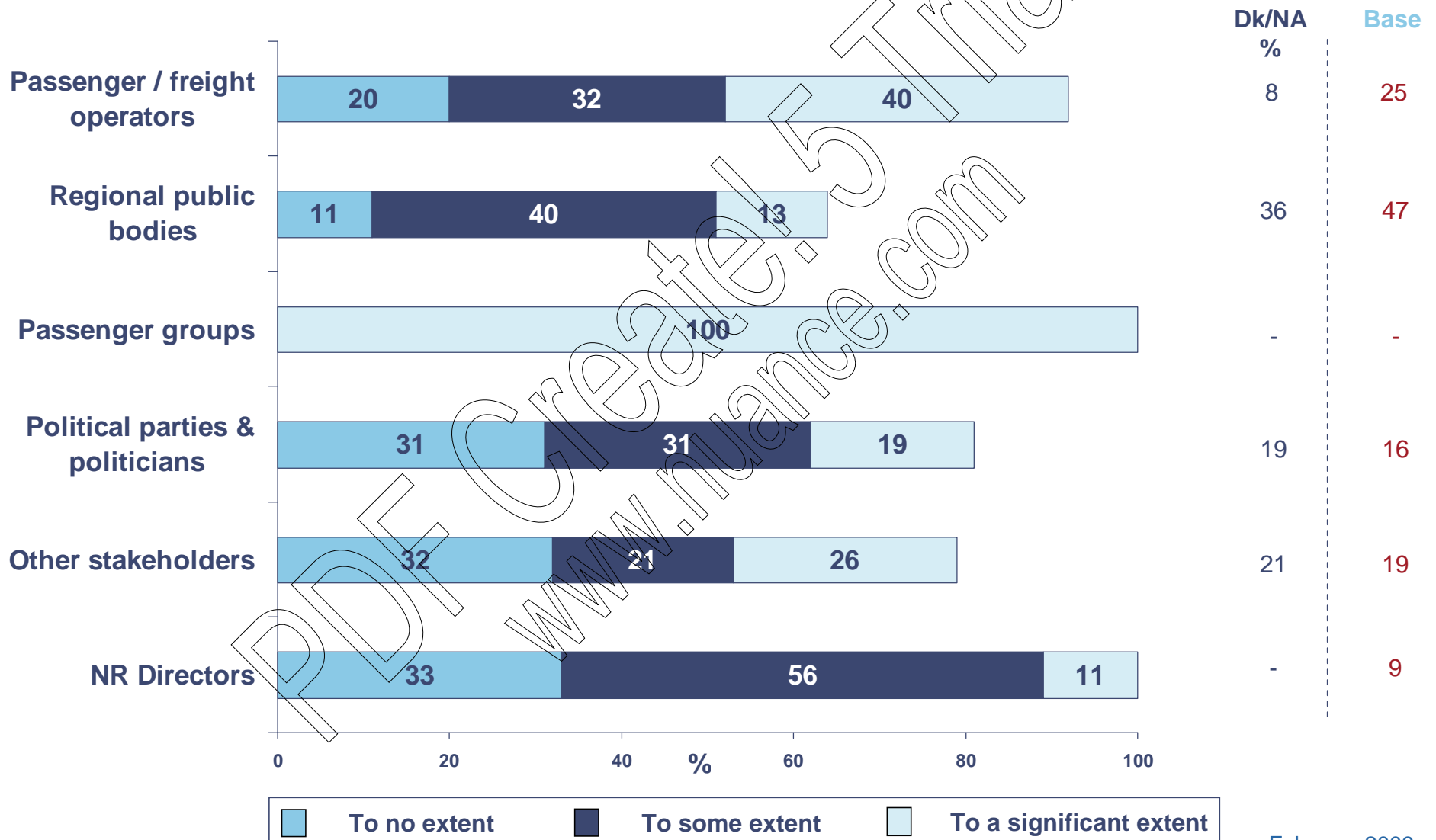
Base: 15

Q17b) Who **should** a Member or Members be accountable to? Select all that apply

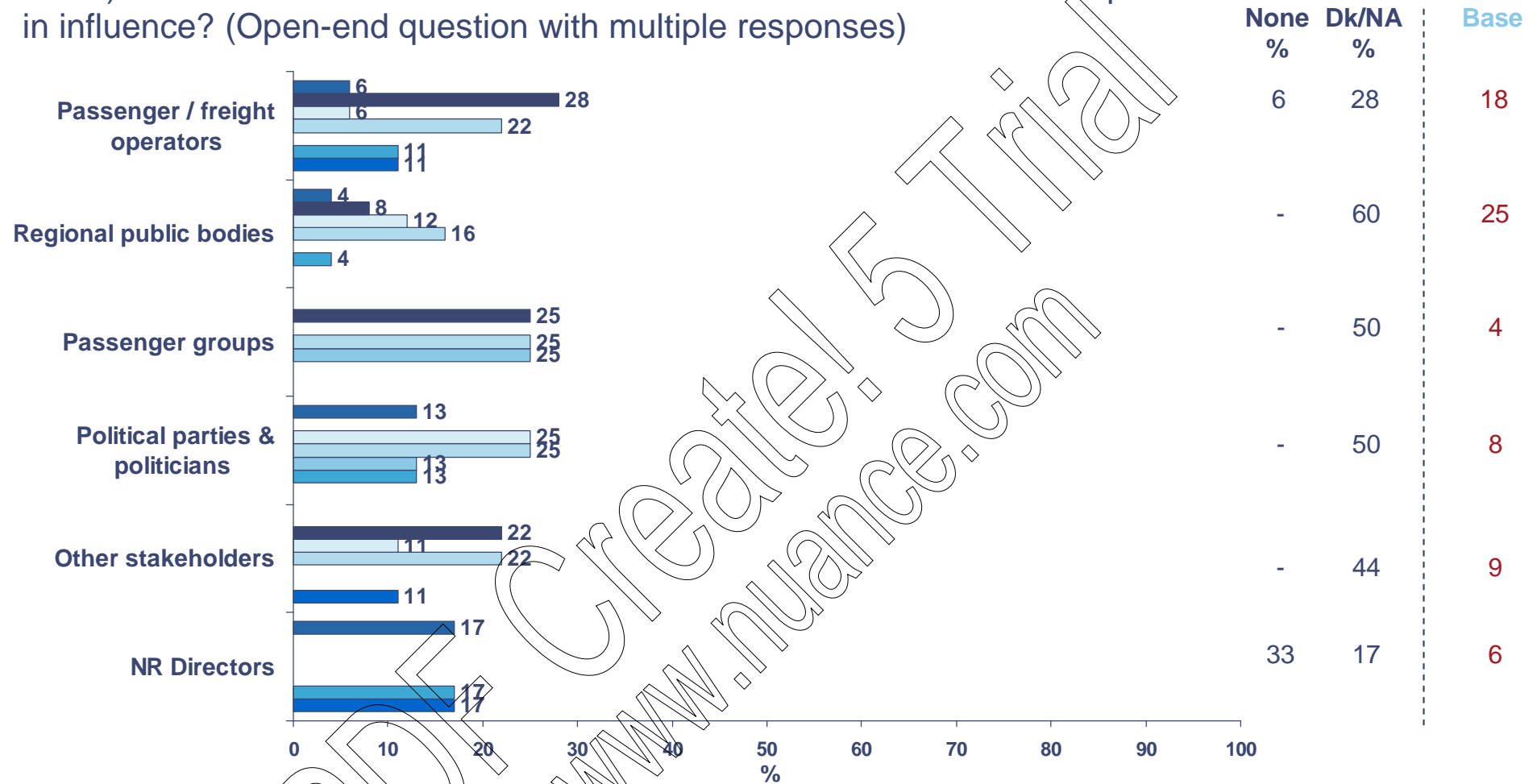


Base: 9

Q18a) Network Rail Members or a member of the public cannot send a signal via the market by buying or selling shares in response to the performance of management. To what extent do you think that this restricts the influence of Members?



