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MEDIA ALLEGATIONS CONCERNING TRAINS

Through the agency of the Clerk to the Audit Committee, you asked my predecessor and me to look into allegations made in two separate Western Mail newspaper articles. This I have now done, and my conclusion is that there is no reason for either the Committee or the Wales Audit Office to investigate any further.

My more detailed findings are set out below. I shall take the second article first, as the issues it raises are more strategic, before turning to the detail of the first article.

The second article, from 19 April, alleged that "officials in London blocked 22 new trains for South Wales". The article also alleged that the Westminster Government refused a number of other improvements to train services in Wales. The Assembly Government has not responded to these allegations.

The source for this story is the process under which companies bid for rail franchises - in this instance, the Wales and Borders franchise (the only regional franchise in Wales). As part of the process, bidders were asked to specify what would be the impact on services of an increase in resources and a reduction. The improvements listed in the article relate to those that bidders put forward in the former case. In the event, the decision was taken by the Strategic Rail Authority and Department for Transport to award the franchise to Arriva Trains Wales on the baseline budget, ruling out the improvements cited in the article.

Notwithstanding these considerations, these matters are currently not a devolved function and the Assembly therefore has no locus in the award of rail franchises. You may be aware, however, that this will change as a result of the Railways Act 2005, which received Royal Assent on 7 April this year. Under the Act, from April 2006, relevant franchise powers will be devolved to the Assembly Government. One consequence is that it will be a co-signatory, along with the Department for Transport, to the Wales & Borders franchise. It will then take over the responsibility for the majority of operations under the existing terms and conditions of the franchise. The only reason for the Department for Transport's continued involvement is that the franchise includes a small minority of services which operate entirely in England.

The central point of the first article, from 15 February, was that the Assembly Government chose to spend £50 million in leasing seven ageing trains when it could have bought the same number of new trains for about £17 million. I have seen the Minister's response of 31 March to your letter on this subject, in which he referred to his Cabinet Written Statement of 3 March. In addition, you may be aware that the company from which Arriva Trains Wales, with funding from the Assembly, is leasing some of its trains, Porterbrook, itself wrote in to the Western Mail to correct and clarify some of the points made in the original article.

In terms of the substantive point:

a. it is not appropriate to compare the total cost – including leasing but also maintenance, fuel etc. - of the Assembly Government investment over the 14 years remaining on the franchise with the capital-only cost of purchasing new trains. As Porterbrook point out, the capital element of the lease, properly discounted, would give a more accurate figure for the purposes of comparison with the cost of purchasing new trains. We calculate that this would give a figure of about £11 million to compare with the £17 million claimed in the newspaper article; and

b. in any case, given the several years' lead time involved in purchasing new trains, this was never a possible option in view of the perceived need to deliver additional capacity as soon as possible.

I trust that you find this response helpful.

Jeremy Colman
Auditor General for Wales