

# Economic Development & Transport Committee

## EDT2 09-05 (p4)

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Venue: National Assembly, Cardiff Bay

Title: Strategic Rail Authority Paper For The Economic Development & Transport Committee, June 29<sup>th</sup> 2005- The Greater Western Passenger Rail Franchise

### 1. Introduction

The Greater Western franchise, due to commence on 1<sup>st</sup> April 2006, brings together the three existing franchises (First Great Western First Great Western Link, and Wessex) into one. This decision was announced in November 2002 following a formal consultation exercise. The SRA (the Authority) is now inviting bids for the new franchise from the three pre-qualifiers who were announced on 1<sup>st</sup> April 2005, these being First Group, National Express Group and Stagecoach Group. Final bids are due by 6<sup>th</sup> September 2005 (within 90 days of issue of the Invitation to Tender [‘ITT’]). The franchise will be for a seven year term with an automatic three year extension available on fulfilment of certain performance criteria.

### 2. Overview of the franchise

The franchise encompasses most rail passenger services in the western Home Counties and the South West region of England, plus services connecting these areas to South Wales. It is a mix of inter-city services, commuter services (primarily in the London area), cross-country inter-urban services, and rural services. Specific services within the new franchise serving Wales are:

Inter-city services between London and Newport, Cardiff and Swansea, with some extensions to Carmarthen and Pembroke

The long-standing cross-country inter-urban service between Cardiff and Portsmouth

Through inter-urban services between Cardiff and Southampton/Weymouth

with the last two groups together providing the train service between the Bristol area and South Wales

### 3. The Welsh components of the franchise

The cities and principal towns along the South Wales main line are among the larger communities served by the franchise.

The South Wales – London service group within the new franchise generates 12% of total journeys, and 24% of revenue (reflecting the longer distances involved).

More detailed analysis of the demand to/from South Wales shows that the largest flow in terms of passenger numbers affecting South Wales is the Cardiff – London movement (the fourth largest inter-city flow in the franchise after those between London and Bristol Temple Meads, Swindon and Bath). The main non inter-city inter-urban flows involving South Wales relate to those between Bristol Temple Meads, Newport and Cardiff

Flow		Journeys (m)	Rank	% of TOC
Inter-city				
Cardiff	London	0.67	4	3.2
Cardiff	Newport	0.28	12	1.3
Newport	London	0.27	13	1.3
Bridgend	Cardiff	0.19	19	0.9
Swansea	London	0.18	22	0.9
Cardiff	Swansea	0.15	27	0.7
Neath	Swansea	0.13	39	0.6
Bristol Parkway	Cardiff	0.11	49	0.5
Inter-urban				
Bristol TM	Cardiff	0.26	3	2.2
Cardiff	Newport	0.22	4	2.0
Bristol TM	Newport	0.11	9	0.9

Although London dominates as a trip end, there are other intermediate flows that are of reasonable importance. These include:

Bristol Parkway – Cardiff (0.11m journeys);

Cardiff – Swindon (0.05m journeys); and,

Cardiff – Reading (0.04m journeys).

Travel through the Severn Tunnel

On current First Great Western services, of the 2.58m journeys that travel through the Severn Tunnel, nearly half are accounted for by the journeys between London and Cardiff, Newport or Swansea.

There are just over 1m journeys made on current Wessex services travelling through the Severn Tunnel, the principal movements being:

Bristol Temple Meads – Cardiff (0.26m);

Bristol Temple Meads – Newport (0.11m); and,

Bath – Cardiff (0.08m).

### **3. Objectives for the new franchise**

The establishment of the new franchise is a major opportunity to set the tone and vision for railway passenger services in South Wales and the West of England for the next decade. The specification set by the SRA lays the foundation for improved operational performance, and the close matching of provision to demand so that the maximum number of rail users benefit. In awarding the franchise, it will be seeking an operator who is committed to continuous improvement, will form close relations with regional stakeholders, and will be responsive to their changing needs.

