

## Agenda – Pwyllgor yr Economi, Seilwaith a Sgiliau

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Lleoliad: I gael rhagor o wybodaeth cysylltwch a:  
Ystafell Bwyllgora 1 – Y Senedd Gareth Price  
Dyddiad: Dydd Iau, 23 Mawrth 2017 Clerc y Pwyllgor  
Amser: 09.00 0300 200 6565  
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**Rhag-gyfarfod preifat (09:00–09:15)**

**1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau**

**2 Prifddinas–Ranbarth Caerdydd – Ymchwiliad i ddarparu  
masnachfrait y rheilffyrdd a'r metro**

(09:15–10:00)

(Tudalennau 1 – 37)

Andrew Morgan, Cadeirydd, Prifddinas–Ranbarth Caerdydd

Clr Huw David, Cadeirydd, Awdurdod Trafnidiaeth Prifddinas–Ranbarth Caerdydd

Roger Waters, Swyddog arweiniol, Awdurdod Trafnidiaeth Prifddinas–Ranbarth  
Caerdydd

Dogfennau atodol:

Y Briff Ymchwil – Papur cefndir

Y Briff Ymchwil

Crynodeb o'r ymatebion i'r arolwg (Saesneg yn unig)

EIS(5)–09–17 (p1) Prifddinas–Ranbarth Caerdydd (Saesneg yn unig)



### **3 Academyddion – Ymchwiliad i ddarparu masnachfaint y rheilffyrdd a’r metro**

(10:00–11:00)

(Tudalennau 38 – 55)

Stuart Cole, Athro Emeritws Trafnidiaeth, Prifysgol De Cymru

Mark Lang, Ymchwilydd Ymgynghorol Economaidd–Gymdeithasol, Prifysgol Caerdydd

Dogfennau atodol:

EIS(5)–09–17 (p2) Stuart Cole, Athro Emeritws Trafnidiaeth (Saesneg yn unig)

EIS(5)–09–17 (p3) Dr Mark Lang (Saesneg yn unig)

**Egwyl** (11:00–11:15)

### **4 Sefydliadau defnyddwyr rheilffyrdd annibynnol – Ymchwiliad i ddarparu masnachfaint y rheilffyrdd a’r metro**

(11:15–12:15)

(Tudalennau 56 – 74)

Rowland Pittard, Ysgrifennydd, Railfuture Cymru Wales

Mike Hewitson, Pennaeth Polisi, Transport Focus

Sharon Hedges, Rheolwr Rhaglen Masnachfaint, Transport Focus

David Beer, Rheolwr Rhanddeiliaid, Transport Focus

Dogfennau atodol:

EIS(5)–09–17 (p4) Railfuture Cymru Wales (Saesneg yn unig)

EIS(5)–09–17 (p5) Transport Focus (Saesneg yn unig)

### **5 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer eitem agenda 6**

## **6 Papur cwmpasu – Ymchwiliad dilynol ynghylch prentisiaethau**

(12:15–12:30)

(Tudalennau 75 – 80)

Dogfennau atodol:

EIS(5)–09–17 (p6) Papur cwmpasu – Ymchwiliad dilynol ynghylch prentisiaethau

**Egwyl** (12:30–14:00)

## **7 Rail Delivery Group – Ymchwiliad i ddarparu masnachfaint y rheilffyrdd a'r metro**

(14:00–15:00)

(Tudalennau 81 – 85)

Richard Evans, Pennaeth Polisi Gwasanaethau i Deithwyr, Rail Delivery Group

Dogfennau atodol:

EIS(5)–09–17 (p7) Rail Delivery Group (Saesneg yn unig)

**Ôl–drafodaeth breifat** (15:00–15:15)

## Eitem 2

Mae cyfyngiadau ar y ddogfen hon

Mae cyfyngiadau ar y ddogfen hon

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills Committee

Masnachfaint Rheilffyrdd a chyflwyno Metro / Rail Franchise and the Metro

Ymateb gan Cabinet Rhanbarthol Bargen Ddinesig Prifddinas- Ranbarth Caerdydd ac Awdurdod Trafnidiaeth Prifddinas-Ranbarth Caerdydd / Evidence from Cardiff Capital Region City Deal Regional Cabinet and the Cardiff Capital Region Transport Authority (CCRTA)

The Cardiff Capital Region (CCR) City Deal is a £1.28 Billion programme which will achieve an uplift in the region's GVA by delivering a range of programmes which will increase connectivity; improve physical and digital infrastructure, as well as business governance. The Deal involves the ten local authorities of the region; Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taf, Torfaen and Vale of Glamorgan, together with the UK and Welsh Governments.

The Deal is expected to deliver 25,000 new jobs and leverage an additional £4Bn of private sector investment. Under the theme of *Connecting the Region*, the region has committed to establishing a regional transport authority to co-ordinate transport planning and investment, in partnership with the Welsh Government. Further information on the City Deal is available on our website; <http://www.cardiffcapitalregioncitydeal.wales/index.html>

The concept of the Metro for south east Wales envisages transformation and integration of the bus and rail network and has received universal support. It is included as one of the primary physical interventions supported by the City Deal, with approximately £734M ring fenced to Metro, including electrification of the core valley lines.

The funding is comprised of;

UK Government - £125M)

ERDF - £106M) - £325M Valley Lines electrification package

Welsh Gov - £94M)

Together with this funding, as their commitment to the City Deal, is an additional Welsh Government contribution of £400M towards wider Metro aspirations.

The case for supporting the Metro is compelling. The CCR established a Growth and Competitiveness Commission lead by Professor Greg Clarke CBE. The report notes that large scale infrastructure has played a transformative and integrative role in many regions that were previously quite fragmented. Specifically, Metro systems are noted to be powerful in their ability to;

- *Bring regional partners to the table and spur collaborative decision making and awareness that each part of the region will benefit in time*
- *Expand labour market access and reduce the mismatch between jobs and homes*
- *Provide visible benefits and create confidence in the possibilities of change*
- *Become a source of pride and shared regional identity*

- *Connect areas that are socially and politically disconnected*
- *Unlock new land for strategic densification*
- *Shape spatial development and the creation of complementary and secondary centres.*

Their evidence review notes that infrastructure investment across the region has lagged behind much of the rest of the UK. Their core findings on transport note;

*Increased connectivity and multi-modality will create recognised benefits for productivity and employment. Aside from expanding opportunities to commute to Cardiff, it is also a priority to support other locations of economic activity, including Cardiff International Airport. Much is demanded of the South East Wales Metro and many hopes are attached to it. The Metro system should form the basis for the strategic plan for new investments in land and property development. Transport nodes should form the focus of investment in hubs to promote innovation, co-working spaces and the development of new enterprises and employment opportunities. Housing investments should be related to accessibility through the Metro system. Ensuring that investment is focussed on the Metro development will help to increase the overall investment rate, providing for a greater impact in terms of GVA.*

Further information on the Growth Commission Report is available on the City Deal website at;

[http://www.cardiffcapitalregioncitydeal.wales/report/growth\\_&\\_comp\\_com\\_process\\_web.pdf](http://www.cardiffcapitalregioncitydeal.wales/report/growth_&_comp_com_process_web.pdf)

Clearly, the region is placing huge reliance on Metro to; improve connectivity, enable polycentric growth across the region, provide a framework to align other initiatives, act as a focal point for land-use planning and a catalyst for economic development.

This evidence is not set out to focus on the shortcomings of the current franchise arrangements and the fragmented state of current transport provision, but it would be remiss not to highlight some key issues;

- The franchise has not promoted or facilitated growth in patronage and has not adapted to effectively meet current passenger demand. Consequently, peak hour services to and from the Cities are grossly overcrowded.
- The stations (Central and Queen Street) are no longer fit for purpose.
- The rolling stock is old, lacks capacity and resilience.
- The train and track operators are independent and do not co-operate effectively for the benefit of the customer.
- Rail and bus services are not integrated in terms of timetables, interchange, ticketing, information, service standards, etc and often compete for patronage.

The wider Metro concept offers the opportunity to resolve many of these issues noting that the cost of this wider vision may be anywhere between £4-5 Billion in capital costs and may involve substantial additional revenue commitments above and beyond those already committed.

The Regional Cabinet is fully committed to developing the Metro concept and to support the Welsh Government (WG) in this current round of procuring the Wales and Borders Franchise and Metro.

Our support includes the establishment of the CCRTA to coordinate transport planning and investment and to act as a focal point for liaison with WG in developing Metro and the rail franchise.

We support the innovative form of procurement “Competitive Dialogue,” whilst recognising that the process limits the level of ongoing engagement from partners and stakeholders due to commercial sensitivities and the need to maintain parity for tenderers throughout the process.

In liaison with WG, we have ensured that the CCR has a voice in the process, with the region funding the secondment of a senior regional transport officer into the Transport for Wales (TfW) procurement team. This officer has been working with WG since November 2016, representing the CCR in the procurement process and the competitive dialogue.

We have supported engagement events with the supply chain and established more focussed sessions to set out our aspirations to the bidders. In addition to representation on transport aspects, we have engaged on associated matters such as the skills agenda, supply chain development and innovation, and will support the focussed supplier sessions with the presence of an officer with specialist knowledge during dialogue on these topics over the coming months.

We note the complexities associated with the form of procurement and appreciate that not having a pre-determined set of fixed deliverables means that the process lacks certainty, but we are keen to be involved in influencing the mode of transport for the core valley lines (CVL) and the enhancement of wider Metro, beyond electrification of CVL.

We believe that the innovative approach, particularly on CVL where we anticipate responsibility for tracks and trains will come under one entity, will yield better value with investments considered on a whole-life basis, balancing capital and revenue implications, with all activity focussed on creating a better customer experience.

From a CCR perspective, the commercial sensitivities and necessary control over information means that we have challenges in maintaining buy-in from our partners within the region and feeding the growing appetite and enthusiasm for information and progress. The current uncertainty on mode and scope of deliverables also limits our ability to plan complementary programmes or identify additional interventions that will add value to what can be delivered from the £734M in pursuance of our aspirations for City Deal.

We have advocated the case for light-rail as a preferred mode to allow further extendibility of the network and will continue engagement with TfW to influence this. The open-ended nature of the dialogue means that there will need to be decisions made during the process on respective priorities and compromises on aspirations in one aspect in order to achieve benefits in others.

At the time of preparing this evidence, we are engaging with WG to develop questions for a further round of consultation to inform some of these issues. Our presence at the table will ensure we can influence the process and we envisage



backing up our liaison officer with a small advisory group to quickly consider and respond to specific issues as they emerge.

We recognise that the short-comings of the current franchise will not be resolved in the near future and we believe that there is a risk to the availability of the existing rolling stock until ongoing leases are secured at least for the initial period beyond the current franchise. Electrification of CVL is programmed to deliver outcomes in 2022. In the meantime, we have over-crowded trains and congested roads that constrain economic growth and depress productivity.

