

## **Economic Development and Transport Committee**

**Date :** 1 October 2003

**Time :** 9.30 a.m. – 12.15 p.m.

**Venue :** Committee Room 1, Cardiff Bay

**Title :** Paper from Strategic Rail Authority

**National Assembly for Wales**  
**Meeting of the Economic Development and Transport Committee**  
**Cardiff, Wednesday 1<sup>st</sup> October 2003**  
**The Wales & Borders Franchise**  
**Briefing Paper from the Strategic Rail Authority**

This paper outlines the background to the recent appointment of Arriva as the Preferred bidder for the Wales & Borders rail franchise and describes the issues associated with the future development of the franchise.

The items contained in this briefing note are:

- A historical account of the bidding process for the franchise and an overview of the methodology used to evaluate the bids.
- A summary of the key parameters that will drive the development of services in future.
- An assessment of the level of funding that will be available to the franchise and the options for service enhancement, which could be available within existing funding limits.
- A summary of the proposed development of the franchise within the agreed franchise period of 15 years (subject to 5 yearly performance reviews in 2007/8 and 2012/13).

## **Background**

The intention to create the Wales & Borders franchise, reflecting the creation of the Welsh assembly, but recognising the railway geography was first announced in March 2000. The following are the key dates and milestones in that process:

- 8<sup>th</sup> March 2000 – study to examine the creation of a ‘Wales & Borders’ franchise announced.
- 8<sup>th</sup> August 2000 – initial letting/replacement process began.
- 14<sup>th</sup> October 2001 – migration of elements of Central Trains and Wales & West franchises to Cardiff Railway Co. to form the interim Wales & Borders franchise.
- 19<sup>th</sup> December 2001 – second replacement process began.
- 1<sup>st</sup> April 2002 – migration of First Great Western’s south Wales stations to the Wales & Borders franchise.
- 24<sup>th</sup> April 2002 – core franchise proposition issued
- 1<sup>st</sup> October 2002 – short list of bidders announced
- 7<sup>th</sup> April 2003 – ‘Best and Final Offers’ submitted by bidders.
- 1<sup>st</sup> August 2003 – announcement that Arriva trains had been selected as the preferred bidder for the Wales & Borders franchise
- 28<sup>th</sup> September 2003 - Migration of First North Western’s north Wales services into the Wales & Borders franchise.

The signing of the W&B Franchise Agreement between Arriva trains and the SRA will take place once agreement has been reached on detailed terms. The proposed commencement date of the new franchise is in December.

## **Overview of Bidding Evaluation Methodology ( Wales & Borders)**

The key steps and processes in the exercise, which resulted in the selection of Arriva trains as the preferred bidder for the franchise, were as follows:

1. Development of robust evaluation criteria and a credible marking system. The criteria were developed from tried and tested methodology previously used by SRA in other franchise bidding exercises. These addressed the core franchise requirements of:

Rail Passenger Services – Outputs and Constraints

Delivery and Mobilisation

Revenue and Costs

Finance and Funding

Legal

## Supplementary

2. Bid Review phase: The criteria and marking systems were used by a team of evaluators to assess specific areas of the bid. The criteria and marking systems both employed separate markings for output and deliverability.
3. Clarification phase: Evaluators reviewed each BAFO (Best and Final Offer) and submitted clarification questions to bidders.
4. Provisional marking phase: Evaluators marked their specific area of the bid against the criteria taking into account the answers to clarification questions. The marks were then collated by the Project Team.
5. Evaluation phase: A meeting was held to review the bids and provisional markings. Presentations were made by the evaluators on their specific area of the bid and provisional rankings were made using previously agreed methodologies. In addition to this evaluators were required to identify any areas of bids that required further clarification and analysis.
6. Further analysis and clarification phase: Further evaluation and analysis work commissioned and where appropriate further contact with bidders made.
7. Results considered finally by the SRA Board and submitted to the Secretary of State for approval.

The final decision to select Arriva as Preferred Bidder was based solely on the merit of the Best and Final Offers as submitted on 7<sup>th</sup> April. The SRA looked for value for money delivery of its objectives along with innovative proposals for development of the services. Arriva scored strongly on all counts.