Q18b) What other mechanisms should be available to members to compensate for this restriction in influence? (Open-end question with multiple responses)



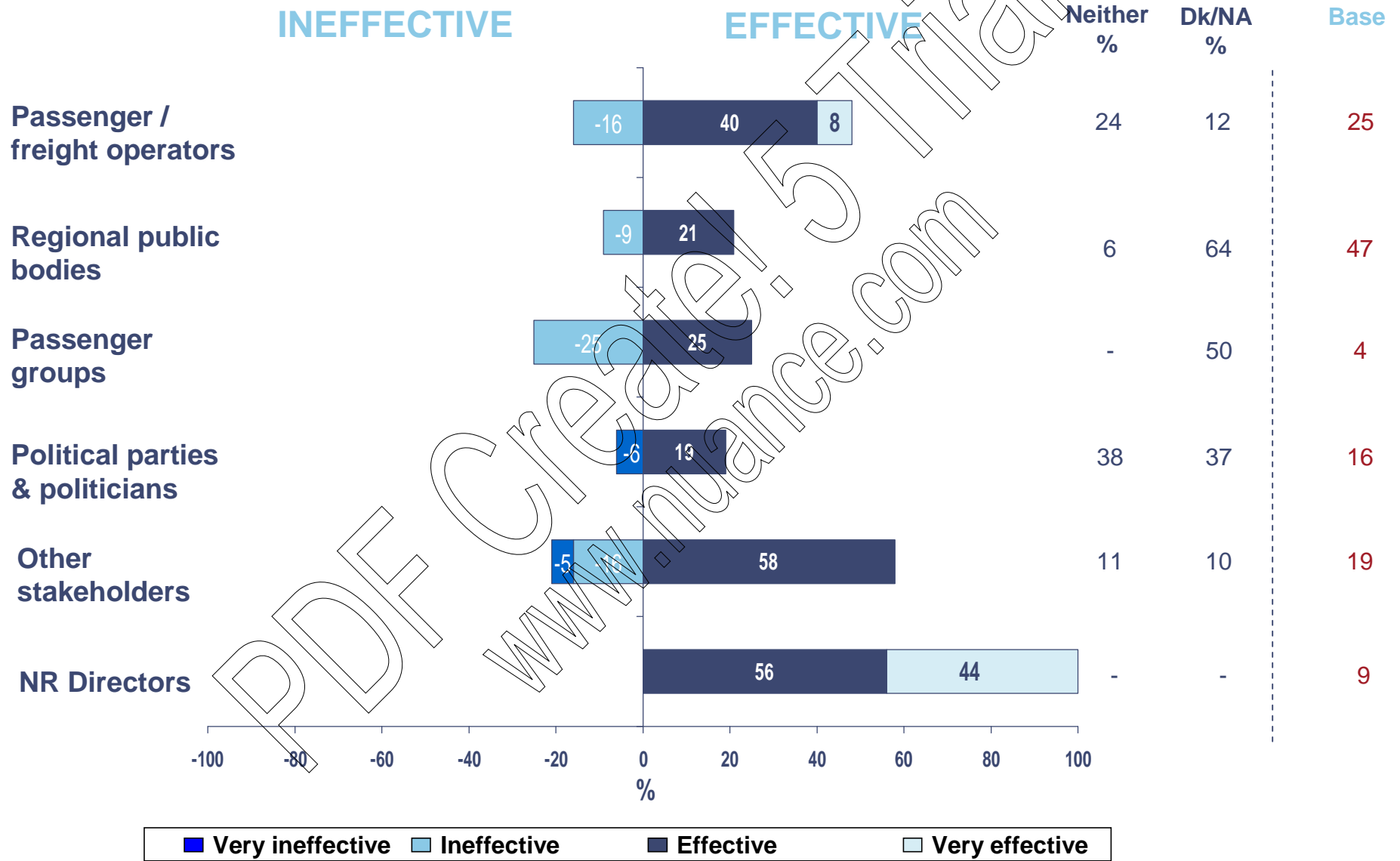
Legend:

- Review of performance
- Greater input on policy/decision making
- Ability to hold the board to account
- More influence/power
- More contact/involvement with board
- A greater active role
- Other

Directors and the Board

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Q19a) In your opinion how effective or ineffective is the Board of Directors of Network Rail?



Q19di) If you stated that the Board of Directors were ineffective please indicate how they could be improved? (Open-end question with multiple responses)

Passenger/freight operators (Base: 4)

- One of four respondents believed 'Their role should be clarified' (25%)
- One of four respondents believed they should be 'Better qualified/more experienced' (25%)
- One of four respondents believed there should be 'More accountability' (25%)
- One of four respondents believed there should be 'Better structure' (25%)

Regional Public Bodies (Base: 4)

- Three of four respondents believed they should be 'Better qualified/more experienced' (75%)
- One of four respondents believed there should be 'Wider representation' (25%)

Passenger groups (Base: 1)

- The only respondent to this question believed there should be 'Better structure' (100%)

Political parties & Politicians (Base: 1)

- The only respondent to this question believed 'Their role should be clarified' (100%)