The levels of road congestion are so severe that they are challenging the viability of our bus services to the point where some peak-time regional services into Cardiff have been withdrawn.

We are therefore seeking in the short to medium term to enhance the viability of bus through partnership working with WG, TfW and bus and rail operators under the auspices of the CCRTA.

We have jointly established an Integration Alliance Board (IAB) to begin to develop an integration initiative that will lead to a Bus Partnership Agreement for the Metro Area.

The aim of the IAB is to grow passenger numbers and encourage modal shift to public transport. The IAB envisages that this aim will be delivered via a series of Bus Partnership Agreements, where all parties work in partnership to deliver improved and enhanced bus services. We believe that the Alliance will develop wider benefits, including;

- Economic growth; by improving connectivity and interchange, reducing congestion and providing fast and reliable journeys,
- Support Communities; by providing a well-connected, accessible and safe transport system that will improve the quality of life and health of our communities,
- Protect the Environment; increased use of active travel and sustainable transport will cut carbon emissions and improve air quality.

The key areas for intervention will be;

- Ticketing; real time information, developing integrated and alternative ticketing arrangements
- Customer Information; to allow passengers to make informed journey choices
- Bus Stations and Infrastructure; providing safe, clean and comfortable waiting facilities
- Highways; deal with issues that cause delays for buses
- Vehicles; investment in buses to improve customer satisfaction levels
- Customer satisfaction; developing service levels for customers
- Passenger Safety; dealing with anti-social behaviour
- Employees; encouraging high quality customer service
- Marketing and Branding; developing route branding to attract new customers
- Funding; requiring commitment to shared objectives.

This initiative will complement the Wales and Borders Franchise and provide a forum for aligning activities, developing joint initiatives and will facilitate development of the wider Metro concept, in parallel with procurement and delivery of the rail based initiatives.

# Eitem 3

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills Committee

Masnachfaint Rheilffyrdd a chyflwyno Metro / Rail Franchise and the Metro

Ymateb gan yr Athro Stuart Cole / Evidence from Professor Stuart Cole

## INTRODUCTION

### 1. Two part rail franchise

This franchise has been split into two parts. The south Wales Metro (Metro) which has the highest risk and the remainder of the franchise which is a conventional rail franchise with a train operating company (TOC) running trains and Network Rail. The first covers 80% of Wales' land area with about 35% of the population; the latter 20% of the land and 65% of the people. The passenger trips are split approximately 50 – 50. Despite much of the public discussion being centred on Valley Lines with its infrastructure implications and higher risk; full cognisance must be given to the remainder of Wales and Borders rail franchise services.

The 'rest of Wales element is familiar ground for letting a rail franchise. Not so in the *competitive dialogue* and transfer of track / signals from Network Rail (NR) which is one possibility for Valley Lines and is relatively unknown waters. WG has to be clear on what is affordable, what is being promised and what passengers want the outcome to be.

There are therefore quite different needs and possible service levels. The railway in west and north Wales provides for mobility and with the TrawsCymru network, the core public transport network much of which is subsidised (both buses and trains). The proposed Metro in its widest sense of both buses and trains must provide mass transit provision especially in peak periods into / out of major centres. Without a significant transfer of motor car users to the rail network, road congestion in the south east will continue to worsen and have an adverse effect on economic efficiency.

### 2. Radical Change

A change in culture / ethos and the degree of expertise available in the public sector decision making process (WG / TfW) is the biggest challenge facing the successful franchise bidder (or grant bids as WG now refers to the funding process). The Welsh Government's (WG) concept of an Operational Development Partner (ODP) is the way forward with far more collaboration with a far closer relationship between WG and the TOC / OpCo / ODP. Passengers will expect cleaner stations and trains; less overcrowding in peak periods; more frequent trains; electric trains throughout the network – but this is a major challenge.

WG has to be looking for radical change with more innovation compared with the old system. The *competitive dialogue* process should identify what the market has to offer and it has been suggested that WG can then cherry-pick the best aspects.

The timescale is intended to fit the current franchise termination in October 2018. There is the possibility of an extension subject to an agreement between Arriva Trains Wales (Deutsche Bahn) and WG. This may however lead to a legal challenge by other bidders and may not be perceived as the best outcome for passengers.

The process has to be watertight particularly from now on as bidders prepare detailed proposals. A repeat of the WCML challenge by Virgin Trains when the award was made to First Group cannot occur. WG must have the ability to prove its decision was right at any possible judicial review.

### **3. Bids**

The bidders now (February 2017) have to consider whether to follow through with their bid. The costs and timespan are higher and longer than for a DfT bid process. At W&B the success odds are 4:1; at south west England they are 2:1. The costs may be £12m compared with £7m - £9m for a more lucrative bid in England – e.g. East Midlands, WCML + HS2 (which is also very exciting).

The Wales Audit Office report on *Welsh Government investment in rail services and infrastructure* (6 September 2016) provides a useful insight into the contractual arrangements WG proposes to fund.

## **SECTION 1- WELSH GOVERNMENT APPROACH TO THE *DEVELOPMENT, PROCUREMENT AND DELIVERY* OF THE W&B FRANCHISE AND SOUTH WALES METRO EFFECTIVENESS, KEY RISKS, DELIVERY**

### **4. Implementation**

WG set up Transport for Wales (TfW) in January 2016 along with a strategic advisory board to manage and advise on procurement. Its primary role at present is to re – let the Wales and Borders (W&B) rail franchise. The Government will have provided the Committee with its proposed structure of the InfraCo (infrastructure and the OpCo / TOC (train operating company))

The InfraCo would only apply to that part of the Valley Lines commuter network where electric traction would be introduced and in particular a tram / light rail option. Elsewhere the track and signals would be provided by Network Rail as at present.

The Pre – qualifying process should have identified that all the bidders on the short list have satisfied the selection criteria

Currently (14 February 2017) the outline solutions from bidders are with TfW. It will process and assess these

## **5. Process – Summary note**

TfW would have put high level questions (for outline solutions) to all bidders on how they would approach aspects such as:

- Bidders to indicate investment levels
  - Inside Metro
  - Outside Metro (e.g. NWML, community rail e.g. Heart of Wales line; Marcher line)
- WG priorities indicated
- Quality score based on what can be provided – with affordability estimate and revenue projections
- Expectations on Valley Lines (VL) modernisation
- ERDF funds as long as available
- Frequency on different lines; outline timetable plans; differences between high capacity / demand commuter lines and rural services; main line services e.g. SWML, NWML ; cross border links to Manchester (Northern Powerhouse) and Birmingham
- Ticketing and fare levels; market based offers e.g. advanced purchase and how will these be made simple without the loss to passengers of low cost fares. This will test the ODP principle and co-ordination of WG and TOC / ODP interface. One option is a Netherlands style fares system with WG and regional transport authorities determining fares and with a national ticket (Chipkaart) for all trains (and buses – please see integration below)
- Stations strategy for improved facilities – waiting areas, ticket sales, cleanliness.
- Fleet strategy for diesel (the majority of services); electric train and tram / light rail
- Community rail (mainly deep rural e.g. Heart of Wales Line)
- Links to Cardiff Airport (despite WG already having its TrawsCymru airport express
- Managing solutions which were carbon friendly and environmentally positive and were compliant with the future generations and active travel legislation and WG policy. How will these be measured and what is the WG target.
- Human resources policy

The questions would form the criteria for selection – journey time; frequency; energy efficient; environment. In effect the *Sell to Wales* contract note which sets out the procurement process and has a section on the Wales & Borders rail franchise procurement. They would have to flesh out issues on infrastructure and rolling stock.

Normally this is done through internal working on the operational implications of the new structure. In Valley Lines there is a vertical integration management process. How does NR fit into that or, if it doesn't, how is the InfraCo to be set up 'from scratch'

Overall it is a sound process for supply side competition (Supplementary Note 4). It enables WG to establish what it wants in general from the franchise but requires considerable input from the TfW team. It has however placed a more than usual financial burden on the bidders.

## **6. Process Timetable**

The procurement timetable for determining the new OpCo / TOC / ODP as I understand it is currently:

October 2016: Pre-qualify with criteria –

- can the bidder deliver the franchise - what experience in rail operation
- financial position of the bidder or parent company
- technical position – are the skills available
- construction element in relation to Metro

December 2016: Short list bidders' outline solutions

Jan / Feb 2017: Assessment of outline solutions by TfW

Feb – June 2017: Competitive Dialogue

June 2017: Invitation to submit final bids

January 2018: Selection of Operational Development Partner

October 2018: New OpCo / TOC takes over the franchise

This is a tight timetable and has slipped from the original by a few months. What one might also say is that the process began about two years later than it should have with TfW being set up in January 2014 and full time staffing put in place.

## **7. Bidder Flexibility**

The SWML date of electrification between Cardiff and London is expected to be December 2018 but extension to Swansea is uncertain.

So each bidder will need to be flexible in providing:

- The change from diesel to electric trains
- Will there be hybrid / bimodal for pre and post electrification
- From where will they get the compliant rolling stock for pre electrification
- Persons of Reduced Mobility (PRM) compliance is required by 2020. The EU date was 2023. The Westminster Department for Transport DfT is not mindful at present to allow derogation until new rolling stock is available. There are compliance problems in other franchises which are also not PRM compliant.

- Are there compliant fleets available?
  - Northern have new build diesels
  - WG may get bidders to suggest a hybrid (heavy rail) for conversion to electric only later (as in Great Western Main Line IEP trains)
  - Light rail on VL presents a serious challenge as interim stock will have a short life in the new W&B franchise.
- Lease on current rolling stock runs out in October 2018:
  - WG could purchase trains or enter a leasing arrangement between WG, a train manufacturer and a finance house / PWLB.
  - Leasing companies (ROSCOS) have been reducing their prices since Scottish Government began buying their own r/s
  - Northern – a bidder could join into another order for new build more efficient diesel or diesel / electric bi – modal trains and achieve a lower cost per train unit. These might initially be less efficient but could be the future proof option
  - Some diesel rolling stock could be made compliant but the economics is difficult.
  - ROSCOS not really interested in diesel new build but might be forced to or purchase the hybrid bi – modal trains

## **8. Integration bus / rail / cycling / walking**

In all cases integration of train and bus services using the 4I's principle

### **Information + Interchange + Investment + Imagination**

is a key aspect of the post 2018 rail franchise. This requires some form of planned integration of train / bus services / active travel in Wales on which bus companies have not been inclined to move forward on bus / rail / active travel integration. The establishment of a Traffic Commissioner exclusively to Wales will assist in setting up such a scheme. TfW could then prepare the ground for legislative changes regarding the bus industry.