### **Summary of the Key Parameters for the Franchise.**

1. Affordability. Insofar as the Wales & Borders franchise is concerned, the SRA is seeking to secure the provision of the services and other outputs specified reliably for the lowest subsidy that is consistent with a good quality service. Arriva's proposals for the franchise deliver what was requested by the SRA and more, and are within the affordability constraints within which the SRA currently operates.
2. Costs. The current level of rising costs within the rail industry is a major issue, which the SRA has to address on an ongoing basis. As part of the franchise process, bidders were asked to develop proposals, which would reflect the options if 10% and 20% reductions were to be made in subsidy. This is a normal approach for public sector contracts. The Franchise Agreement will therefore include within it an option for cost reduction if required at a future point by industry affordability constraints. There are no plans at present to implement such an option.
3. Performance. In common with all other rail franchises across the UK, the new Wales & Borders franchise will be expected to take the issue of improving performance across the board very seriously. To that end, Arriva has committed as part of its bid, to achieve the following PPM (Public Performance Measure) targets by the first five year review in 2007/8:
  - 89% for Valley Lines
  - 85% for Wales & Borders inter-urban routes

Arriva are committed to further improvement thereafter and have also committed to increase Passenger's Charter compensation from the current 50% of fare when trains are delayed more than 60 minutes to full refund of fare. Arriva have proven to be an extremely competent operator over the last year and have outperformed the 2002/3 national average for performance on their Arriva Trains North and Merseyside franchises.

4. Social inclusion. It is recognised that the National Assembly for Wales places great emphasis on the role which rail plays in their social inclusion policies e.g. the proposal to reopen the Ebbw Valley line to passenger traffic. It is also recognised that many of the rail services provided in Wales by the Wales & Borders franchise serve rural communities. Arriva have tailored their bid to recognise that fact. The recent appointment of Chris Austin as the SRA's Executive Director Community Rail Development is a move, which reflects the emphasis placed on the provision of sustainable services on rural routes.

#### Funding Arrangements and Options for the Wales & Borders Franchise

The precise amount of public funding which Arriva trains will receive over the duration of the contract will not be confirmed until such time as the Franchise Agreement between SRA and Arriva has been signed. The amount will however be in excess of £100m.

#### **Development of the Franchise**

The Wales & Borders franchise will include all local and regional passenger rail services within Wales, services from Cardiff to Hereford, Shrewsbury and Manchester, and many of those from Wales to Birmingham, North West England and the West Country. The new franchise will also include the operation of all stations in Wales, and those served by the new franchise in the Border counties including Chester, Shrewsbury and Hereford. Long distance high-speed services to and from Wales will continue to be operated by First Great Western, Virgin CrossCountry and Virgin West Coast. Wessex Trains and Central Trains will also continue to operate some services between England and Cardiff:

The Franchise Agreement between SRA and Arriva Trains is to include commitments that will ensure the stability and incremental development of rail services in Wales. Those commitments include:

- The operation of an integrated Wales & Borders franchise structured around the current level of service.
- Introduction of seven Class 150 Diesel Multiple Units, planned for introduction from December 2004.
- Introduction of 30 new integrated train/bus ticket schemes by November 2005, permitting many new opportunities for through journeys.

- Improved bi-lingual access including, a Welsh language customer service phone line, timetables, information and full bi-lingual signage and station announcements at stations where there are existing public address systems by May 2004.
- Introduction of the successful, customer-focused Arriva 'Station Adopter' scheme.
- Development of an integrated, clock face timetable, making train services much easier to use, as well as ensuring better performance and improved connections throughout Wales, for implementation within the first three years of the franchise both for the Valley Lines network and inter-urban services.
- Expenditure of £400,000 on improving station car parks
- A better compensation scheme for passengers.

Recent and planned alterations to cross-border services in the north west and south west of England as well as the Midlands will enable Arriva to provide a more robust and reliable pattern of service to passengers travelling to and from Wales and within Wales. These include:

- A stopping service between Cardiff and Gloucester, hourly at peak times and two hourly off-peak. This will provide a better service to intermediate stations such as Chepstow.
- An improved service from Cardiff to Birmingham (operated by Central Trains) with an hourly train and a journey time of less than two hours.
- A half-hourly service introduced on the Cardiff to Aberdare line.
- Re-opening of the Vale of Glamorgan line.

Station maintenance, heavy maintenance and renewal responsibilities remain with Network Rail and with the franchise for light maintenance and repainting.

## **Conclusion**

Against a background of rising costs and limited potential for increased expenditure, the new franchise has secured the present service levels throughout Wales, together with some important agreed enhancements. Better rolling stock, integration measures and bilingual signing, together with the clockface timetable will deliver significant improvements throughout Wales, in the first five years of the franchise.

Combined with the West Coast Route Modernisation project (for mid and north Wales), the introduction of Pendolino and Voyager trains to Holyhead, capacity improvements

(such as Swindon platform 4) and new Adelante trains, a well established structure of major improvements has now been put in place to ensure services to, from and within Wales are properly delivered.