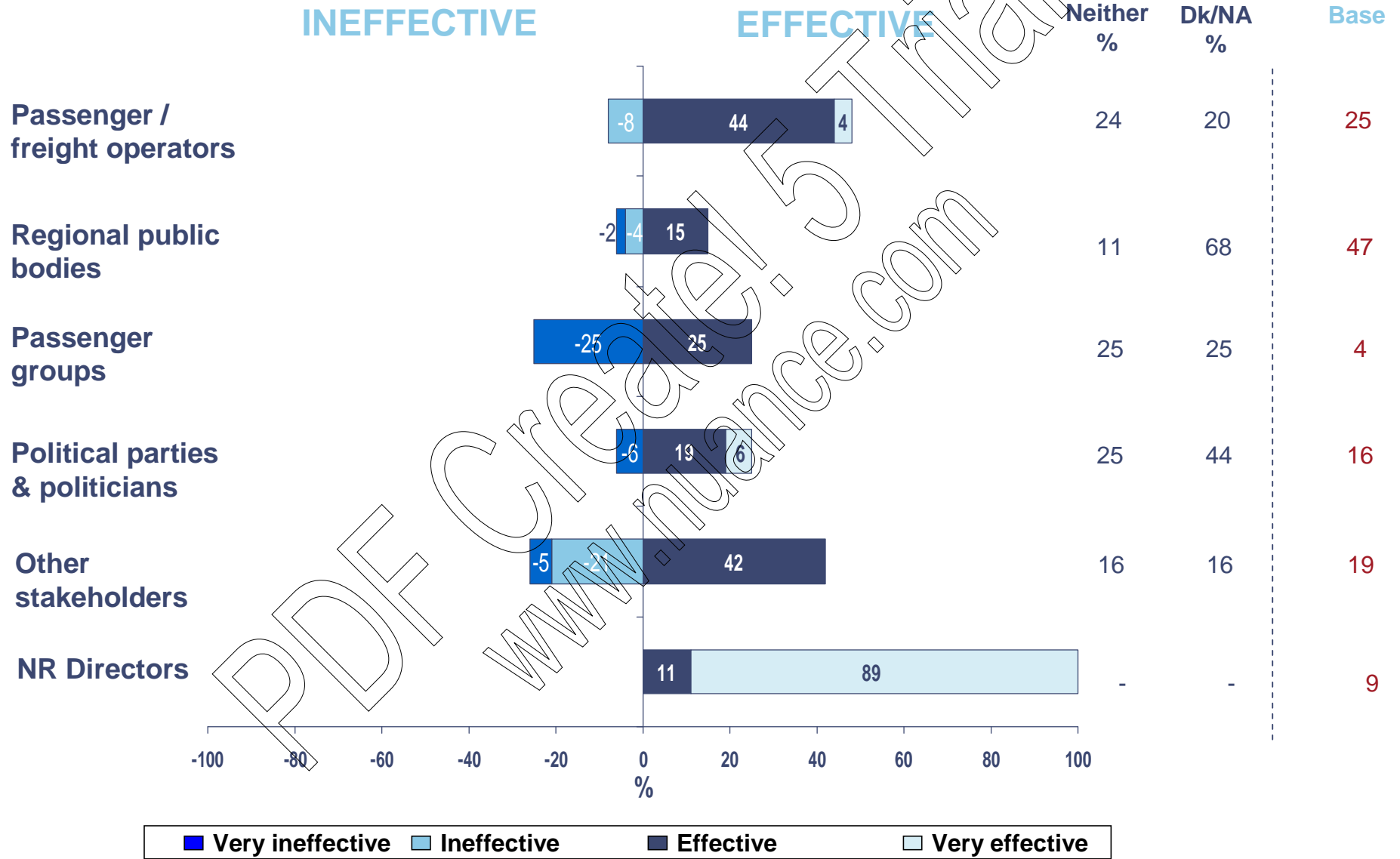
Other stakeholders (Base: 4)

- One of four respondents believed 'Their role should be clarified' (25%)
- One of four respondents believed there should be 'More accountability' (25%)
- One of four respondents believed there should be 'Wider representation' (25%)
- One of four respondents did not provide an answer (25%)

NR Directors

No Directors expressed an opinion

Q19b) In your opinion how effective or ineffective is the role of the Chairman as currently defined?



Q19dii) If you stated that the role of the Chairman was ineffective please indicate how this could be improved? (Open-end question with multiple responses)

Passenger/freight operators (Base: 2)

- One of two respondents believed that he/she should be 'More independent' (50%)
- One of two respondents did not provide an answer (50%)

Regional Public Bodies (Base: 3)

- Two of three respondents believed the 'Role should be more independent' (67%)
- One of two respondents did not provide an answer (33%)

Passenger groups (Base: 1)

- The only respondent to this question believed he/she should be 'More accountable' (100%)

Political parties & politicians (Base: 1)

- The only respondent to this question believed he/she should be 'More independent' (100%)

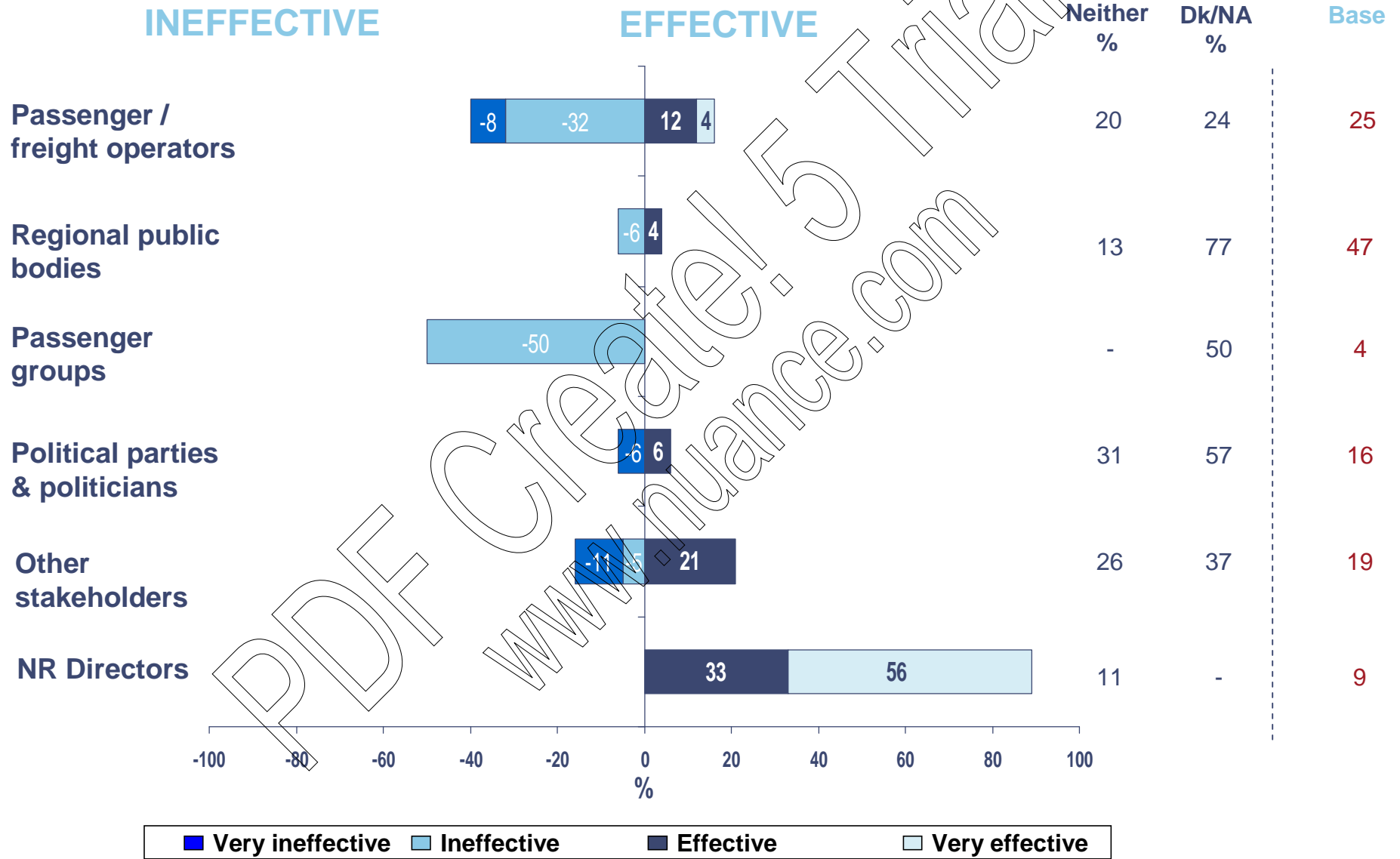
Other stakeholders (Base: 5)