The ScotRail franchise currently operated by Abellio has the provision of cycle storage and routes to stations as a contractual obligation. To assist in implementing the Active Travel Act such conditions will need to be included in the W&B franchise

There is no control by TfW over adjoining franchises other than through negotiation with DfT or with the companies (currently – GWR (First Group), West Coast Main Line (Virgin) and Cross Country (DB Arriva UK).

TfW has no control over bus operations but can provide infrastructure (e.g. bus / rail interchanges; bus stations; bus stop waiting facilities. While this is important nationally, the higher frequency of bus and train service along Valley Lines makes it a facility which to date has been largely ignored

Integration between bus and rail services has been difficult since the 1980's bus competition legislation (seen by transport planners as providing a disservice to the traveller). There are success stories such as WG's TrawsCymru operations which are physically aligned to rail stations. Several bus stations are adjacent to rail (e.g. Rhyl, Caerffili, Aberystwyth) but integrated ticketing is limited to e.g. Plus Bus, rover tickets. A south east Wales ticket system would be a positive element in the proposals for the Metro and a south east Wales joint transport authority on a statutory basis (under the Transport (Wales) Act 2006) should be established to franchise bus operations and integrate with WG's TfW and TrawsCymru services.

The Go Cymru multi operator / ride ticket experiment has lost momentum. It should now be a requirement for the new franchisor to introduce the basis of such scheme nationally and for TfW to introduce it to bus operators as agreement / legislation allows. The Oyster (London region) or Chipkaart (Netherlands national) and Over 60's card (Wales national) shows a payments formula can be agreed between government and operators. TrawsCymru services (owned by WG) can be used from the start

TfW should expand its present position of one director alone to a core team for integration. It does not at present appear to be a priority activity

## **9. Risk – Funding**

WG have to source the capital expenditure for Valley Lines electrification if DfT / NR are not prepared to increase their infrastructure contribution above £125m out of a possible £700m. NR has said that the Wales Route may not be able to deliver all that the WG want with NR's constraints from the centre. Any funding WG can provide (including Welsh block grant provision, City Deal funding and post Brexit funding guarantees to replace EU funds) enables WG to provide more investment or subsidy.

EU structural funding has been generous to Wales' transport system through its clear financial and economic criteria against which successful bids could be made. These funds were specifically targeted at low income and low economic growth areas such as the south east valleys and rural Wales. Such fixed criteria become variable in negotiating the increases in block grant funding with HM Treasury.

Track / signalling maintenance costs and the cost of subsidy will of course be additional to the infrastructure loan repayments.

## **10. Risk – Revenue**

There is an assessment of risk transfer of course but which company takes the revenue risk – the franchisor (Government) or the franchisee train company).

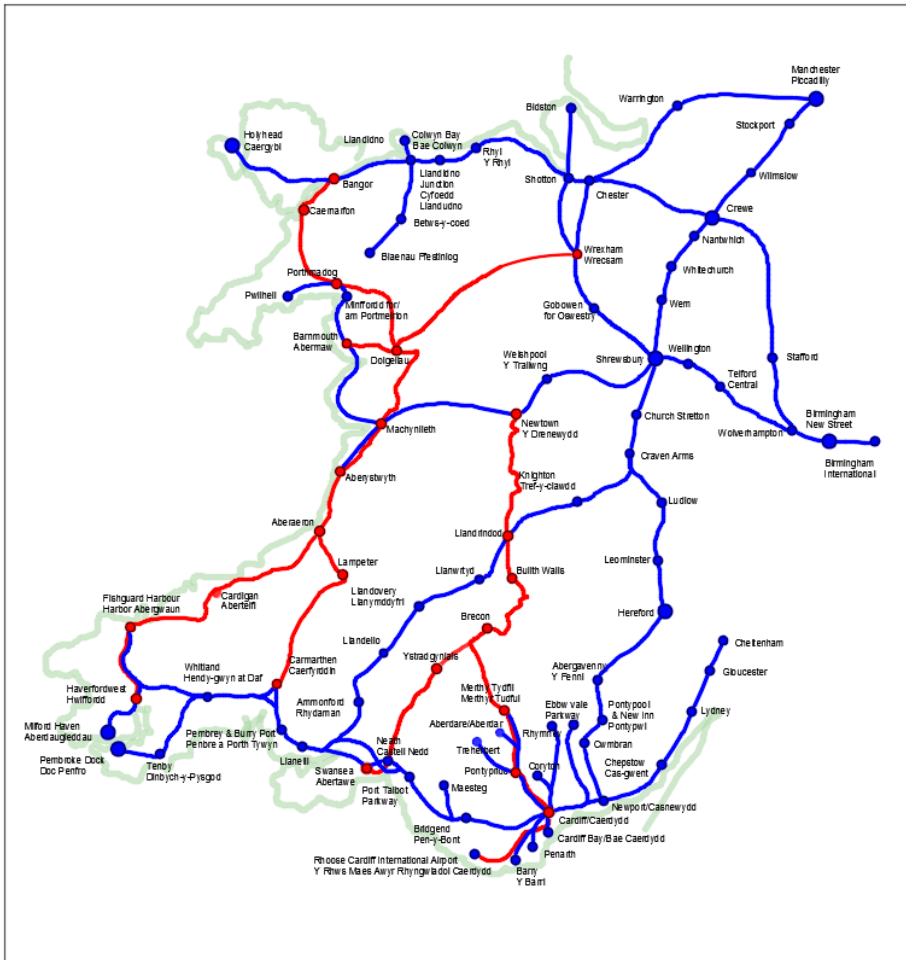
- TfW could, as does TfL, take all the revenue paying the TOC a management fee. The TOC would then only have the cost risk to bear



- The TOC could take the revenue and cost risk. This would be based on its expertise in the market as a private centre company which should be its strength

So a decision has to be made by Welsh Government on whether franchising is possible without the transfer of revenue and /or cost risk when TfW could become the ‘train operator of last resort’. To achieve this, the franchise conditions have to be clearly set out and a whole range of possible options built in. This involves considerable vision and forward thinking and the provision of break clauses where neither party has unfair advantage.

### 11. Risk – Franchise map Map of current rail franchise and TrawsCymru services



**TrawsCymru routes // Wales & Borders rail franchise routes**

The majority of the Wales and Borders franchise should remain intact. There has been considerable delay in transferring the Wales & Borders rail franchise from DfT to WG. That this has not been achieved despite being discussed for over a year presents serious problems for WG. WG cannot be expected to acquire skilled

permanent staff and set up financial arrangements for train procurement (purchase or leasing) or electrification when DfT remains the prime franchisor

The routes from the Canolbarth and north Wales into England (in particular Manchester and Birmingham) have to be retained as they meet Welsh train journey patterns. They also provide a net contribution to the W&B subsidy budget

The operational logic also applies to the marcher line from Newport to Chester. This is the only link between the three east – west main lines and provides the backbone of Wales' network (see Supplementary Note 2)

## **12. Risk – Vision**

While competitive dialogue has advantages (see above) there is also the risk that in place of one WG vision there may be four different visions. Rail franchise procurement requires a vision leader and where it has not been present in depth; plans have not come to fruition.

## **13. Risk – Division of resources**

As the journey numbers split between south east Wales and the 'rest' is 50 – 50, TfW should ensure the successful bid has criteria for sharing both capital and revenue accounts fairly across Wales. Services to Aberystwyth, south west Wales, NWML, and community rail lines such as Borderlands and Heart of Wales have passenger demand potential which could be realised by a radical approach to operations and investment taken within the franchise agreement, and not on an ad hoc basis (as takes place now).

The north east Wales Metro can only be so named if there is an electrified core rail network from Chester – Wrexham – Bidston with an integrated bus network. This would provide a through commuter route into key employment areas and interchange with an electrified NWML at Shotton. (See Supplementary Note 2)

## **14. Risk – Infrastructure**

This only applies to a position where WG takes on responsibility for the Valley Lines or part of that network. It involves a major property purchase / lease by TfW and involves depreciation of assets, maintenance and potentially large structures. The question of who takes liability for these structures arises – is it the ODP or TfW. A successful bidder might put forward a case that for a 10 – 15 year franchise it would be unable to do so. The high level of risk and the negotiations for transfer of ownership and inherited liabilities would not be viable for under 25 years (as the Severn Crossing concession indicates).

Each of the four bidders has a civil engineering partner with appropriate experience and skills

This partner will be responsible on VL for construction of electrification system and the maintenance of the network. This may only relate to part of the VL network to the north of Queen Street station and the Cardiff Bay line but this is unclear. This network could either be procured from NR through purchase or leasing.

Insurance covering network maintenance and major rebuild (of many 150 year old structures) would be an expensive process through commercial channels. Actuarial advice to British Railways and to its successor Network Rail was to self – insure most structural rebuilding with other aspects insured commercially. NR has suggested the proposed sections of network if taken over, are too small for self – insurance and that commercial insurance costs may be prohibitive.

NR could lease the structures / formation to TfW and NR would discharge major repair liabilities (e.g. rebuild costs or closure compensation to passengers / TOC) which could be included in negotiations for reimbursement by TfW. Major capital infrastructure repairs would be outside the current TOC / ODP tender; day to day maintenance costs would be included in the tender.

#### **15. Risk – protection of lines of routes.**

On several occasions land suitable for reopening for rail use has been taken for commercial retail / housing development often but inadequate statutory planning procedures and lack of vision at the time have prevented protection. Examples are

- Cardiff Bay station – a current proposal affecting further rail extension southwards
- Danescourt – housing on an old railway formation limits a link from Creigiau into City Line
- Llanidloes to Builth – developments lie on a potential route between the Heart of Wales and Cambrian lines
- Aberystwyth to Carmarthen retail and a new road form obstacles to reopening the line between the towns

#### **16. Risk – Staffing Skills**

There is a small number of permanent staff in place currently. Advice given in 2013 (by Professor Stuart Cole) indicated a need for a high level permanent team with experienced support staff covering the rail franchising processes (to TOC's), interface with Network Rail and procurement options for new or cascaded rolling stock. The consultants currently seconded and contracted to the team form an experienced 'interim' management with high quality skills for assessing the bidders' plans. However a permanent team is required to take forward this large enterprise and one might ask why the delay in doing so. The Scottish model is ideal with staffing of 25 providing the range of skills in a permanent team

The competitive dialogue process is used in some industries (e.g. construction) but has not previously been tried in railway franchising. The risk for WG is that it has

never let a rail franchise tender in the past and now faces an untried method with very limited past experience on which to draw.

This is a major challenge for WG in its biggest ever single procurement valued at about £3.5 bn

### **17. Value for money**

The tight timetable increases the risk of hurried decision making and scrutiny. The objective is value for money for public funding balanced with an improved passenger experience – reduced journey time, increased frequency, capacity (track and passenger) reliability and passenger numbers (to reduce road congestion and energy benefits).

