

## **Enterprise Innovation & Networks Committee**

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**Date: 17 January 2007**

**Venue: Committee Room 3, Senedd, Cardiff Bay**

**Title: Department for Transport (DfT) Memorandum On Franchised Inter City Rail Services To/From Wales**

### **Rail industry framework and DfT franchise objectives**

Following the UK Government's wide ranging review of rail policy issues, *The Future of Rail* White Paper was published in July 2004, which provided for a more effective industry framework whereby:

- Government sets the overall framework, with the Secretary of State determining strategy and the rail budget (subject to devolved responsibilities), and the DfT lets franchises in England and Wales;
- Network Rail supplies an efficient GB network, and takes the lead on performance;
- Train Operating Companies (TOCs) provide services for their customers; and
- The Office of Rail Regulation (ORR) takes responsibility for economic and safety regulation.

The UK Government seeks to achieve the following high level objectives through its franchise specification process:

- to set out the minimum level of train service required (through a review of historic provision and forecast future demand);
- to allow the specification to be varied over time to reflect changing market needs through innovation and commercial judgement;
- to protect passengers from monopolistic actions in specific markets (for example, through the regulation of certain commuter fares);
- to ensure that the benefits of a national rail network for Great Britain are protected; and
- to provide the 'level playing field', the prerequisite for a competition to award franchises successfully within the terms of procurement legislation and general best practice.

Overall, the franchise regime has helped to secure record passenger levels, strong revenue growth, lower fare increases than under British Rail,

substantial investment in new trains, an increase in reliability and customer satisfaction, and a reduction in passenger complaints.

One of the UK Government's key objectives for the next decade is to continue increasing capacity and facilitating growth in patronage on passenger rail franchises. The Government will set out its future plans on capacity and investment in July 2007 when the Secretary of State intends to publish a High-Level Output Specification (HLOS) for the passenger railway in England and Wales. This will cover the years from 2009/10 to 2013/14, specifying the capacity, reliability and safety improvements the Government wishes to secure and setting out the funds available for this. It will be accompanied by a strategy considering, inter alia, capacity issues in the longer term.

### **DfT responsibilities**

DfT is responsible for:

- specifying and funding the Virgin, First Great Western and Central Trains franchises serving Wales (and the proposed New Cross Country franchise on which DfT consulted the National Assembly for Wales in 2006) ;
- specifying and funding the Arriva Trains Wales services that operate wholly in England (the NAW specifies and funds ATW services within Wales and across the border) ;
- specifying and funding "network outputs" in England and Wales. The Department is in dialogue with Welsh Assembly Government officials ahead of the HLOS in order to understand its priorities for Wales;
- specifying and funding the Access for All programme to improve the accessibility of selected stations in England and Wales.

### **DfT's current franchise letting process**

In parallel with the pre-qualification for potential bidders, the Department undertakes a consultation exercise relating to the services which it proposes to include in a franchise contract. The consultation provides an opportunity for rail users, Passenger Focus, devolved administrations, regional bodies and local authorities to comment on the pattern of services.

The invitation to tender (ITT) to operate the franchise includes a *base service specification*. This sets out the minimum frequency of service which the Secretary of State requires to be provided to destinations along the route(s) and any other essential requirements that he may have. The base service specification is the basis on which DfT lets the franchise, having considered affordability and value for money, and having reached a judgement on how best to reconcile the interests of different types of rail-user and different communities.

DfT is keen to maximise the input and innovation that bidders make to the detailed design of the timetable. The Secretary of State therefore avoids over-

specifying the base service specification, whilst providing sufficient clarity about the requirements to ensure that there is a level playing field when bids are appraised.

### **Franchise monitoring and compliance**

Once a contract is awarded DfT expects the franchisee to deliver the service and the price they have committed to in their bids. The Department wants to keep franchise-monitoring effective and efficient by focussing on essentials. Therefore, it has reduced the number of key performance indicators (KPIs) to be monitored, in order to reduce the management burden on franchisees. However, a failure to deliver the contractual commitments which a franchisee has voluntarily entered into will be regarded as serious. New franchises build in graduated penalties, culminating in termination, for failure to deliver an improvement in reliability to which a franchisee has contractually committed. Financial failure will be regarded as equally serious.

### **Greater Western Franchise**

On 1st June 2005 the Strategic Rail Authority (SRA) issued the ITT to the three pre-qualified bidders for the Greater Western franchise. At the same time a consultation was launched on the proposals for the new franchise. This consultation closed on 2nd August 2005.

The franchise specification and procurement function of the SRA transferred to DfT during the summer of 2005. Tenders for the Greater Western franchise were submitted to DfT on 26th September 2005 and a period of rigorous bid evaluation commenced. On 13th December 2005 DfT announced that the Greater Western franchise had been awarded to First Group.