- Three of five respondents believed he/she should be 'More actively involved' (60%)
- One of five respondents believed he/she should be 'Be more public facing' (20%)
- One of five respondents did not provide an answer (20%)

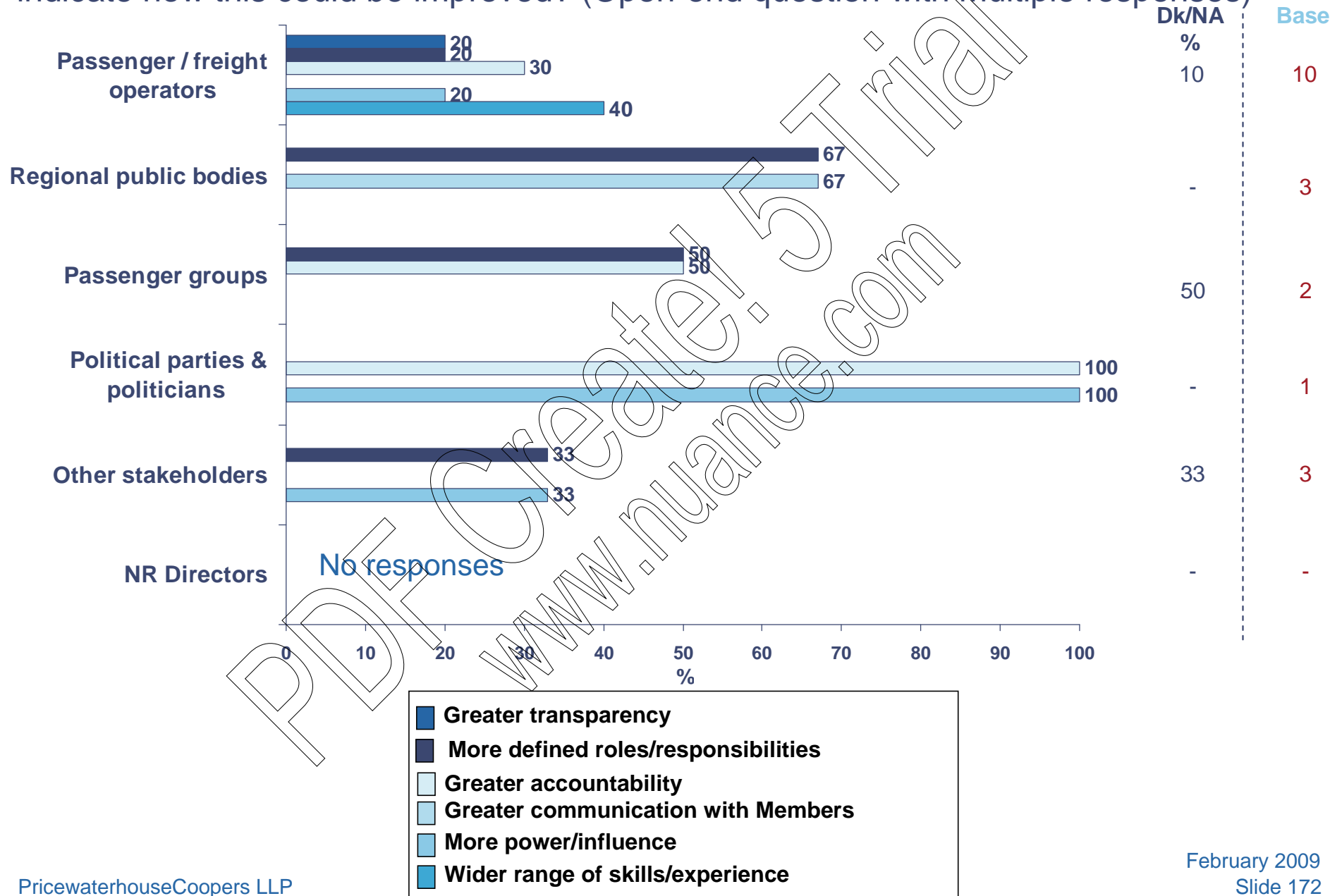
NR Directors

- No Directors expressed an opinion

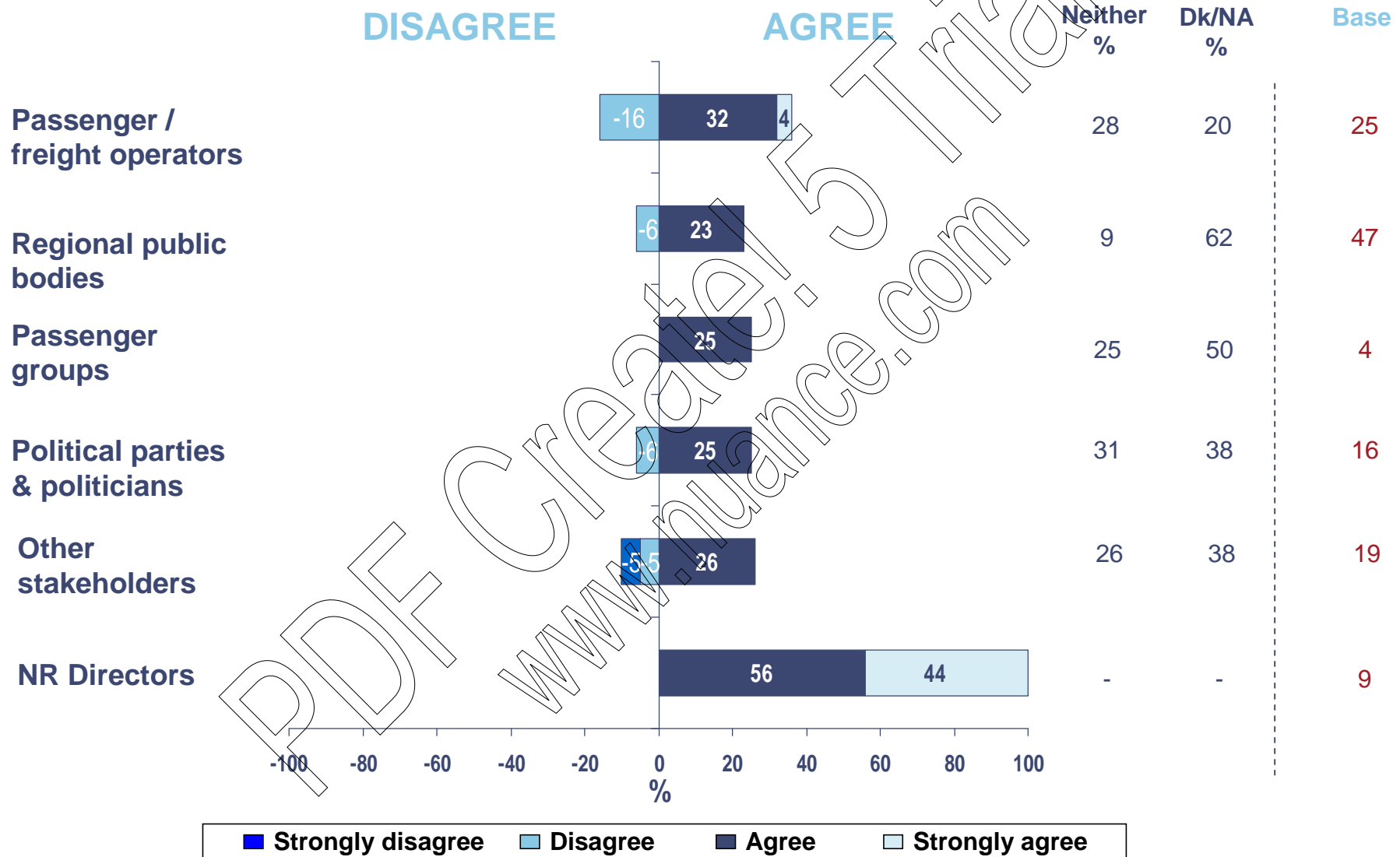
Q19c) In your opinion how effective or ineffective is the role of the non-executive directors as currently defined?