As the final proposals for tendering are not currently available it is not possible to make any judgement

### **18. Rolling stock and station waiting requirements**

New rolling stock is needed for the new franchise if journey quality is to improve as this with station waiting quality are the primary passenger experience factors.

Before any move is made to procure rolling stock the analytical process below has to be completed:

#### **Demand > Capacity > Services > Rolling stock > Depot locations**

- Demand – how many passengers, growth rates, journey origin / destination; what mode or integrated modes
- Capacity – how many seats / standee space is required
- Services – frequency, reliability
- Rolling stock – train types, tram, ~~tram-train~~ (see below and Supplementary Note 1)
- Depots – primary maintenance which may as in the case of GWML require new construction, new depots for overnight stabling.

The rolling stock procurement process is considered in more detail (supplementary note 2) but a specific risk arises from the high percentage (estimated 70%) of the current ATW fleet is not usable after 2020 as these trains are not compliant with PRM legislation. DfT has made clear it is not minded to provide derogation (reference to flexibility for bidders above). In evidence to the National Assembly in 2013 both Professor Stuart Cole and Porterbrook, the train leasing company, indicated that new trains required for a 2018 franchise would have to be ordered in 2014 (diesel) or 2015 (electric) unless there is a possibility of being added to another order e.g. the order for new DMU's for the Northern franchise through DfT.

Depending on the operational options chosen the choices of rolling stock are between

- cascaded and new trains
- bi – modal electric / diesel

The rolling stock to match the service requirements outlined in Section 2 is:

- Metro style electric trains with three / four double double-door locations
- Regional electric express services with two / three double-door locations
- Regional diesel trains with two double-door locations
- Local diesel trains with two double-door locations
- trams / light rail
- tram trains (but this technology is nowhere near sufficiently low risk per se and particularly when the process and the radical potential changes in track ownership (VL) and traction type are taken into account,

### **19. Core Valley Lines – definition and consequences**

Most commuters see Valley Lines as the whole of the commuter network extending from Treherbert, Aberdare, Merthyr, Rhymney, Barry Island, Penarth, Bridgend, Maesteg and Ebbw Vale.

However reference has been made by WG to the *core Valley Lines*. This is restricted to services from Treherbert, Aberdare, Merthyr, Rhymney and Cardiff bay into Queen Street. It appears to exclude the City Line from Radyr to Cardiff Central and the line between Cardiff Central and Queen Street. If this is an option, it should be reconsidered as it would require passenger interchange inconvenience and passenger transfer infrastructure (bridges and platforms currently providing inadequate capacity) at Queen Street station.

## **SECTION 2**

### **PRIORITIES FOR THE FRANCHISE SPECIFICATION AND METRO DELIVERY ENSURING RAIL SERVICES MEET THE NEEDS OF CURRENT AND FUTURE TRAVELLERS OVER THE WHOLE FRANCHISE DELIVERING VALUE FOR MONEY TO PASSENGERS AND TAXPAYER**

#### **20. Current franchise passenger experience**

The decision to privatise the train operating companies and the track operation separately resulted from a European Commission directive to split both elements. The format was further influenced by the realisation that a free market such as that which had been created for the bus industry could not provide the network benefits required by passengers. Hence the franchising system was set up.

The Wales and Borders Franchise is a conventional rail franchise awarded to Arriva Trains Wales by the Secretary of State for Transport (Westminster Government) was on a 'no growth' basis. A joint parties agreement (April 2006) between the Welsh Government and DfT made the former responsible for funding and performance management of all ATW services following a budget transfer in the block grant of

£140m (2011-12). The Welsh Government then used its own powers to provide a further £30m funding for additional services.

In 2003 when the franchise was let to Arriva Group it had a low level specification with no allowance for growth in passenger numbers, no extra train capacity and indeed one of the competitors pulled out of the bidding process because of what it saw as running down the railway in Wales by the Strategic Rail Authority (subsequently the Department for Transport).

Trains such as Pacers and Class 150's are 35 years old and it is to the credit of Arriva Trains Wales engineering staff that the reliability figures are so good.

Annual passenger growth varying between 8% and 13% over the network is a positive move but it was not forecast and providing additional capacity through the contractor Arriva Trains Wales has resulted in an additional subsidy cost for the Welsh Government. No allowance in the block grant is apparently made for this.

Further additional capacity cannot be provided at present because no suitable diesel trains are available.

The problem of high load factors (up to 130%) arises on certain journeys. Examples are:

- Morning inbound and evening outbound on Valley Lines
- North Wales main line services where only two car sets are in use (particularly at holiday periods, Sunday afternoons and where a delay in the Irish ferry arrival into Holyhead after the departure of the Virgin Trains 'boat' train.
- Cardiff / Bristol commuter services have been alleviated with the use of 3 – car sets on this great western franchise. Turbo trains (5 – cars) currently operating GWR Thames Valley trains are a possible source of additional capacity following electric train operation between London and Reading.
- Certain school time journeys
- Summer services to west Wales

## **Passenger service improvements expected in 2018 franchise**

### **21. Passenger Forecasts**

Passenger demand forecasts should take into account any potential shifts in demand and demand patterns. The demand and train supply options should be set out as measures to meet changes in demand. This flexibility will protect the Government and the new OpCo (train operating company) against risks of lower or higher demand affecting increased capacity provision or revenue shortfalls.

Demand growth is expected to continue at 8% per annum so the DfT assumptions of 2.5% are unrealistic though the use of more realistic demand figures can increase costs of future provision and may reduce the short term benefit cost ratio

The franchise has to be specified in terms of demand and rolling stock both diesel and electric (please see later section). The working relationship between the train operating contractor and Network Rail who operate the infrastructure makes this

easier with the Network Rail Wales Route (division) now in place and for south Wales the presence of NR / ATW staff at Canton control room.

This would have enabled the Welsh Government to have considered the best option for example for:

- North south services and their increase to hourly
- Additional capacity on Valley Lines
- The impact of reopening the Glyn Ebbw and the Vale of Glamorgan lines
- Procuring additional rolling stock

The current penalty system relies too heavily on timekeeping alone. The new franchise should consider factors such as passenger growth, journey experience, train cleanliness and passengers personal security perception.

## **22. Franchise Specification**

The franchise specification should improve the passenger experience, including for example franchise length, targets / incentives and the core service standards which should be included;

The key justification for any changes – electrification, re-signalling, different rolling stock, alternative franchising structure – would be the benefits received by end users. These include the passengers, the primary subsidy funder – the tax payer, the Welsh economy, the environment and society in general in Wales. Any other rationale should be unacceptable.

The benefits which will show the new franchise to be a success (and could form the basis of incentives) are:

- Improve reliability and timekeeping
- Reduced journey times through faster trains
- The same level of service at lower cost to the taxpayer
- Improved service at lower cost because of some inherent faulty aspect of the alternative structure
- Improved passenger satisfaction
- Increases in train frequency
- More modern, more comfortable trains
- Increasing in passenger demand (peak and off-peak; rural, urban and inter-urban) as a franchise condition
- Higher levels of infrastructure investment at stations and on track and signals
- Improved services and capacity for the same cost
- Information: high standard of presentation and easy to understand
- Information: breadth of availability (from posters / hard copy to on-line / aps)
- Increased capacity on trains (e.g. with new possibly electric trains) particularly on commuter routes to meet expected demand increase. This may be jointly with the Welsh Government and TOC

- Any significant aspects of the present system which are shown to be deficient which one of the alternative structures will remove

Specific schemes upon which improved passenger services depend, These are infrastructure schemes to be primarily funded by Network Rail / DfT or by other means for electrification / light rail on Valley Lines. WG can 'do what they want to but It is possible that NR Wales Route will not be able to provide all that WG have asked for'. There are constraints from the centre and are dependent on funding for the rail network. Possible infrastructure investments (Supplementary Note 2) are:

- North Wales Main Line electrification
- North east Wales Metro based on electrification of Chester – Wrexham – Bidston to provide a loop through bi directional rail service between north east Wales and employment centres at Airbus, Chester and Liverpool. Interchange between NWML and the Metro at Shotton
- Double track Wrexham – Chester to increase services
- South east Wales Metro

The train operating company (TOC) would be set targets such as service frequency, reliability (trains operating), timekeeping, station facilities and market growth. The TOC would then be financially rewarded for achieving the targets but with financial penalties for failure.

The objective of this is to ensure that the passenger obtains the best service, that shortcomings are put right, that good quality is rewarded and that the Government gets what it pays for.

However all these expectations are limited by affordability connected to adequate provision for rail services in the block grant, both capital and revenue

**23. Bus Integration** - please see section 1



## **Introduction**

This short paper provides a summary version of '[On the Right Track?](#)' (Lang, 2016), which was a report prepared with the support of the Federation of Small Businesses Wales to consider the potential local economic impacts of the Cardiff Capital Region Metro.

The Report considered the broader economic context and debates within which the Metro proposals fall, the international evidence around the impact of large-scale transport investments, the socio-economic context in South East Wales, as well as the arguments proposed in support of the Metro. It offered some tentative analysis of the case for the Metro investment, and sought to raise a series of concerns rather than prescriptive conclusions.

The concerns related to the economic rationale; the lack of international evidence to support the view that transport investment *necessarily* leads to positive economic or social outcomes; and, the lack of a detailed spatial understanding of South East Wales against which to plan an integrated transport network.

The key points of the Report were:

- Many of the arguments and justification put forward in support of the public investment for the Metro appear to derive from a belief that it will make the Cardiff city region more 'competitive', and therefore more prosperous. Debate and discussion about the Metro has so far failed to question the 'collaborate to compete' perspective on local economic development, nor to fully consider the alternatives such as foundational

economics. Should the Metro investment proceed, its manifestation is therefore likely to follow the priorities of its dominant rationale and it may miss important opportunities to support local and distributed economies across South East Wales for a more 'inclusive' economy.

- There is little international evidence concerning the non-transport benefits associated with transport infrastructure investments, and there is a real lack of robust methodological approaches to establish the investment, or planned investment, and social or economic outcomes. Despite this, much of the justification for the Metro proposals appears to be based on the likely economic benefit to the Cardiff city region. The spatial context appears to be critical to determine who benefits from investment, yet there has been little spatial analysis forthcoming, and what analysis has been undertaken has some major shortcomings. The question of who will benefit from the Metro investment – centre of periphery – remains unanswered. Metro hubs appear to offer a potential aid to hyper local economic uplift, but the context is critical, and internationally, such transport hubs have had negative and indifferent, as well as positive effects.
- There is very little evidence available on the spatial interconnectedness of places in South East Wales. Without this understanding it is unclear how a truly effective and integrated transport network can be created, as it is not possible to conclusively say what the network is seeking to connect. If delivered inaccurately, the network could cut across existing local economies and weaken them even further. The Metro consortium in its reports and recent Welsh Government statements have indicated that they believe future economic opportunity for South East Wales lies in Cardiff. Without a full spatial understanding, however, it is not possible to determine whether the proposed Metro will benefit the city of Cardiff at the expense of other towns and communities across South East Wales, boost local economies in locations outside of the City, or simply have no impact at all.