The franchise, which commenced on 1st April 2006, pays over £1 billion premium over the next 10 years, delivers a significant increase in capacity into London in the peak hours and measured performance improvements through infrastructure and fleet investment. Together with Network Rail's planned investments, PPM performance of the franchise should reach 90% by 2011/12.

First Group will deliver in excess of £200 million investment over the first three years of the franchise including:

- complete re-design of the HST fleet to include new interiors and increased capacity;
- installation of on-board CCTV throughout the franchise's local and regional Diesel Multiple Unit rolling stock fleet;
- an additional 1700 car parking spaces across the franchise with upgraded facilities, additional CCTV, information points and security with a commitment to improve Park Mark Safer Parking accreditation;
- introduction of new ticket vending technology including 124 new ticket vending machines;
- investment to raise the maximum speed on almost all sections of the 'slow' lines between Paddington and Reading up to 90 mph (there are currently sections where 90 mph is not achievable);

- range of security and revenue protection measures including automatic ticket gates at key stations, additional gate-line staff and more community support officers;
- major investment to create integrated passenger facilities and improve the station environment and security at a range of stations;
- establishment of a maintenance and servicing facility in Bristol and investment at Exeter and Old Oak Common depots;
- establishment of a Customer Information Centre to provide retailing and information provision;
- a committed annual budget for Community Rail and agreement to liaise and co-operate with Community Rail partners to develop and promote partnerships; and
- delivery of better interchange facilities, better access for the mobility impaired and improved cycle storage facilities at stations.

The franchise was awarded on the basis of the specification of the original ITT, consulted upon by SRA/DfT, which included a number of service improvements. These improvements included a more regular pattern of cross-Bristol services, with through trains between Worcester and Taunton, Cardiff to Westbury/Southampton/Weymouth and Weston-super-Mare to Filton. In addition, changes to the original specification were agreed with the Franchisee including retention of the London-Cardiff (and vice versa) off-peak half-hourly service. In many cases these changes addressed specific issues raised by stakeholders during the consultation which took place in summer 2005.

First Group are also committed to working with stakeholders to develop plans for the modernisation of Reading and Bristol Temple Meads stations, subject to funding availability, establish Area Integration Partnerships with Local Authorities and transport operators and, subject to necessary consents, introduce a Penalty Fares Scheme on the Bristol, Plymouth and Exeter commuter routes.

Customer service issues such as the level and type of on-train catering are a matter for train operators' commercial judgement rather than for DfT to determine.

### **FGW's timetable consultation**

The franchise agreement required FGW to introduce a revised timetable in December 2006, based on 'Service Level Commitment 2'. FGW published a draft timetable and, between 13 February and 8 March 2006, invited public comment through a consultation process. After consultation closed, it categorised responses by subject, and degree of stakeholder importance, and proposed mitigations for most responses. FGW announced a range of changes on 3<sup>rd</sup> April 2006, which were incorporated in the final timetable.

### **FGW services to Swansea**

The daily number of through-trains from Swansea to London has increased from 20 to 21 at the start of the December 2006 timetable. The earliest service from London to Swansea now arrives at 08.55 rather than 09.40 – a business

benefit for Wales in terms of accessibility for early meetings.

From December 2006 FGW withdrew the Cardiff-Swansea portion of the former 15:15 departure from Paddington, which formed the 17:18 Cardiff-Swansea service. This was made explicit by FGW in its consultation on the December 2006 timetable in February 2006.

Through running of this particular train to Swansea was not specified by DfT in the previous Great Western franchise agreement or in the current Service Level Commitment. Under both franchises the decision on whether or not the service operates rested with the franchisee, and the service could have been withdrawn at any time.

DfT believes that there is sufficient capacity on existing First Great Western and Arriva Wales services to cater for evening peak demand west of Cardiff. DfT and Welsh Assembly Government officials are monitoring the situation.

DfT welcomes the fact that FGW has re-instated stops at Severn Tunnel Junction on its Cardiff Central to Portsmouth Harbour train services in the morning and evening peaks.

### **Action to improve performance on FGW's routes**

Overall rail performance across Great Britain, as measured by PPM, reached its lowest point in 2001. Since then there has been steady recovery in punctuality and reliability to the current level, the highest for six years.

Overall PPM performance, on a moving annual average, was 87.3 per cent in August 2006, up from 84.8 per cent in August 2005. This compares to the PPM low of 75.1 per cent in October 2001. The most recent result, published by Network Rail in their new role of accounting for whole-industry performance, showed that GB passenger services achieved a PPM of 87.4 per cent at September 2006.

Improving train performance is a key objective for the Department. On average, over the last 12 months and across great Britain as a whole over 85% of trains have run on time as measured by the industry-standard Public Performance Measure. Further improvements are planned between now and March 2008, by which time the rail industry has committed to achieve 88%. FGW as a whole as has been well below this level, however, and further action is needed to ensure that the performance of these services improves substantially.