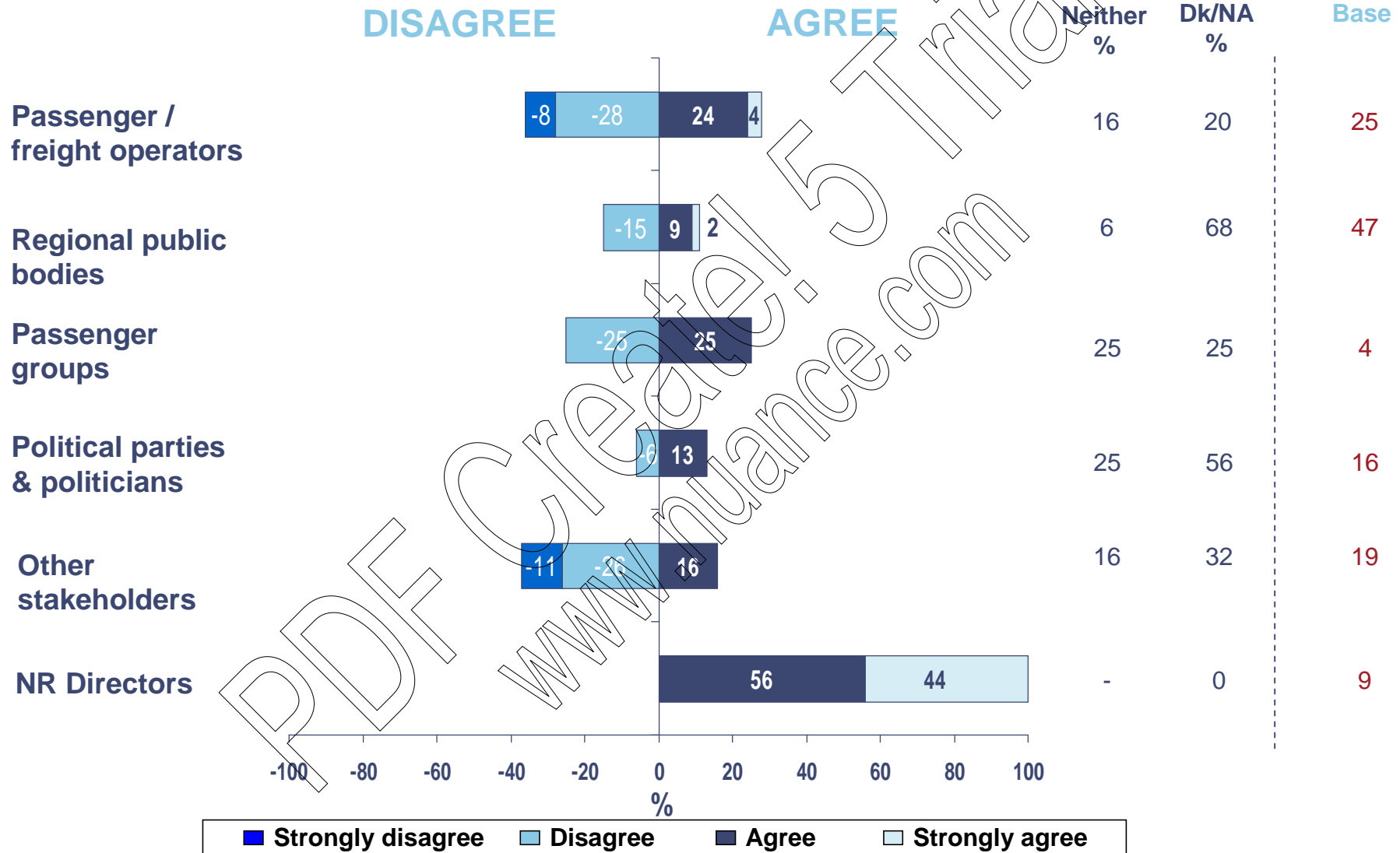
Q19diii) If you stated that the role of the non-executive directors was ineffective, please indicate how this could be improved? (Open-end question with multiple responses)



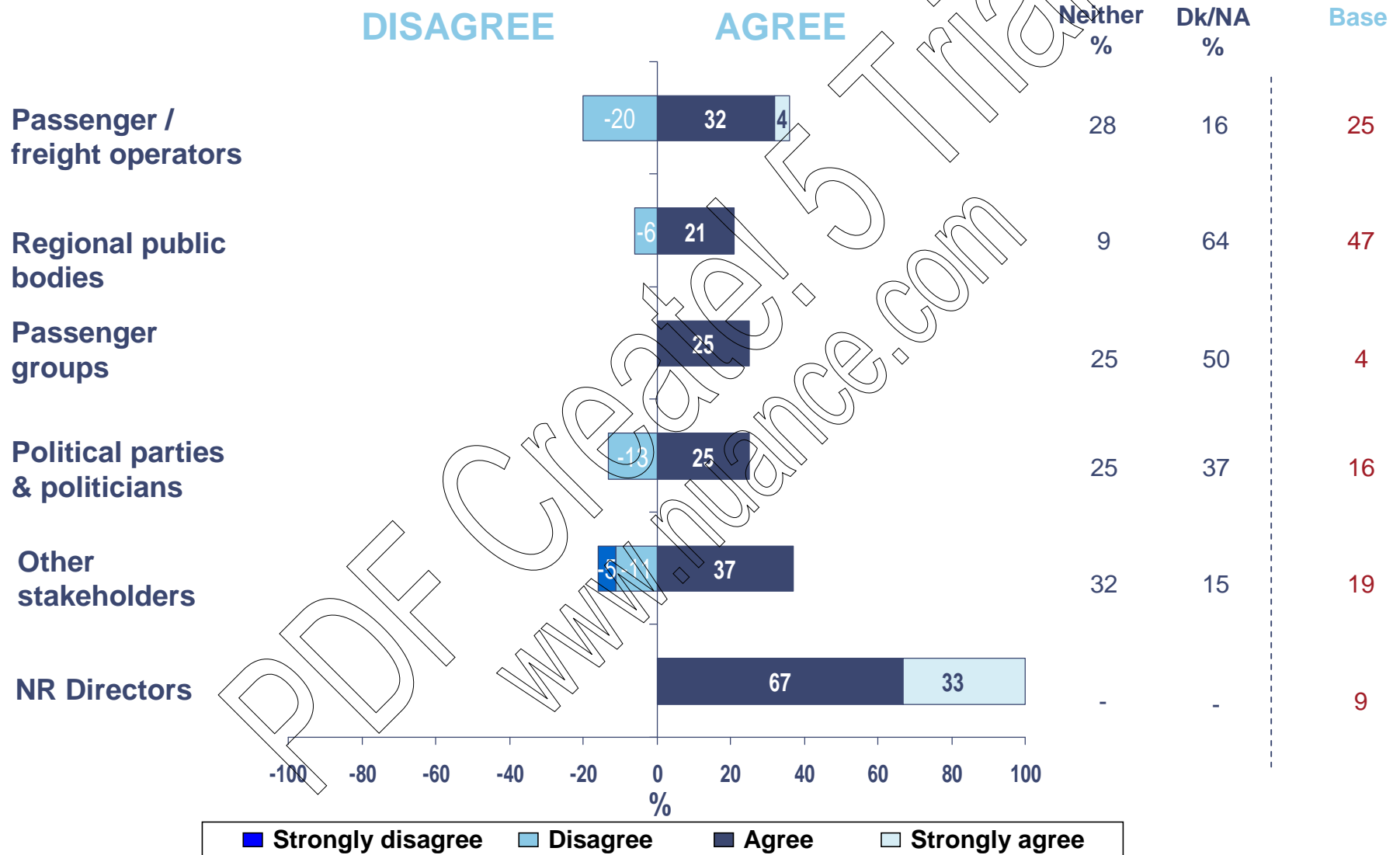
Q20a) Please indicate whether you agree or disagree that the **balance of executives and non-executives on the Board is about right?**