## **The Potential Impact of the Cardiff Capital Region Metro**

There is no doubt that the Cardiff Capital Region Metro proposals offer a significant scheme for improved public transport connectivity throughout South East Wales. It is also clear that the region suffers from poor internal connectivity resulting from a weak and fragmented transport system. The case presented offers a range of measures that are likely to lead to improved reliability, integration, travel-times and network planning. From a service user perspective new rolling stock is likely to lead to an improved passenger experience and therefore may boost the numbers of commuters that utilise public transport as a means to travel and commute. The focus of the 'On the Right Track?' report, however, was to consider the potential economic and social impacts of the Metro. In this respect, the evidence is mixed.

The Metro has the potential to offer a scheme that garners widespread political support, and help to build the architecture for the city region experiment and City Deal programme. This approach fits with an emphasis on internationally competitive cities, the rationale that has come to dominate economic priorities in Wales. Placing an overriding emphasis on securing foreign direct investment, however, risks overlooking opportunities to support Wales' existing and small businesses. It also risks overlooking the existing spatial interconnectedness in a quest to impose city region architecture on the socio-economic landscape of South East Wales, which is little understood. In the context of the Metro, it is important to understand that the economic rationale for the investment is based on a particular view of how to grow the Welsh economy.

The international evidence about the impact of major transport investment is mixed. There are a range of potential unintended consequences, which have been seen to have negative effects on poorer communities. It may actually become more difficult and more expensive for the very poor to access public transport. The idea of the 'Metro hub', which was introduced in the second Metro report to illustrate how the Metro might aid development across parts of

the network outside of Cardiff, may have unintended consequences. The Report also showed that the spatial planning evidence presented by advocates of the Metro contains some significant shortcomings.

There is little robust international evidence around the measurement of non-transport impacts arising from major transport investments. Part of the reason appears to be the existence of too many variables to assess impact accurately, and the most commonly ignored factor is equitable outcomes. This can lead to inaccurate assumptions around the impacts of investment and the confusion of cause and effect in post-investment evaluations. The international evidence of who benefits from investment, centre or periphery, is mixed. It cannot be assumed that the wider city region will benefit, as it may actually suffer. This is part of a much wider debate about city regions. Distance is also a key socio-economic consideration. Those living closest to the core of a planned transport investment may benefit far more from the investment than those at the periphery. The overwhelming balance of international evidence shows that understanding the context to major transport investment is critical to determining its likely success. Context appears to be critical. This work has not adequately been undertaken in the case of the Cardiff Capital Region Metro.

That said, the extremely poor transport network in South East Wales cannot be ignored. Nor can the ignorance of the extremely poor economic performance of the region, or its social consequences, be acceptable. The reality is that transport, or any other form of infrastructural investment, will not of itself address the underlying economic problems of South East Wales or the social consequences. Perhaps, just perhaps, if steered toward the best approach to equitable outcomes, it could form part of a broader answer. The balance of international evidence suggests that transport investment is not, as some would argue, an economic 'silver bullet'. Context is critical, and in that respect South East Wales, and Wales more generally, needs to have a more open and honest debate about what sort of country we want to be and what is important to us.

*Dr Mark Lang, February 2017*

# Eitem 4

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills Committee

Masnachfrait Rheilffyrdd a chyflwyno Metro / Rail Franchise and the Metro

Ymateb gan Railfuture Cymru / Evidence from Railfuture Cymru

Response to Welsh Assembly Economy, Infrastructure and Skills Committee inquiry into Wales and Borders Rail Franchise

Qu 1. The effectiveness of the Welsh Government's approach to the development, procurement and delivery of the rail franchise and South Wales Metro, including key risks and how they can be mitigated.

1 The Welsh Government has established a separate company (Transport for Wales- TfW) to undertake the task of obtaining the new rail franchise including the South Wales Metro. Railfuture notes that this provides the potential of having the actions required to obtain the new franchise the responsibility of a body separate from the Government's transport division which should potentially help provide clarity to the outputs. However, the establishment of the company may not in itself lead to desired outcomes as illustrated by the outputs from the now disbanded Strategic Rail Authority which was responsible for rail franchising when the present franchise was let. The letting of the current Wales and Borders franchise on a no growth basis in 2003 has subsequently been found to be a serious error. There is also a risk that Transport for Wales will have indistinct links with government, local authorities and local communities as it has no clear democratic accountability.

2 Railfuture Wales has sought the Welsh franchise to be let on a 'not for dividend' basis. This, or the similar 'not for profit' objective, has been the stated aim of Welsh ministers but it is recognised that in achieving this the Welsh Government's freedom is restricted by the fact that the more strategic aspects of rail regulation have not been devolved from the UK government to the Welsh Government. Therefore, the Welsh Government is not able to restrict consideration of franchise bids to not for dividend operators. This presents a significant challenge for TfW as it seeks to balance the quality of rail services against the level of subsidy required whilst attempting to ensure that the financial surplus which will potentially accrue to the franchise holder is not regarded as excessive.

3 The knowledge, skills and experience required to undertake bid assessments, which will be detailed and extensive, and negotiations in these circumstances are likely to be possessed by relatively few people and this is a key risk. As the franchise procurement task has not previously been undertaken in Wales it will have been necessary for staff to be recruited with rail franchise experience elsewhere. The capabilities of TfW staff needs to be evaluated at a relatively early stage in the franchise process and kept under review.

4 The procurement process has involved the shortlisting of four bidders. Railfuture Wales has met all four companies on the initial shortlist and noted that all four have extensive experience in rail operations. However, not all have experience in the UK in the full range of operations that the franchise holder will be required to provide, i.e. from rail service provision in lightly populated rural areas to the high frequency service in urban conurbations as is envisaged by the South Wales Metro. The criteria to be used for evaluating the bids has not been publicised by TfW. It is therefore not possible for Railfuture Wales to comment on the selection process to be used although the challenge posed by the not for profit issue is highlighted in paragraph 2 above.

5 Railfuture Wales has doubts about the wisdom of including the development of light rail as part of the franchise for the continuation of the Wales and Borders rail services. Railfuture suggests that

the new franchise operator will have to work with some form of passenger transport executive, which would be responsible for all public transport services in the SE Wales Region. The governance of this could be the responsibility of a new board relating to the local government structures which are in place at the time and linked to the City Region deal.

6 Railfuture Wales welcomes the intention for the new franchise to have responsibility for rail infrastructure in parts of the Metro area as this will improve the ability of the franchise's Metro arm to be able to better procure its routes needs and result in better integration between services and track/signalling. However, it is noted that this presents a risk of adequate finance for infrastructure not being devolved from Network Rail and the risk of the ability of franchise holders/train operators to manage infrastructure in the UK is not yet proven.

7 There are further risks in the franchise process resulting from the devolution of the responsibility for selecting the new Wales and Borders operator to the Welsh Government. The interface with the Department for Transport (DfT) franchise team needs to work well to ensure that the services serving Wales provided by non Wales based operating companies are integrated with services delivered by the new franchisee. Likewise, a dialogue will be necessary with DfT and the English regions served by the new Wales and Borders franchise to ensure services are co-ordinated with services in England provided by other train operators.

8 There is a relatively short timetable leading to the commencement of operations by the new franchise in 2018. In light of this and the complexity of the franchise resulting from the inclusion of the Metro, Railfuture Wales considers it would be wise for TfW to have a contingency proposal to extend the existing Arriva Trains Wales franchise for one year or whatever the necessary time required to enable the franchise process to be properly concluded. However, the procurement process must not be hurried but must be one that can provide for the transport requirements for Wales and the Borders for the next ten years or more.

9 The risk of the Welsh Government not being willing or able to provide adequate funding for the new franchise for the entirety of its duration needs to be acknowledged. The government has not made clear the funding that it is willing to make available and if insufficient money is budgeted this is likely to result in a reduction of services on some routes compared to recent years.

10 Finally, the continued lack of Welsh Government/Transport for Wales responsibility for and ability to influence Network Rail (apart from Metro rail services where the new operator could have this responsibility) is a further risk. This has recently led to Wales receiving a proportionately less funding for its rail infrastructure than England and could limit the ability of the new franchise to improve services (e.g. where signal upgrading is required to improve service frequencies). An important associated matter as it is dependent on Network Rail funding determined by the UK Government, is the uncertainty of when and if main line electrification will occur. Whilst it appears to be reasonably certain that the main line to Cardiff from London will be electrified in the next few years, uncertainty remains over the Cardiff- Swansea route and the lines to Bristol Temple Meads. This makes creates difficulties in the planning/ordering of new rolling stock and may result in the new for orders for stock which can operate as diesel and electric train (bi mode).

Qu 2. Priorities for the franchise specification and Metro delivery to ensure rail services meet the needs of current and future travellers throughout the franchise area, and deliver value for money for both passengers and the taxpayer.

11 The first Railfuture priority is to ensure that the specification allows for changes in the number of passengers and the routes which they use over the franchise period. This will avoid the franchise holder having the potential to unreasonably benefit from significant increases in passenger demand and passengers suffering from overcrowding. A minimum franchise length of 10 years is suggested to ensure that the successful operator has sufficient time period in which to invest in new rolling stock and services and obtain a satisfactory financial return.

12 A second priority is for the franchise to be let on the basis of all passenger rolling stock to be replaced with new stock within five years of the commencement of the franchise. This requirement extends to all routes in Wales including the metro services which will be operating routes not subject to electrification. This priority is justified for the reason that the majority of the existing rolling stock in the franchise area being approximately 30 years old with the most modern stock being over 15 years old and although the current operator has made some effort to update passenger facilities. Passengers now deserve to be served by modern trains which will provide greater levels of comfort such as full air conditioning, seats aligning with windows on longer distance services, Wi-Fi and luggage storage space closer to seating areas. All rolling stock must have compatible couplings and corridors at the end of the units to provide maximum flexibility to form longer trains by joining two or more units of different types together and to allow staff to move through the entire train and for refreshments services to be accessible to all passengers. Refurbishment of the rolling stock at appropriate intervals should also be required.

13 In terms of timetabling of services the following priorities are taken from the Railfuture Wales Development Plan:

- \* A service frequency of no less than two hours on all routes with higher frequency services in the more populated areas. More specific improvements include the provision of 30 minute interval services on the Ebbw Vale, Maesteg and Vale of Glamorgan branches in South Wales and on the Wrexham to Shotton/Bidston line in North Wales/Wirral.

- \* 'Clock face' timetabling; i.e. Departure times are at the same minutes past the hour throughout the day. However, where there is evidence that a long established timetable for local services is valued by local residents, there may be a case to retain existing patterns.

