

ENVIRONMENT, PLANNING AND TRANSPORT COMMITTEE

Date: Wednesday 04 December 2002

Time: 9.15 am to 12:00 pm

Venue: Committee Room 3/4 National Assembly Building

WALES AND BORDERS RAIL FRANCHISE

Strategic Rail Authority

Note to EPT members in advance of agenda item on 4 Dec 2002

Members of EPT have asked to receive an update on the Wales and Borders franchise and on the manner in which the bids will be evaluated. This note is a brief summary of key points which will be developed during the session at EPT next week, when David Hibbs the officer responsible for the franchising process will be in attendance.

Members will understand that although the Strategic Rail Authority will be able to talk about the overall process and some of the features of the bids, it has a duty to observe the commercial sensitive of the material provided to it, and accordingly may not be able to answer specifically about individual bidders.

Objectives

The objectives of the Wales and Borders franchise process are set out in the annex. These reflect the objectives set for the Strategic Rail Authority for the UK rail network.

Project Timetable

The bidders have been issued with the instructions for preparation of Best and Final Offers. We expect these to be submitted by February 24 2003.

The Strategic Rail Authority will then evaluate those bids and announce a preferred bidder with whom it will conclude contractual negotiations. In view of the need to ensure an orderly transfer of assets, including those transferring from FNW, the franchise term is planned to start on 12 October.

Franchise length

The Wales and Borders franchise will be let on a fifteen year term following consultation with the Welsh Assembly Government. Members will be aware that the SRA has recently revised its approach to franchising. There is still some work to be undertaken on the detail of this policy, and it has been decided to continue with Wales and Borders rather than wait for the new approach to be ready for implementation in full. Where policy changes can be introduced at the outset of this franchise we will seek to do so, and will try to negotiate such other benefits as may be appropriate during the life of the franchise.

Bid structure and content / The enhanceable franchise

Bidders have been asked to give a price for the continued operation of the current core service (almost the entire timetable). Additionally, bidders have been asked to give prices for various options.

The options include:

- Continuation of services currently supported by the Rail Passenger Partnership fund or other fixed term funding arrangements.
- Various enhancements to the timetable such as the operation of services along the Ebbw Valley
- Various alterations to the timetable to make the network work more effectively (eg Cardiff – Birmingham)
- Options for station improvements
- Options for changes which will reduce the cost of the franchise (excluding any closures).

Other enhancements and amendments may be offered by Bidders in the process and we have asked for some ideas put to us confidentially in initial proposals to be worked up for this Best and Final Offer phase.

The decision on which options are taken forward into the new franchise will depend on their value for money (taking into account factors such as impact on road congestion as well as impact on costs and revenues to the train operator) and affordability at the time that the franchise is let.

The SRA intends to let a fifteen-year enhanceable franchise which:

- **allows for improvements to be delivered that may not require additional support** from the Authority;
- includes the development and maintenance of a **portfolio of Options** that the Authority in consultation with the Welsh Assembly Government may wish the Franchise Operator to implement during the course of the franchise;
- provides for a **revised mechanism** by which future franchise variations will be agreed and implemented between the Authority and the Franchise Operator;
- **sets pre-agreed levels of performance** to be achieved by the specified Performance Reviews. This will form part of the assessment by the Authority of whether the Franchise Operator has been an Efficient Operator which will lead to confirmation of the franchise for final years of the franchise;
- **maintains the financial stability of the operator** throughout the Franchise Term, whilst delivering performance improvements.

Annex 1

Objectives of the W&B franchise

What are we seeking to achieve?

The Authority's objectives for the W&B franchise reflect those which are set out for the national railway as a whole by HM Government in "Transport 2010 - The Ten Year Plan" published in July 2000 and the Statement of Policy on Passenger Rail Franchising issued in December 2001, together with the Authority's Strategic Plan published in January 2002.

In summary, the Authority wishes to develop a W&B franchise which, within value for money criteria and the funding limits applicable over the course of the Franchise Term, will:

- contribute to HM Government's target of a 50% increase in passenger kilometres by 2010. Note that although the HM Government target for increasing passenger rail travel is expressed in passenger kilometres, all documentation and information supplied by the Authority will be expressed in miles;
- reduce overcrowding where this exceeds Authority agreed standards;
- improve punctuality, reliability and service facilities for passengers;

- improve safety and personal security for passengers;
- include measures to better integrate different forms of transport (particularly important in the context of this franchise);
- improve accessibility for disabled people;
- improve passenger information and compensation arrangements when things go wrong;