Q20a) Please indicate whether you agree or disagree that the **Network Rail Board** has an appropriate balance of skills and experience?



Q20a) Please indicate whether you agree or disagree that the **size of the current Board is just right?**



Q20b) If you disagree that the size of the current Board is just right, what size should it be? (Open-end question)

Passenger/freight operators (Base: 5)

- Five of five respondents believed there should be between **10-12 Members** (100%)

Regional Public Bodies (Base: 3)

- Two of three respondents believed that there should be **10 Members** (67%)
- One of three respondents believed that there should be **12 Members** (33%)

Passenger groups

No Passenger groups expressed an opinion

Political parties & politicians (Base: 2)

- One of two respondents believed there should be **11 Members** (50%)
- One of two respondents believed there should be **20 Members** (50%)

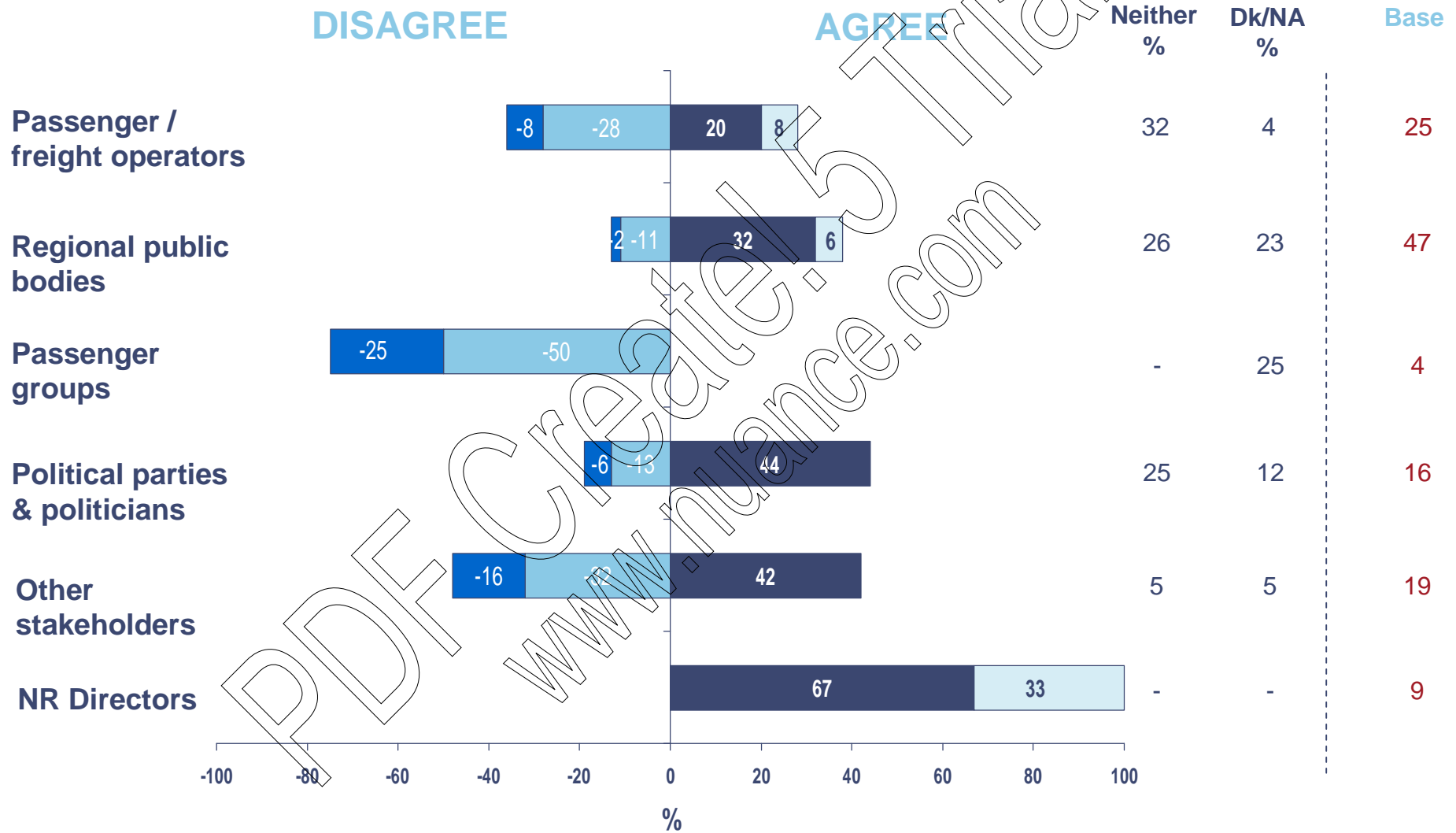
Other stakeholders (Base: 2)

- One of two respondents believed there should be **10 Members** (50%)
- One of two respondents believed there should be **15 Members** (50%)

NR Directors

- No Directors expressed an opinion

Q21) To what extent do you agree or disagree that Network Rail's overall business performance over the last six years is a measure of its effective corporate governance?