The Government requires subsidy to the rail industry to be reduced, and regards the franchising programme as an important contributor to this. In addition, it requires operational performance standards to rise. Accordingly, the principal objectives for the franchise are: to:

Maintain high standards of safety;

Improve operational performance and sustain a level of service quality consistent with meeting customer needs;

Deliver an efficient service within public expenditure constraints that represents value for money for passengers and taxpayers; and

Secure accountable, viable operators who are able to demonstrate a culture of excellence and continuous improvement, and a vision for the Franchise.

However, there are also further counter-balancing transport objectives to reflect other desired outcomes (e.g. addressing over-crowding), stakeholders' aspirations, changes in the market and the Government's wider New Approach to Transport Appraisal (NATA) criteria (e.g. social inclusion and integration). For any particular franchise the aim is to maximise the achievement of these secondary objectives without jeopardising the two primary objectives of affordability and improved performance. The franchise-specific objectives, are to:

Manage crowding (both peak and seasonal) and formulate the train plan on the basis that all practical steps are taken to achieve the Authority's maximum twenty minute standing guideline within value-for-money constraints;

Exploit growing market opportunities and introduce more consistent service patterns to match demand better

Work with the Authority through the franchise term to develop the train service further to meet changing market needs;

Commit to continuous improvement in all managerial and operational areas of the Greater Western Franchise

Work with the Authority to help deliver the objectives of the 'Community Rail Strategy' where appropriate;

Cooperate with the development and implementation of longer term rolling stock strategies, including the replacement of the High Speed Train (HST2);

Maintain a strong regional orientation, responsive to the needs and aspirations of local stakeholders; and

Cooperate with the development and implementation of Crossrail in the event that authorisation and funding for this project is secured.

The franchise specification is also intended to reflect the Great Western Main Line Route Utilisation Strategy (RUS) which was the subject of a consultation exercise from January to April 2005, and which set out in detail a number of options for improving the value for money from services that will be operated in the new franchise, taking into account wider network effects and the important inter-relationships with other network users.

## **4. Growth assumptions**

The specification has been determined using a forecasting framework based on that used in standard rail industry models (Passenger Demand Forecasting Handbook version 4 [PDFH4]). This allows a number

of exogenous drivers to be modelled, as well as the forecast impacts of service quality changes and fares increases.

The Greater Western RUS study showed that growth from 1998/99-2002/03 had been strong for the flows within South Wales, and between South Wales and Bristol/Swindon areas. Less strong growth was observed for the London market, although there was still an absolute increase of 100,000 passenger journeys over the period.

Moving forward, growth related to exogenous factors, i.e. those relating to the socio-economic environment involving GDP, employment and demographics, appears to be reasonably strong. The assumption of a fares regime of RPI+1% depresses the growth, but there is still healthy growth predicted for the Great Western Main Line services. There is less growth on the Cardiff-Bristol-Southampton axis, but the exogenous growth drivers have been discussed with those involved in the Greater Bristol Strategic Transport Study, and the assumptions appear broadly consistent.

In addition to the exogenous growth, other factors will influence the demand and revenue for services. In particular, changes to the timetable will have an impact, and these have been incorporated within the development of the specification.

## 5. The proposed timetable specification

The incoming franchisee will be required to operate the existing timetable (Service Level Commitment 1) until December 2006. Thereafter, it will be required to implement a new timetable meeting the objectives of Service Level Commitment 2 (SLC2). The SRA has developed a feasibility timetable in conjunction with Network Rail, which forms the basis of SLC2, and the principal features, in so far as they affect Wales, are as follows:

Where services are shown in one direction only a symmetrical service will operate in the other direction unless explicitly stated otherwise.

### Paddington - Cardiff - Swansea

From	To	Off Peak Frequency	Calls	Peak Frequency	Calls
Paddington XX43	Swansea	1tph	Reading, Swindon, Bristol Parkway, Newport, Cardiff Cen, Bridgend, Port Talbot, Neath	1tph	Reading, Didcot, Swindon, Bristol Parkway, Newport, Cardiff Cen, Bridgend, Port Talbot, Neath

Paddington XX07	Swansea	-	-	1tph	Reading, Bristol Parkway, Newport, Cardiff Cen, Bridgend, Port Talbot, Neath
Paddington XX07/ XX13	Cardiff Central	1tph	Reading, Didcot (odd hours), Swindon, Bristol Parkway, Newport	-	-

tph – Trian Per Hour

One South Wales tpd extended to Carmarthen

Differences from current timetable:

Trains leave and arrive at different times in each hour.