- \*The retention of services to Manchester Airport, Birmingham International and Cheltenham

- \* Better integration with other public transport modes such as buses, ferry ports and airports. This should include comprehensive facilities for through ticketing. Provision of bus turning circles and adequate car parking facilities

- \* Improved connectivity with other parts of the UK by the provision of more through services to destinations in regions such as northern England including Liverpool and Swansea to Bristol and beyond

- \* A maximum wait time of 15 minutes when a change of train is required. Guidelines are suggested on ensuring passengers make connections when services are running late

14 With regard to stations to be managed by the new franchise holder Railfuture Wales has the following priorities:

- \* All stations should provide minimum facilities: notice boards, covered waiting accommodation, real time running information with speakers providing opportunities for announcements from a control centre, a means to call the control centre, cycle parking and access for disabled passengers to all platforms .

- \* provision of adequate parking and interchange facilities

- \* Interchange stations (rail to rail or rail to bus) should in addition provide a member of staff on duty during hours when passengers are changing services, toilets and basic refreshment facilities (vending machine).

15 The new rolling stock should be maintained and operated to meet the following standards:

- \*Carriage interiors must be clean, well heated and provide functioning toilets including disabled toilets .

- \*Announcements from staff should be clear and audible and provide information on connections at forthcoming stops. Delays and reasons should be announced within one minute

- \*Refreshments should be available on services over two hours' duration.

16 Performance indicators for the new franchise should cover overcrowding (passengers unable to obtain seats for journeys over 15 minutes), provision of advertised on board refreshment facilities and working toilets as well as retaining the existing indicators of punctuality and reliability.

17 The development of the South Wales Metro's rail services presents separate challenges from the remainder of the franchise area. Railfuture considers that 'heavy' or traditional rail services should be retained (some diesel, some electric dependent on the routes to be electrified by the Welsh/European /UK Government funding) on services to the 'outer' points of the 'Valleys' rail network (Ebbw Vale, Rhymney, Merthyr, Aberdare, Treherbert, Penarth, Barry and Maesteg). Bi mode trains should be considered to enable electrification to be extended during the franchise. Light rail (trams) could have a useful role in journeys on the 'inner' network between Pontypridd, Caerphilly, Coryton and Cardiff city centre and Bay area with new routes to provide direct services via street running to the University Hospital Wales site. However interchange must be provided with the heavy rail routes and especially at Cardiff Central. Elsewhere in the Cardiff Capital region, light rail provides opportunities to provide frequent services to other destinations not served by rail such as the proposed new residential areas to the north east and north west of Cardiff. The metro arm of the franchise should be required to keep opportunities for such new services under review with close working local authority transport and planning services being required as the capital funding for such services is likely to be partly met by the sites' developers. For any integrated transport system including a metro to work there must be connections with bus services at properly provided interchange points. These need to be part of the franchise .

<http://www.railfuture.org.uk/display702> 2013 Devlt plan

<http://www.railfuture.org.uk/display1368> 2016 Devlt plan summary



## **1. Introduction**

- 1.1 Transport Focus is the independent consumer watchdog representing the interests of rail users throughout Great Britain; bus, coach and tram users across England, outside London; and users of the Strategic Road Network in England. We have a Welsh Board Member appointed by the Cabinet Secretary for Economy and Infrastructure.
- 1.2 We have been engaged in discussions with Welsh Government (WG) and Transport for Wales (TfW) about the future operation of, and the procurement process for, the next Wales and Borders franchise. We are pleased to make a contribution to this consultation undertaken by the Economy, Infrastructure and Skills Committee of the National Assembly for Wales.

## **2. What standard of performance has been experienced under the current franchise?**

- 2.1 Transport Focus consults over 54,000 passengers a year for the National Rail Passenger Survey (NRPS) - a network-wide picture of passengers' satisfaction with rail travel. In Autumn 2016 we spoke to 1086 Arriva Trains Wales (ATW) passengers.

NRPS is a comprehensive source of information about current and historic passenger perceptions of the ATW franchise. It can also be broken down to show variations across five 'building block' groupings of rail services in the Wales and Borders operation.

Using analysis we can identify those factors that correlate most highly with overall satisfaction and dissatisfaction.

Full details of the Autumn 2016 wave are on our website<sup>1</sup>. For ease of reference we have included key results for ATW as Appendix 1.

- 2.2 Currently the cleanliness of the inside of the train is the key driver of satisfaction for ATW passengers at 32 per cent overall. The next most important factor is punctuality and reliability at 16 per cent.
- 2.3 How the train company deals with delays is the most significant driver of dissatisfaction at 34 per cent.
- 2.4 Between 2012 and 2013 ATW had slightly higher overall satisfaction than the Regional sector average<sup>2</sup>. However, in recent years it has tended to perform less well; the most recent score for ATW is 82 per cent compared to a Regional average of 84 per cent.
- 2.5 ATW is lagging behind the Regional sector on many elements that are important to passengers. ATW scores somewhat lower than the Regional sector average on 15 out of 16 station factors and is also below on 13 out of 20 train factors.

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<sup>1</sup> [NRPS Autumn 2016 main report](#). Transport Focus. 2016

<sup>2</sup> Regional operators include ATW, Merseyrail, Northern and ScotRail

- 2.6 Passenger satisfaction with punctuality and reliability on ATW has declined significantly in recent years. Consistently 85 per cent and above between 2011 and 2013, satisfaction has now dropped to 80 per cent. This compares to the Regional sector average of 82 per cent. Industry measures of performance also show drops. Between periods 11 of 2010/11 and 2016/17 the Moving Annual Average for PPM has fallen from 94.1 to 91.6 per cent, whilst for Right Time it has fallen from 87.9 per cent to 80 per cent<sup>3</sup>.
- 2.7 Satisfaction with the upkeep and repair of the train has also declined significantly over the last few years, from 76 per cent in Spring 2012 to 64 per cent in Autumn 2016. This compares to the Regional sector average of 70 per cent.

### **3. What lessons can be learnt from the current franchise?**

- 3.1 The principal lessons to be learnt from the current franchise hinge on responsiveness. Since the operation commenced in October 2003 there has been unanticipated growth in passenger demand and, within the contractual terms, there has been little ability to address this.
- 3.2 A new franchise contract must be based on well-evidenced projections of passenger demand and ensure there are mechanisms within it to respond to changes.
- 3.3 The key elements that must be at the heart of a new contract are sufficient trains to provide the services required to meet demand, a timetable that provides the frequency needed and is aligned to passenger requirements, including for services earlier and later in the day and at the weekend, especially on Sundays. There is also a need to plan for, and effectively manage, the peaks of demand when special events take place on the network.
- 3.4 The new franchise must also address rolling stock – the current train fleet is largely ageing and much is in need of refurbishment or renewal. One particular challenge concerns the implications of the deadline for PRM-TSI (Persons of Reduced Mobility Technical Specification for Interoperability) compliance<sup>4</sup>.

### **4. What improvements to rail passenger services should be expected under the next franchise?**

- 4.1 In 2014 we asked 3,500 passengers across the Great Britain to rank a series of train and station categories in order of their perceived priority for improvement<sup>5</sup>. A breakdown of results for Wales is in Appendix 3; the sample size is 750 and the vast majority of these are ATW passengers. The online database contains a wealth of information which can be

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<sup>3</sup> <http://dataportal.orr.gov.uk/displayreport/report/html/35d7377b-ab0f-40b2-bb98-f9bf582d82f8>

PPM (public performance measure) means trains arriving at their terminating station within five minutes for commuter services and within 10 minutes for long distance services. Right Time performance measures trains arriving at their terminating station early or within 59 seconds of schedule.

<sup>4</sup> <http://orr.gov.uk/what-and-how-we-regulate/health-and-safety/regulation-and-certification/rail-vehicle-accessibility> - An outline of the The Rail Vehicle Accessibility (Non-Interoperable Rail System) Regulations 2010 (RVAR 2010) enforced by the Office of Rail and Road (ORR).

<sup>5</sup> [Rail passengers' priorities for improvement](#). Transport Focus. 2014

analysed in many ways to explore how priorities vary by demographic and journey purpose, amongst other things<sup>6</sup>.

The two top priorities, by some considerable margin, are 'passengers always able to get a seat on the train' and 'price of train tickets offers better value for money'.

Summarising the findings, it is clear that passengers' top priorities for improvement largely focus on the basic elements of the rail service – value for money, getting a seat, frequency, punctuality, managing delays and provision of information.

- 4.4 Assessment of NRPS scores should also drive decisions on improvements under the next franchise. These should focus on the elements which drive passenger satisfaction and dissatisfaction and also include those factors where the absolute scores are low, those where there are high levels of dissatisfaction and those where the franchise scores below the average for the Regional sector as a whole. (See section 2 and Appendix 1 for further details of NRPS on the current franchise).
- 4.5 In 2014 Transport Focus undertook a study to explore passengers' relationship with the rail industry<sup>7</sup>. The main finding is that to improve passengers' trust in the rail industry, train companies not only need to get the basic service right day-to-day, they need to put effort into building long-term relationships with their passengers. For the next Wales and Borders franchise to build greater trust with passengers it is important to get the basic service right ahead of everything else. Then, building on closer relationships with their passengers is important. One way is through high quality communication. Passengers should feel that train companies are 'on their side'.
- 4.6 Analysis of the passenger priorities for improvement, drivers of satisfaction /dissatisfaction and NRPS scores highlights a number of factors that should be top level priorities for the next Wales and Borders franchise to address. The primary requirements should be for an absolute focus on the fundamentals to deliver improvements to:
- Capacity and frequency – considering service frequencies and train layouts, optimising the availability of carriages appropriate to demand, as well as how fares incentives might make a contribution to alleviating pressures.
  - Value for money – encompassing the important service elements which drive this as well as the ticket price.
  - Punctuality and reliability - specifically as this affects passengers at all stages of the train journey, not simply the timing of the train at its destination.
  - Minimise and effectively manage disruptions – with planning and contingency arrangements placing passenger interests to the fore. Four of the top ten priorities for ATW passengers relate to avoiding and managing disruption, including accurate and timely information at stations<sup>8</sup>. ATW passengers' satisfaction for how well disruption is dealt with is 42 per cent, the same as the regional train companies average, which is itself

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<sup>6</sup> [Rail passengers' priorities for improvement – simulator](#). Transport Focus. 2014. Please contact us directly to discuss the data specific to Wales.

<sup>7</sup> [Passengers' relationship with the rail industry](#). Transport Focus. 2014

<sup>8</sup> [Rail passengers priorities for improvement](#) Transport Focus. 2014

low. In terms of the usefulness of information, there is a gap, with ATW at 50 per cent against the regional average at 53 per cent.