■ Strongly disagree
 ■ Disagree
 ■ Agree
 ■ Strongly agree

V. Appendix E: Responses to the website consultation

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Appendix E

Results from Website Consultation

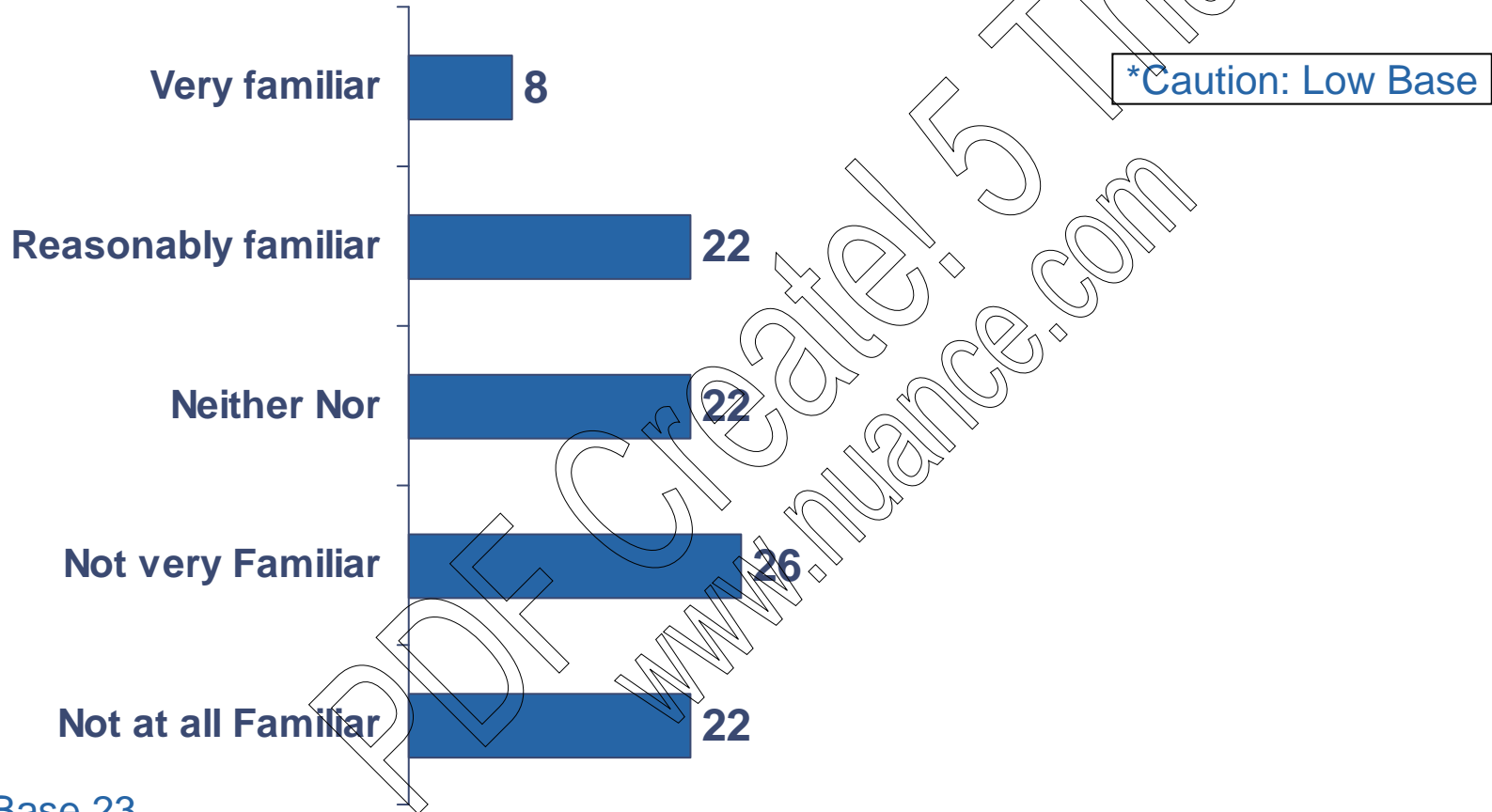
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The Wider Interest Group Survey

- This survey was set up through a website (www.networkrailreview.org.uk) to allow those who were not targeted in the surveys or interviews an opportunity to express a view on Network Rail's Corporate Governance
- The website was available from the 1st to the 31st December 2008 and was advertised in the national press and selected transport publications

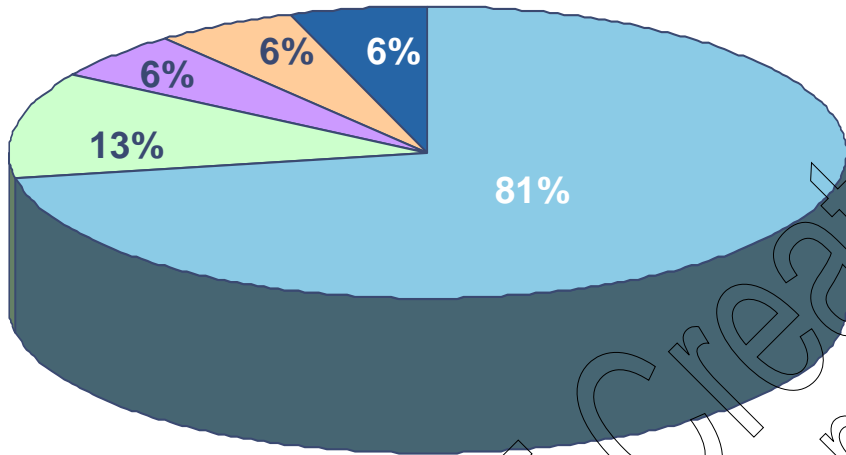
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Q1a) How familiar are you with the corporate governance arrangements of Network Rail?

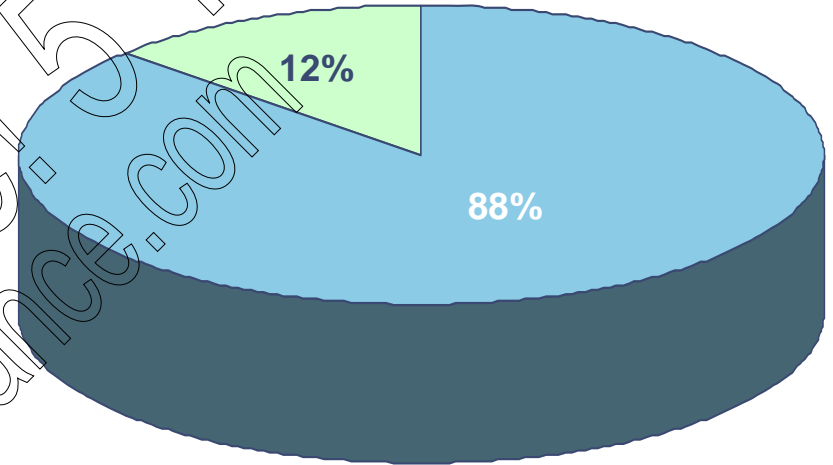


NB Respondents who answered very familiar or reasonably familiar were routed to the stakeholder questionnaire and have been excluded from the rest of this analysis.