The first South Wales trains of each hour leaves leave Paddington at xx:07 in odd hours and xx:13 in even hours and terminates at Cardiff. The second South Wales train leaves Paddington at xx:43 every hour and terminates at Swansea.

In the peak period the xx:43 trains will run non stop between Reading and Bristol Parkway. Thus accelerating journeys to South Wales by up to five minutes.

One extra Paddington to South Wales train, that at 05:43, is extended from Cardiff to Swansea.

Eastbound originating details: South Wales to Paddington

Existing: 29 tpd (1 Carmarthen, 20 Swansea, 29 Cardiff,)

Proposed: 30 tpd (1 Carmarthen, 21 Swansea, 30 Cardiff,)

Westbound terminating details: Paddington to South Wales

Existing: 30 tpd (1 Carmarthen, 21 Swansea, 30 Cardiff,)

Proposed: 30 tpd (1 Carmarthen, 21 Swansea, 30 Cardiff,)

tph – Trian Per day

This timetable, in conjunction with the Arriva Trains Wales timetable to be introduced in December 2005, will provide 2 trains per hour calling at principal stations between Newport and Swansea.

### Cardiff – Westbury / Weymouth / Southampton / Portsmouth

This service group has seen some of the strongest growth of all the Wessex services. It is therefore proposed to increase the number of trains on this axis that link Cardiff to Bristol, from one train per hour to two trains per hour

From	To	Off Peak Frequency	Calls	Peak Frequency	Calls
Cardiff XX30	Portsmouth	1tph	Newport, Filton, Bristol TM, Bath, Trowbridge, Westbury, Warminster, Salisbury, Romsey, Southampton, Fareham, Cosham, Fratton, Portsmouth & Southsea	1tph	Newport, Filton, Bristol TM, Bath, Trowbridge, Westbury, Warminster, Salisbury, Romsey, Southampton, Fareham, Cosham, Fratton, Portsmouth & Southsea
Cardiff XX00	Westbury	1tph	Newport, Severn Tunnel Jn, Patchway, Filton, Bristol TM, Keynsham, Oldfield Pk, Bath, Freshford, Avoncliff, Bradford-On-Avon, Trowbridge	1tph	Newport, Severn Tunnel Jn, Patchway, Filton, Bristol TM, Keynsham, Oldfield Pk, Bath, Freshford, Avoncliff, Bradford-On-Avon, Trowbridge

Eight Westbury services are extended to Weymouth calling at all stations and three services are extended to Southampton calling at Dilton Marsh, Warminster, Salisbury, Dean, Dunbridge and Romsey.

### Differences from the current timetable:

Bristol – Westbury/Southampton/ Weymouth service which current start at Bristol Temple Meads are to start back from Cardiff;

These trains pass through the congested Severn Tunnel; some of the capacity for them has been created

by terminating the Weston Super Mare to Cardiff service at Filton Abby Wood.

Even half hourly through service between Cardiff and Bristol in every hour, trains leave Cardiff on the hour and half hour.

Bidders will price an option to extend one of these trains to serve Cardiff Airport.

The Saturday timetable will be broadly the off peak weekday timetable, all day. However, the Cardiff - London service will remain hourly on the weekends. The Sunday services will be as today. Additional services may run in the summer, including the Pembroke Dock service.

## **6. Priced options**

Bidders are required to submit three priced options, two of which concern Wales:

London – Cardiff service

A reduction in the London – Cardiff and vv service frequency, in the off-peak, from half-hourly to hourly. The half-hourly services were introduced to the timetable in 2001, but the SRA considers that they might not represent good value for money. By requesting a priced option, it will know the definite costs of the service, to allow a decision on their future.