- Provision of accurate and timely information – for all stages of the journey but especially during delays and disruption. Following significant disruption on the Valleys lines in July 2014, ATW asked Transport Focus to review the quality of information provided to passengers. Following discussions, we provided our conclusions and recommendations, now published together with the report from ATW on actions taken for improvement<sup>9</sup>. We continue to work with ATW as measures are implemented. This area of key concern for passengers will need to be a priority for the new franchise.

Alongside this, there must also be improvements to other elements of the journey experience including:

- Improvements on-board – with particular emphasis on the cleanliness and maintenance of the inside of the train and on-board toilets, layouts that facilitate luggage storage and passenger comfort and with high quality connectivity to facilitate access to information and enable a range of activities during the journey.
- Enhanced station environments – that create easily navigable spaces providing the facilities and comfort that passengers value.
- Proactive and helpful staff available to provide information, reassurance and assistance to passengers. Passengers consistently identify the presence of staff as important to providing reassurance to those travelling on the railway. Research carried out in 2011 found satisfaction with security at unstaffed stations was 9 per cent lower than the average for staffed stations in Wales<sup>10</sup>. Better lighting and CCTV were seen as key; passengers also placed a high value on being able to access real-time information via Customer Information Screens, particularly at times of disruption. In terms of improving on-train security, 75 per cent of passengers believe that staff walking through the train would be effective. On board staff are also crucial for passengers buying tickets and are seen as a main part of the solution to fare evasion.
- Seamless ticketing – which allows passengers to select and easily obtain the best and most appropriate fare for their journey delivered through the medium of their choice.
- Building trust with passengers, with clear and open communication.

The next franchise operator also needs to embed a genuinely customer-service focused culture at all levels and provide a personalised, rewarding passenger experience.

4.7 Transport Focus has long advocated more use of quality-focused targets within a franchise. Our strong preference is for targets based on what passengers think, the best judge of quality being those who have used the services in question. The NRPS is ideally suited to capture information that directly reflects the customer perspective. A financial penalty regime should apply, with resources ring-fenced for additional investment into service quality measures that are most likely to improve passenger satisfaction.

4.8 Central to improving the passenger experience of rail services are effective mechanisms for passenger and stakeholder engagement, particularly for gathering intelligence on local

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<sup>9</sup> [Valley lines July 2014 disruption](#) Transport Focus. 2015

<sup>10</sup> [The passenger experience at unstaffed stations](#) Transport Focus. 2011

aspirations and developments, and for consulting on future proposals. Our research shows that passengers have unanswered desires to contribute their thoughts, both about priorities for franchise specifications and the performance of incumbents. There is also a desire for greater two-way communication about what each franchise promises – and what is actually achieved<sup>11</sup>. The next franchise should provide an engagement strategy that accommodates the needs of different passengers.

4.9 There is an increasing demand for technology that drives both functional and relationship improvements. Intelligent use of technology should facilitate easier, more intuitive ticket purchase options and provide the accurate, timely information that empowers passengers to make informed travel choices. Provision of free, reliable internet connectivity, better mobile phone reception and power sockets help passengers to get the most of their door-to-door journey. The next franchise must be able to respond flexibly to the needs of a rapidly changing world.

## **5. The Welsh Government's approach to the rail franchise and South Wales Metro**

5.1 The Welsh Government has established a clear policy position regarding their expectations for the future franchise and has established Transport for Wales (TfW) to run the procurement on its behalf.

5.2 The approach adopted is innovative and it will be some time before the success of this method can be assessed. Four bidders have been shortlisted and are now engaged in competitive dialogue. There will be a welcome further consultation and some passenger research undertaken before the bidders are invited to submit their final solution. It appears that TfW have taken steps to strengthen the team, ensuring increased rail franchise experience and additional staff resource to support the procurement activity.

5.3 Transport Focus is pleased to be engaging with TfW on matters of policy and passenger experience. They are also looking to draw on the experience of the established devolved authorities in Scotland and London.

5.4 It is important that principles of engagement and transparency are followed so that passengers and funders of the railway can be informed about and understand the decisions that are being made about the future of these vital services.

## **6. How do the Welsh and UK Governments cooperate in deciding how services are provided?**

6.1 The fundamental principle that should guide decisions on how services in Wales are run must be what is best for the passenger.

6.2 Passengers are focused on the outputs that matter to them – how punctual their service is, how many seats are available and whether they are kept informed of delays – rather than the structures adopted by Government and the industry to deliver these.

6.3 We believe that the decisions on rail passenger services in Wales should be determined against the 'passenger test' which incorporates three core questions:

- What benefits will this bring to passengers and how will these improve services?
- Will it create any disbenefits and what effect will this have on passengers?

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<sup>11</sup> [Giving passengers a voice in rail services](#). Transport Focus. 2013

- Will it inhibit/prevent development of future benefits?

A number of issues merit consideration against these criteria, not least maintaining a coherent and integrated network and ensuring appropriate funding and accountability is available on both sides of the border.

- 6.4 The Wales & Borders services need to retain smooth interaction with the remainder of the rail network. Passengers value the concept of a national rail network and the seamless delivery of service. Rail also plays an important role in promoting access and economic opportunity between regions. There is, for example, an increasing emphasis on the linkages between Wales and the 'Northern Powerhouse'. Decisions should ensure that no artificial barriers impact on passenger journeys and the seamless concept does not develop rough edges.
- 6.5 In this context the shape of the Wales & Borders network is particularly important. Important services run between destinations within and beyond both England and Wales, providing linkages in many directions. Were the franchise routes to be remapped then it would be hard to see how a coherent network could be retained.
- 6.6 Remapping would inevitably require resources to implement and may well create additional costs in future operation.
- 6.7 However, there are some challenges around access to funding, determining priorities and ensuring decisions reflect the priorities of relevant stakeholders. What structures can ensure that Welsh and English communities and stakeholders have a voice in decisions and dialogue on the issues that matter to them? How will future investment be secured and expenditure choices agreed with those who are affected?
- 6.8 Clearly, mechanisms will be required to ensure that the Welsh and English Governments maintain ongoing liaison and both bodies have a say, and a stake, in the decision making processes as they affect cross-border matters. Funding streams must also be available for stations and services on both sides of the border.
- 6.9 There may also be scope for developing the existing Cross Border Forum which brings together a range of parties, including Transport Focus and Transport for the North, to address issues relating to the rail service and estate. It is possible to conceive of a strengthening of this functioning and a remit to manage or mandate potentially ring-fenced budgets to ensure that investment and operational decisions reflect the wishes of relevant stakeholders.
- 6.10 All parties involved in decisions about the operation of Welsh services must commit to placing passenger priorities at the heart of their approach and ensure they adopt the highest standards in engagement and transparency. This will allow passengers who use, and also fund a substantial element of the rail costs, to have a voice in the future of their rail services.

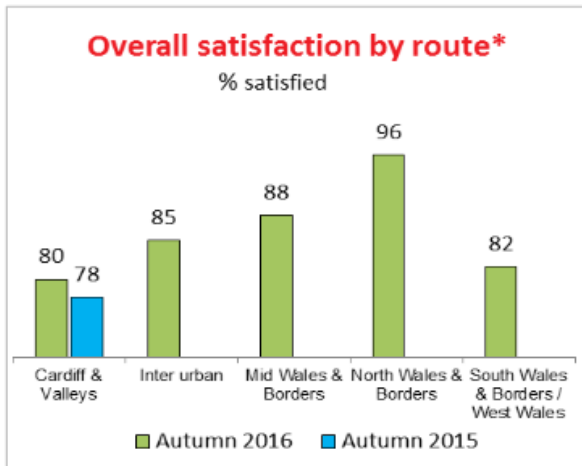
**Transport Focus, 3<sup>rd</sup> Floor, Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX**  
**0300 123 0860**  
**[www.transportfocus.org.uk](http://www.transportfocus.org.uk)**

February 2017



## Appendix 1: ATW passenger satisfaction scores

### A1.1 Passenger satisfaction at a glance: NRPS Autumn 2016, ATW and building blocks



**How routes are defined**

**Cardiff & Valleys:** Journeys on the Valley lines around Cardiff

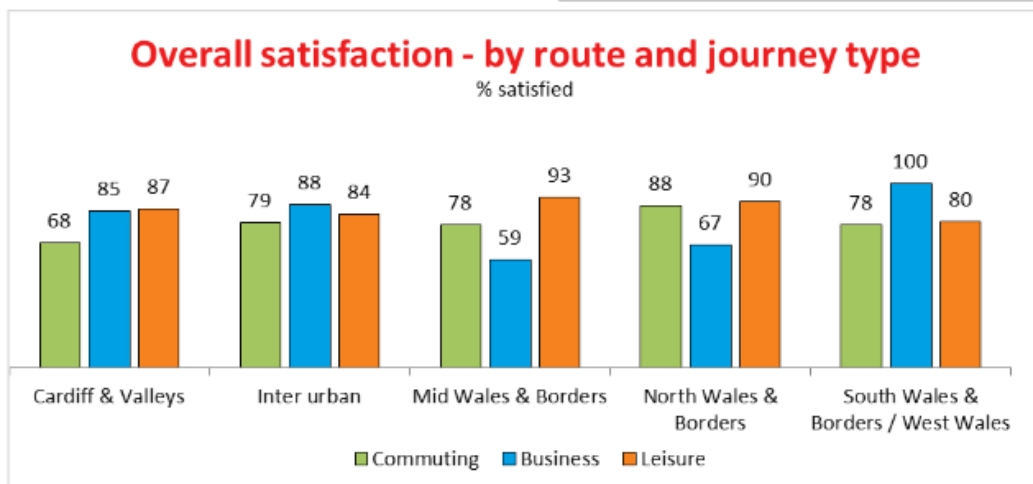
**Inter urban:** Journeys on the Fishguard Harbour – Manchester Piccadilly, Milford Haven – Manchester Piccadilly, and Holyhead – Cardiff Central lines.

**Mid Wales & Borders:** Journeys on the Pwllheli/Aberystwyth – Birmingham International, Shrewsbury – Crewe, and Holyhead – Birmingham International lines.