Q2a) Which of the following best describes your relationship with Network Rail?
(select **all** that apply)



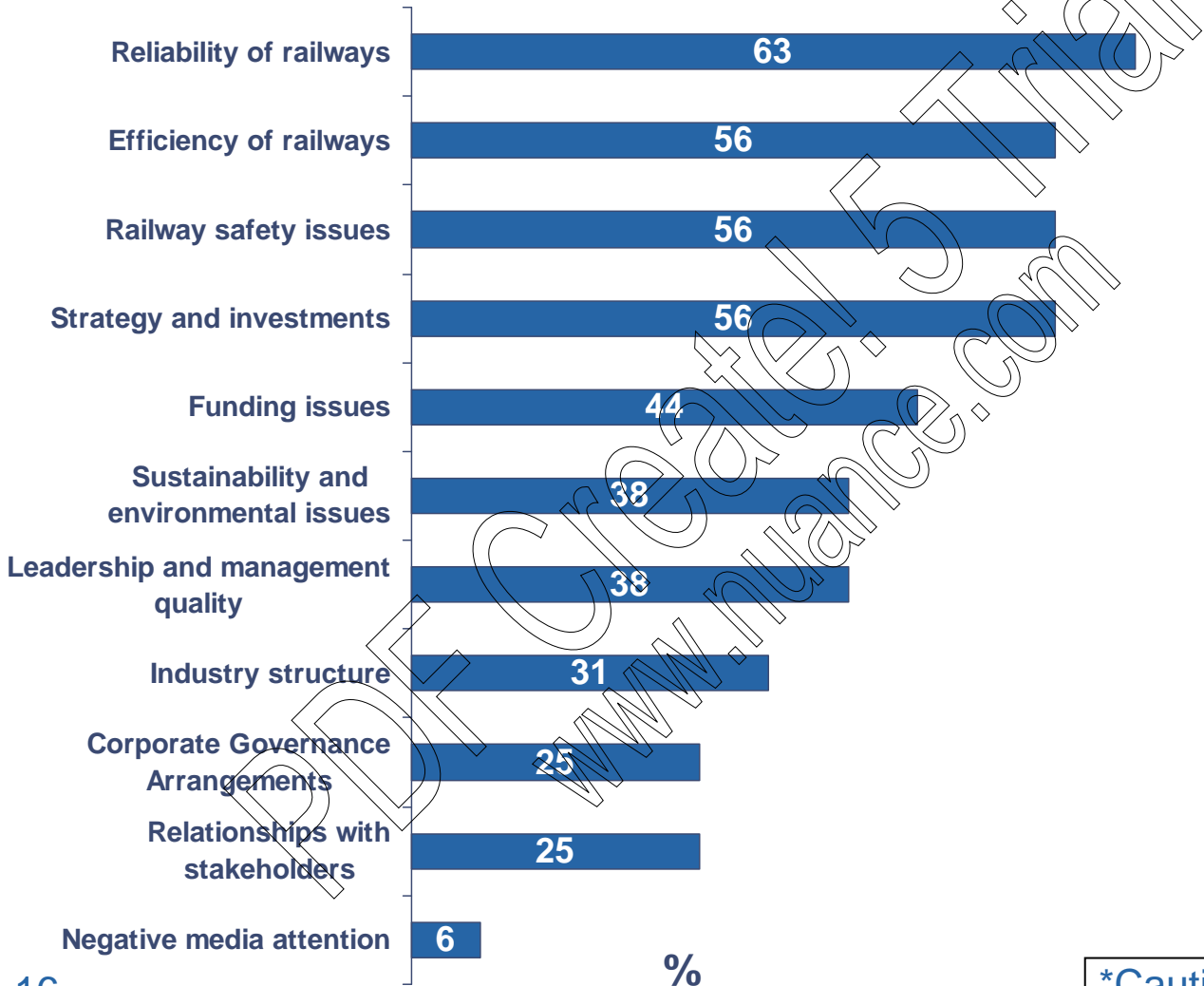
Q2b) Please select the **main** group you are responding as



Base 16 *Caution: Low Base

Base 16 *Caution: Low Base

Q3a) What do you consider to be the **main issues** facing Network Rail at the present time?



Base 16

*Caution: Low Base

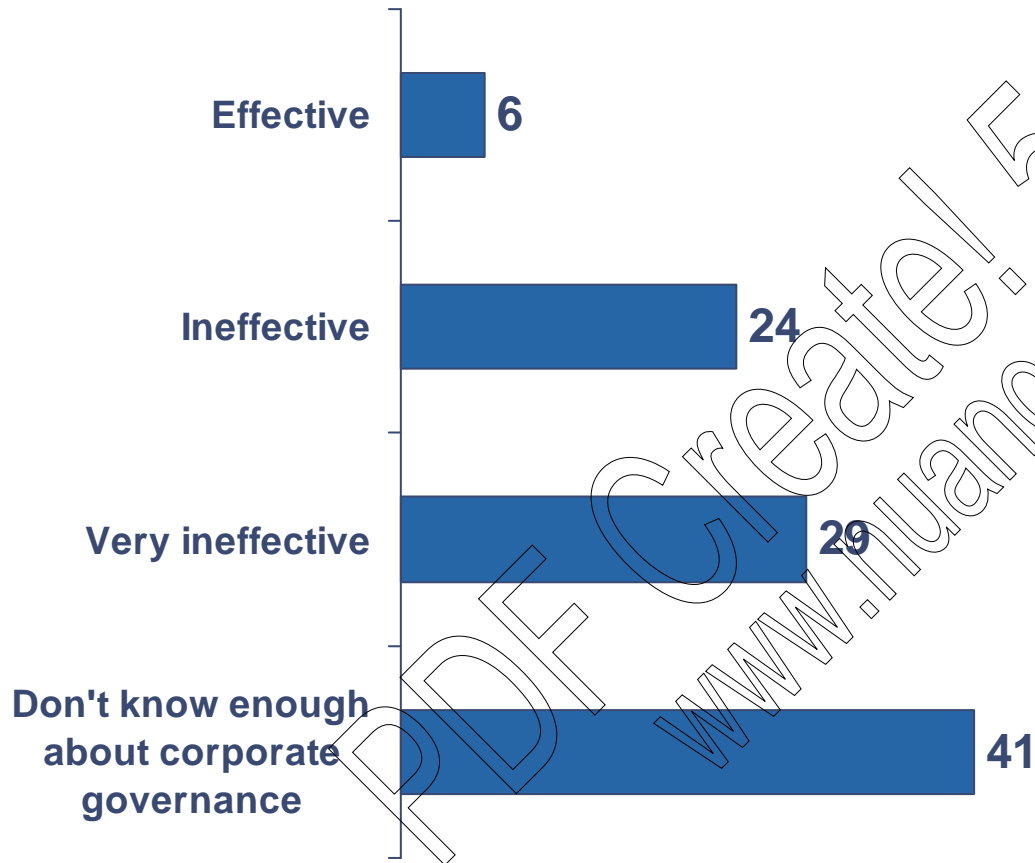
Q3b) Which **one** do you consider to be the **single most important** issue facing Network Rail at the present time?



Base 13

*Caution: Low Base

Q4a) In your opinion how effective or ineffective are the corporate governance arrangements of Network Rail?



Base 17

*Caution: Low Base

Impact of the corporate governance arrangements on the performance of Network Rail...

When asked to what extent the corporate governance arrangements of Network Rail impacted on performance, 70% of respondents felt that they were impacting performance to a great extent and 30% felt that it had an impact to some extent.

For those respondents who felt that the current corporate governance arrangements were **effective**, the top '3' impacts on performance were believed to be affecting the reliability of the railways, affecting the safety of the railways and improving the overall credibility of Network Rail.

Among those who felt that the corporate governance arrangements were **ineffective**, impacting effectiveness of the leadership and management team, reducing the credibility of Network Rail and reducing the quality of customer service were felt to be the top '3' impacts on performance.

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VI. Appendix F: Extract from Network Rail's Annual Report 2008

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