



# North Pembrokehire Transport Forum Fforwm Trafnidiaeth Gogledd Penfro

## News Briefing – September 2016

### Planning for the next Wales and Borders Rail Franchise

Planning for the next Wales and Borders rail franchise has stepped up a gear. Transport for Wales is holding events to inform stakeholders about its work and to hear what they would like the next franchise to deliver. In addition, inquiries into the next franchise are being carried out in both Parliament and the National Assembly for Wales.

### The National Assembly Economy Infrastructure and Skills Committee

Committee Chair Russell George has written to Ken Skates, Cabinet Secretary for Economy and Infrastructure to inform him that the Committee intends to undertake an inquiry into the WG's plans for the next Wales and Borders Rail Franchise and the Metro. A copy of the letter is Item 4.2 under Papers to Note in the agenda papers for the Committee's 5<sup>th</sup> October meeting and can be viewed and/or downloaded at [www.senedd.assembly.wales/ieListMeetings.aspx?CommitteeId=446](http://www.senedd.assembly.wales/ieListMeetings.aspx?CommitteeId=446).

### The House of Commons Welsh Affairs Select Committee

#### 1 Introduction

The Committee has received a considerable amount of written evidence and held two oral evidence sessions:

- On 5<sup>th</sup> September evidence was given to the Committee by Professor Stuart Cole (Emeritus Professor, University of South Wales) at Portcullis House.
- On 15<sup>th</sup> September evidence was given by Ian Bullock (Managing Director, Arriva Trains Wales), Roger Cobbe (Policy Director, Arriva Trains) and Elizabeth De Jong (Director of Policy, Rail Delivery Group) at the Senedd.

Arriva Trains Wales (ATW) have operated the franchise since December 2003. The Rail Delivery Group (RDG) seeks to enable the rail industry to deliver better services to their customers.

#### 2 Extracts from the Oral Evidence

##### *Background Information*

Roger Cobbe: From 2001 to 2003 franchising powers were carried out by the Strategic Rail Authority (SRA)...Escalating costs and delays in other projects led to budget difficulties for the SRA at the time the Wales and Borders franchise needing letting...The decision was taken to go 'for the rock bottom minimum' in order to keep services going...The franchise made no allowance for growth in passengers, and Arriva Trains, the franchise winner, was told to use the fleet they had inherited.

Professor Cole: In the middle of the franchise, demand was rising at about 8% per annum...At considerably greater cost per train, the Welsh Government (WG) had to procure more trains in order to expand the size of the trains and provide a more frequent service...Had that been in the initial competition, it would have been achieved at a much lower price, because there would have been competitors looking to see how they could bring their price down compared with the other bidders for that franchise.

Elizabeth De Jong: Since privatisation the number of passengers using the network has more than doubled, and the rate of growth is a lot faster than it was in the years leading up to privatisation...To go back to a public ownership model would be quite a hard case to make. You would probably need to consider whether the public sector would have access to capital to invest and the longevity of financial planning that would allow those types of investment decisions and those sorts of growth statistics that we have seen to be met.

##### *Operation of the Franchise*

Roger Cobbe: We introduced a fundamental restructuring of the timetable at our own commercial risk in 2005...It provided about 20% more train services for the same level of subsidy and moved capacity to where it was needed more and where it would earn more. That got us between 30% to

40% of the way through the 15-year franchise before the pips began to squeak. Then we had to have a series of bilateral discussions with the WG, which by then had taken the devolved powers, which have led to some specific top-ups of additional capacity that have been added as bolt-ons to the original franchise agreement.

Ian Bullock: At the start of the franchise we were responsible for about 60% of the total delay and Network Rail (NR) were responsible for 40%. We invested very heavily in our fleet in terms of the engineering, staff and a new depot at Machynlleth. We have drastically improved the performance of our fleet...and have flipped that proportion of delay between ourselves and NR, whereby we are now the 40% and they are 60%.

Professor Cole: Given the conditions that Arriva Trains were faced with, they have provided a reasonable service. Consumer satisfaction is not a long way from other companies. I am amazed that they do it. I put it down to their engineers.

Elizabeth de Jong: (When asked if the 2003 franchise been a positive for both the franchisee and the franchisor) I believe it has. We have been hearing about the very high growth rates...That is a clear marker of success. We have heard about an increase in customer satisfaction and we have heard about the increases in performance that they have managed to achieve, despite an older rolling stock portfolio. In respect of the Government, the specifying authority, there has been a decline over time in the subsidy required for the franchise, so that is a positive thing for taxpayers and that can be invested other ways. Also ATW found business cases and money to invest £35 million over the franchise, so I think again they have done a good job with that franchise.

#### *Looking to the Future*

Professor Cole: What people are looking for is a reliable service. They want easily found information on train times, and if there is a delay, they want to be able to find that delay very easily.