Under the new franchise, FGW is committed to significant investment in improving the reliability of its train fleet. For the High Speed Trains ('HSTs') used from London to Swansea and Carmarthen, this includes work to both the power cards and the coaches. Reliability modifications are also committed for the former Wessex Trains and First Great Western Link fleets.

The work on the power cars has already begun and ten modified power cars are now in service and proving to be extremely reliable. The modifications

include new, more reliable engines which are also greener and quieter. Reliability improvements have also been made to the engine cooling and electrical systems and to the traction motors. This improvement programme is contracted to be completed across FGW's entire, enlarged HST fleet by June 2008. The worst performing power cars are being dealt with first. The rest are receiving remedial works while they await their turn for the more extensive improvements. Work is also under way on HST passenger coaches to modernise the passenger compartments and improve reliability.

Network Rail has an important role to play in improving performance on FGW's routes and, together with FGW, it has delay reduction targets set through a Joint Performance Improvement Plan process. Network Rail is regulated by the Office of Rail Regulation, which is currently reviewing the Joint Performance Improvement Plan. Network Rail has a wide range of work in hand to improve performance, particularly through renewal and improvement of its infrastructure. This covers, track, signalling systems and civil engineering structures like bridges and embankments. Especially relevant to South Wales services are the replacement of track and point work at Wootton Bassett Junction, signalling improvements in the Port Talbot area and embankment stabilisation works at many points on the main line out of London. FGW is also committed to making a contribution to raising speed on the slower lines from Paddington to Reading, which should help reduce delay when the fast lines are closed for engineering works or as the result of disruption.

### **Great Western Main Line(GWML)**

Network Rail and DfT, together with FGW, other train operators and the local authority, are working to agree plans for the expansion of Reading station to achieve long term performance improvements and capacity enhancements on the GWML. This work not only addresses the GWML, but freight traffic growth, Heathrow Airport links, commuter traffic and Cross Country services. A considerable amount of work is being undertaken to advance this scheme and determine a delivery programme which minimises disruption during construction. Additionally, work is underway with the rail industry on the Intercity Express project, which is aimed at providing a replacement for the present HST trains used by FGW and other main line operators.

### **Proposed New Cross Country services to/from Wales**

The Cardiff to Nottingham service will transfer from Central Trains to the New Cross Country franchise from December 2007. Services will operate from Cardiff at hourly intervals to Birmingham and onwards to Nottingham. The level of Cardiff-Scotland services will remain the same (one through train per day) in the New Cross Country franchise.

### **Virgin West Coast services to/from North Wales/Chester**

On 13 December DfT announced that it had reinstated the franchise agreement with Virgin Rail Group to operate services on the West Coast Main Line. This

replaces the 'Letter Agreement' that was put in place in 2002 following the failure of Railtrack to deliver previously agreed improvements to the main line.

The franchise agreement puts the contract on a secure financial footing and will ensure that further benefits are delivered to passengers using the main line service from the end of 2008. These were outlined in the Government's progress report in May 2006

The West Coast upgrade enables more services to run faster. The enlarged Voyager fleet will better serve North Wales with a highly competitive service of just over two hours to Chester and 3hrs 45 minutes to Holyhead in 2009.

Department for Transport  
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# 2006 Great Britain National Rail Passenger Operators

Fifth edition (June 2006)

- |   |                            |                                      |
|---|----------------------------|--------------------------------------|
| — | Arriva Trains Wales        | Arriva plc                           |
| — | Central Trains             | National Express Group plc           |
| — | Chiltern Railways          | M40 Trains                           |
| — | c2c                        | National Express Group plc           |
| — | Eurostar                   | Eurostar (UK) Ltd                    |
| — | First Capital Connect      | First Group plc                      |
| — | First Great Western        | First Group plc                      |
| — | First ScotRail             | First Group plc                      |
| — | First TransPennine Express | First Group plc/Keolis SA            |
| — | Gatwick Express            | National Express Group plc           |
| — | GNER                       | Sea Containers Ltd                   |
| — | Heathrow Express           | BAA                                  |
| — | Hull Trains                | First Group plc/Renaissance Railways |
| — | Island Line                | Stagecoach Group plc                 |
| — | Merseyrail                 | Ned-Serco                            |
| — | Midland Mainline           | National Express Group plc           |
| — | Northern                   | Ned-Serco                            |
| — | 'one'                      | National Express Group plc           |
| — | Silverlink Trains          | National Express Group plc           |
| — | South West Trains          | Stagecoach Group plc                 |
| — | Southeastern               | Go-Ahead Group plc/Keolis SA         |
| — | Southern                   | Go-Ahead Group plc/Keolis SA         |
| — | Virgin CrossCountry        | Virgin Rail Group                    |
| — | Virgin West Coast          | Virgin Rail Group                    |