Services to Rhoose (for Cardiff Wales airport)

At the request of Welsh Assembly Government, bidders will be requested to price the extension of Bristol – Cardiff services to/from Rhoose, to provide links for air passengers between Cardiff (Wales) airport and its wider catchment area.

## **7. Alternative tenders**

In addition to bidding against the base case, bidders will be required to submit a Mandatory High Return Alternative Tender (HRAT), and bidders will also be invited to submit a fully compliant and priced Alternative Tender proposal.

However it should be noted that the Authority will select the Greater Western franchisee on the basis of their base case submission.

### **HRAT**

This is required to achieve the lowest possible cost and maximise the return to Government, while complying with the franchise objectives. The tender may include:



Changes to SLC2

Changes to unregulated fares and other contractual obligations.

Provision of Greater Western franchise bus services (to be developed in consultation with the Local Authorities and bus operators),

Proposals for changes to the way rail Licence obligations are delivered (in consultation with the Rail Passengers' Council)

Bidders may also propose changes to the fares regulation regime.

Bidders must demonstrate that their HRAT offers better overall value for money than the Base Case proposal, taking into account the economic and social benefits and costs. Bidders will be expected to provide justification for each proposed change or improvement, incorporating a cost/benefit case and an explanation of how the changes or improvements are to be achieved.

## **Alternative Tender**

The Authority is inviting bidders to submit alternative proposals that :

Significantly improve efficiency while maintaining service quality

Decrease journey times

Provide sufficient additional capacity to support any proposed service improvements

Improve overall performance earlier than under the base case

Achieve more business growth than under the base

Offer a West of England overnight service giving better value for money than the existing operation.

Bidders are also encouraged to consider the potential for increasing capacity based on the lengthening or reconfiguring of trains and the splitting and joining of trains, including with compatible rolling stock of other Train Operators, to increase capacity of individual train paths.

As part of such a tender, bidders will be encouraged to consider proposals for the self-financing of small infrastructure schemes (generally with an individual value of less than £10m, and no more than £60m in aggregate) designed to improve performance significantly and/or increase capacity.

Whilst being given sufficient flexibility, within given parameters, for their Alternative Tenders, bidders should not consider anything that would constitute a significant service reduction and must take into account the rights and aspirations of other operators, both freight and passenger.

## **8. Rolling Stock**

Bidders will be provided with details of the classes of rolling stock currently utilised by the incumbent TOCs. They may propose to refurbish (including changes to First Class/Standard seating) or acquire alternative or additional rolling stock and should provide details of their proposals in their bids.

## **9. Great Western Main Line Route Utilisation Strategy (RUS)**

The SRA [has now published] its Great Western Main Line RUS, on which it consulted between February and April 2005. Although the area covered by the RUS was not exactly the same as that included in the GW franchise, the principal routes are common to both, and the RUS should be read alongside this document.

As far as practicable, RUS conclusions feature in the new franchise specification. The following RUS options, with relevance to routes serving Wales, have been included:

Reduction in crossing movements between Main and Relief Lines between Paddington and Didcot, replacing more of the 90 mph rolling stock by 125 mph stock, and running more high capacity trains in the high peak (Option A1)

Simplification of service pattern on Greater Bristol radial routes (Option D3)

## **10. Consultation**

The Authority's normal period for consultation is 12 weeks. In this case it is necessary to truncate the period to 8 weeks, to allow time for representations from consultees to be reflected as necessary in revised instructions to bidders, within the time allowed for bidding.

Following the consultation period, the Authority will consider responses, undertake such further analysis as might be appropriate, and if necessary issue instructions to bidders.

Consultees are also invited to make their views known to the three pre-qualified bidders who are invited by the Authority to submit Tenders for the Greater Western franchise. The Authority may make names or responses made to it public unless specifically requested to keep all or part of a response confidential. Confidential responses will be included in any statistical summary of numbers of comments received and views expressed.

## **11. Closure of the Strategic Rail Authority**

As a result of the Railways Act 2005, the Strategic Rail Authority is being abolished, and its functions transferred elsewhere. The franchise specification and procurement functions are being transferred to the Department for Transport, and this process will be complete by the end of August 2005.