Roger Cobbe: Passengers are not that bothered by which trains are in which franchise. Passengers expect a joined-up railway network that enables them to make the sort of train journeys they want to do...The actual destinations that people want to go to are places like Birmingham, Manchester, Liverpool, Bristol...The worst thing of all would be if the franchising process led to the severing of these much-needed services. Many of the services that are wholly within Wales are at the less commercial end of the spectrum and require more support...The services from South-West Wales through Carmarthen and Cardiff on to Manchester are the most commercially successful within the franchise at the moment.

Elizabeth de Jong: If people were needing to change trains at the border, that would have an impact on demand. We know that the more times people change trains, the less likely they are to use trains, so that is of concern to the railway. It is also an issue about connecting economic centres...which is important in growing economies at both ends, would be broken and less easy and that would be a detriment too.

Professor Cole: As for the next ten years, I mentioned the electrification schemes...Doubling of track... gives us an opportunity to increase frequencies and reduce journey times quite considerably. It is about more capacity on the track...and looking at the opportunities that come from that...The current priority is to ensure that we have the extension to Swansea...that is the one that is clearest and easiest to do.

Roger Cobbe: Thinking back to what has been achieved when we started and when we first won the Wales and Borders franchise, we campaigned for a Wales route. It took us seven years to get that implemented, but we were right, and when it was done, everybody realised that was the right solution. The issue of the competency of the Wales route, its precise boundaries, to what extent it should rely on the national NR are all detailed matters. We have made a lot of progress, but I think there is more that can be done and we would welcome that in the future.

#### *Specifications for the Next Franchise*

Professor Cole: If we are going to have a modern railway in Wales, we are talking about new trains, about improvements in reliability and about more capacity where that is needed...It depends on how long the franchise is.

Roger Cobbe: Looking at the present Wales and Borders franchise...the fact it was 15 years has enabled us to give a far more positive outcome to voluntarily invest £35 million...If it had been a five, six, seven or eight year franchise, we would have just done what it said on the contract...We like the longevity of a chance to improve the business over a longer term. There are ways of

sharing risk and reward...Even with the present franchise, there were two review points where if we had been no good, the franchise could have ended either at year 5 or at year 10.

Elizabeth de Jong: The Welsh Government will be appointing a number of advisers. I think they have already appointed legal advisers and financial advisers, but financial advisers working with technical advisers will be able to work out exactly those trade-offs to give a recommended franchise length.

Ian Bullock: We have a situation where 53% of our stations are fully accessible, about 80% of footfall. But that still means that some 47% of stations in Wales are not fully accessible. That is a real issue for customers, so I would certainly like to see these factors considered as part of the next franchise.

Roger Cobbe: We cannot put as many carriages on the train as we would like, because we have deployed the entire fleet and there are no spare suitable trains to be had anywhere in the country at the moment...This is the sort of thing that the WG will need to consider in how it specifies the new franchise.

Elizabeth de Jong: In terms of general improvements to franchises, RDG would be talking about prioritising customer needs in franchises...We would be talking about it being a sustainable business model, attracting investment and people to bid for it...We would be talking about one that supports economic growth for Britain, and also in doing that it delivers value for money too....We would be talking about the RDG vision for stations and the work that is being done to embed those and for franchisees to refer to that as well.

#### *Franchise Procurement Process*

Roger Cobbe: The WG has assembled a team, it has produced a good mixture of its own officials and people with expertise who have worked on DfT franchises. We know the WG has spoken a lot to Transport Scotland, which seems an eminently sensible thing to do, because although that is not identical it has many similarities with the procurement recently of the new Scotrail franchise. They do seem to be doing all the right things and to be getting on with the job, which is all one could wish for at this stage.

Elizabeth de Jong: (Questioned about her assessment of the not-for-profit plan) If I were to be making this decision, what I would be wanting to do is convince myself that a not-for-profit organisation was able to deliver some of the big improvements we have already seen through the franchising system with private-for-profit organisations bidding...The other thing I would want to convince myself about is that I had a market who were wanting to bid for this and who had the expertise...That obviously needs to be pitched at a level that is still attractive to people to bid for a franchise...We have talked about the importance of that bidding process in terms of getting innovation, getting value for money and the benefits that that competition for the market provides...I would want to be certain that there was a market out there who would be willing to bid on a not-for-profit basis to get those benefits from the franchising process.

Visit [www.parliament.uk/business/committees/committees-a-z/commons-select/welsh-affairs-committee/inquiries/parliament-2015/wales-rail-franchise-16-17/publications/](http://www.parliament.uk/business/committees/committees-a-z/commons-select/welsh-affairs-committee/inquiries/parliament-2015/wales-rail-franchise-16-17/publications/) to consult and/or download all of oral and written evidence.

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The North Pembrokeshire Transport Forum is an independent voluntary group that works for the provision of an effective integrated transport system in the North Pembrokeshire area, promotes the benefits of public transport and works towards the greater use of public transport systems. The Forum is a member of Bus Users UK Cymru, the Environmental Network for Pembrokeshire and the Pembrokeshire Rail Travellers Association.

The Forum's work is supported by:

Individual Members (£5 p.a.), Family Members (£8 p.a.) & Corporate Members (£12 p.a.)

(Corporate members include town and community councils, transport operators, and groups, organisations and associations with a transport interest)

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