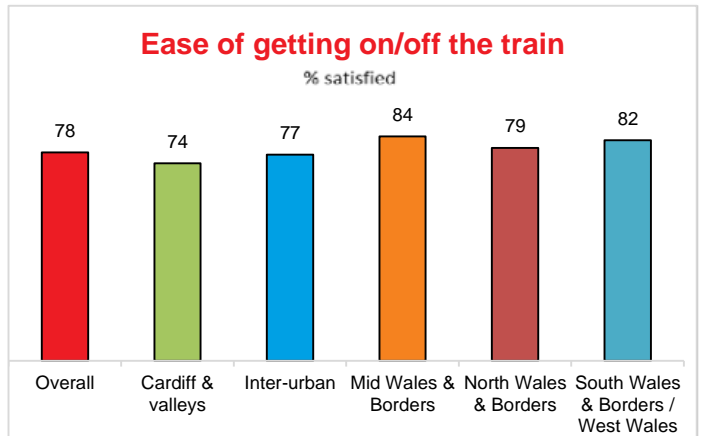
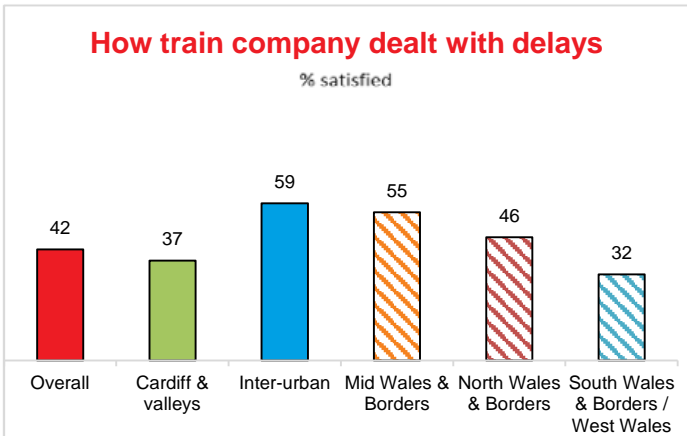
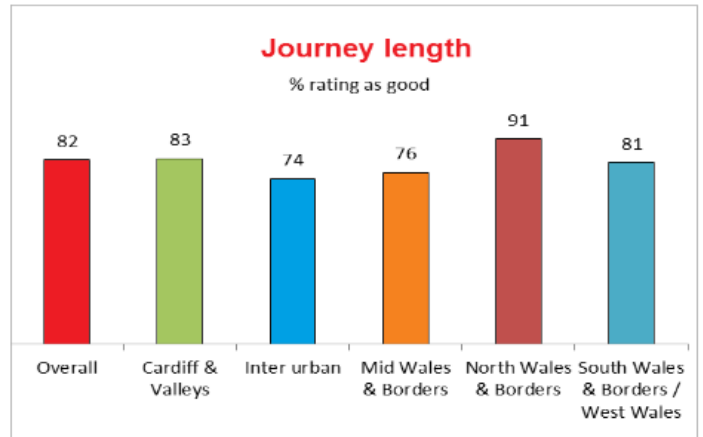
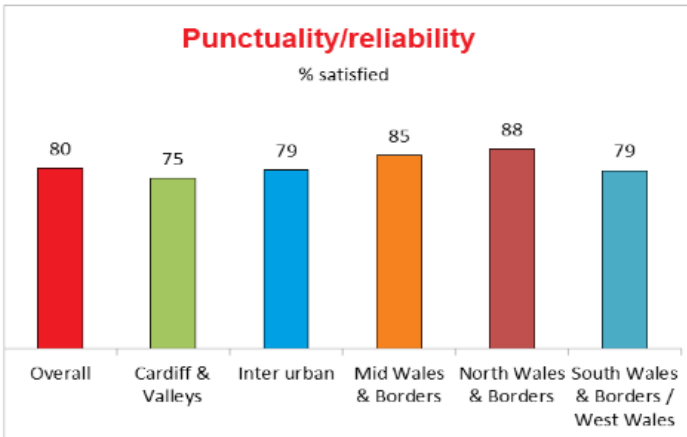
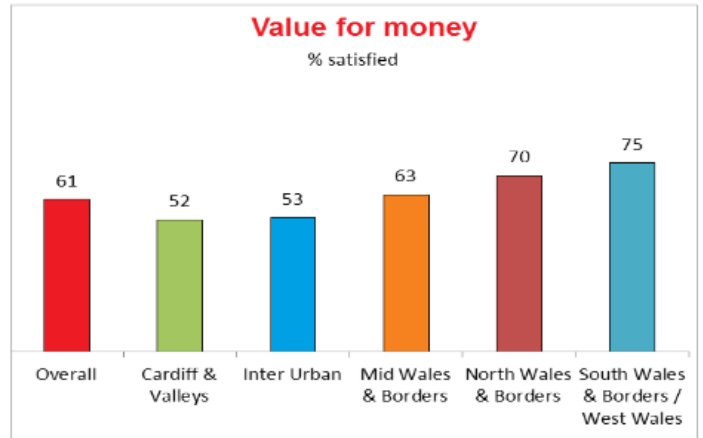
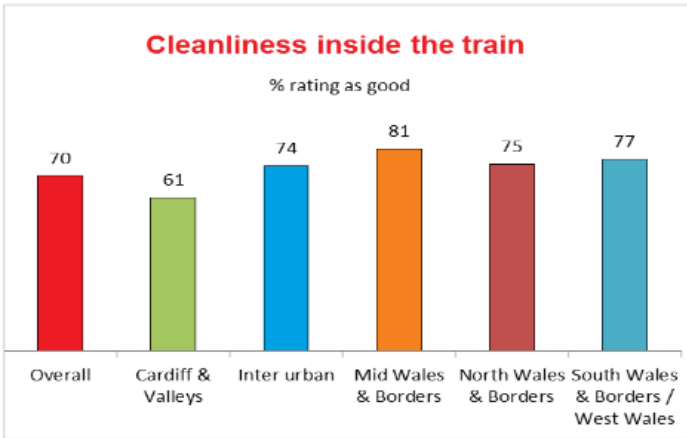
**North Wales & Borders:** Journeys on the Llandudno – Manchester Piccadilly, Bidston – Wrexham Central, Chester – Crewe, and Llandudno/Llandudno Junction - Blaenau Ffestiniog lines.


**South Wales & Borders / West Wales:** Journeys on the Swansea – Shrewsbury, Maesteg – Cheltenham Spa, Pembroke Docks – Swansea, Swansea – Cardiff Central, and Cardiff Central – Ebbw Vale Town lines.

\*due to a change in route definitions, route data for Autumn 2015 is only included in this report for Cardiff & Valleys route (this route did not change)









 Small sample size- use with caution

## A1.2 NRPS Autumn 2016: percentage satisfied, ATW compared to Regional sector<sup>12</sup>

	Arriva Trains Wales	Regional	TOC index
<b>Overall</b>			
Overall satisfaction with the journey	82	84	98
<b>Train factors</b>			
Overall satisfaction with the train	75	80	94
The frequency of the trains on that route	69	79	88
Punctuality/reliability (i.e. the train arriving/departing on time)	80	82	97
The length of time the journey was scheduled to take (speed)	82	87	94
Connections with other train services	75	78	96
The value for money for the price of your ticket	61	60	101
Cleanliness of the train	70	74	95
Upkeep and repair of the train	64	70	92
The provision of information during the journey	63	71	89
The helpfulness and attitude of staff on train	84	79	108
The space for luggage	63	61	102
The toilet facilities	47	43	109
Sufficient room for all passengers to sit/stand	70	72	97
The comfort of the seating area	72	72	99
The ease of being able to get on and off	78	83	93
Your personal security whilst on board	80	81	98
The cleanliness of the inside	70	75	94
The cleanliness of the outside	66	71	92
The availability of staff on the train	73	64	113
How well train company dealt with delays	42	42	99
Usefulness of information during delays	50	53	95
<b>Station factors</b>			
Overall satisfaction with the station	75	81	93
Ticket buying facilities	71	78	91
Provision of information about train times/platforms	78	84	93
The upkeep/repair of the station buildings/platforms	66	78	85
Cleanliness of the station	69	80	86
The facilities and services at the station	49	55	89
The attitudes and helpfulness of station staff	75	80	94
Connections with other forms of public transport	62	72	87
Facilities for car parking at the station	60	54	111
The overall station environment	67	76	88
Your personal security whilst using the station	69	76	90
The availability of staff at the station	58	70	83
The provision of shelter facilities	70	77	91
Availability of seating	56	61	92
How request to station staff was handled	84	87	96
The choice of shops/eating/drinking facilities available	38	45	85
Facilities for bicycle parking at the station	58	63	92

<sup>12</sup> TOC Index shows performance of TOC against the sector as a percentage (e.g. if TOC score is equal to sector score the TOC Index would be 100%. If it is 102% the performance is better).

 - five points or more above sector average  
 - five points or more below sector average

### A1.3 Drivers of satisfaction and dissatisfaction, NRPS Autumn 2016/Spring 2016: ATW and building blocks

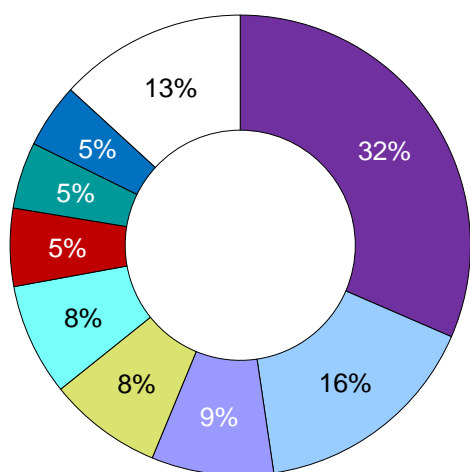
#### What impacts on satisfaction and dissatisfaction?

Not all factors will have equal importance - some things will have a much bigger influence on whether a passenger is satisfied with the overall journey than others.

The charts below show which station and train factors are statistically most important in determining overall passenger satisfaction and dissatisfaction for Arriva Trains Wales.

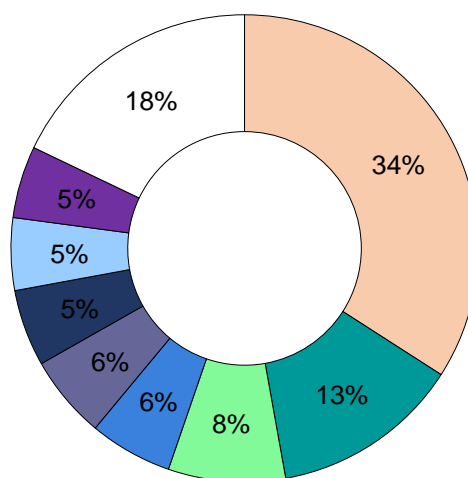
The analysis looks at which factors correlate most highly with overall journey satisfaction. For example, if those satisfied with punctuality are much more likely to be satisfied overall, then punctuality is likely to have a bigger impact on overall satisfaction. The higher the percentage figure below, the greater the influence on overall journey satisfaction.

#### What has the biggest impact on overall satisfaction? ATW



- The cleanliness of the inside of the train
- Punctuality/reliability
- Length of time the journey was scheduled to take
- The value for money for the price of your ticket
- The comfort of the seating area
- The overall station environment
- The ease of being able to get on and off the train
- The frequency of the trains on that route
- Other

#### What has the biggest impact on overall dissatisfaction? ATW



- How train company dealt with these delays
- The ease of being able to get on and off the train
- How request to station staff was handled
- The helpfulness and attitude of staff on train
- Sufficient room for all the passengers to sit/stand
- Your personal security whilst on board the train
- Punctuality/reliability
- The cleanliness of the inside of the train
- Other

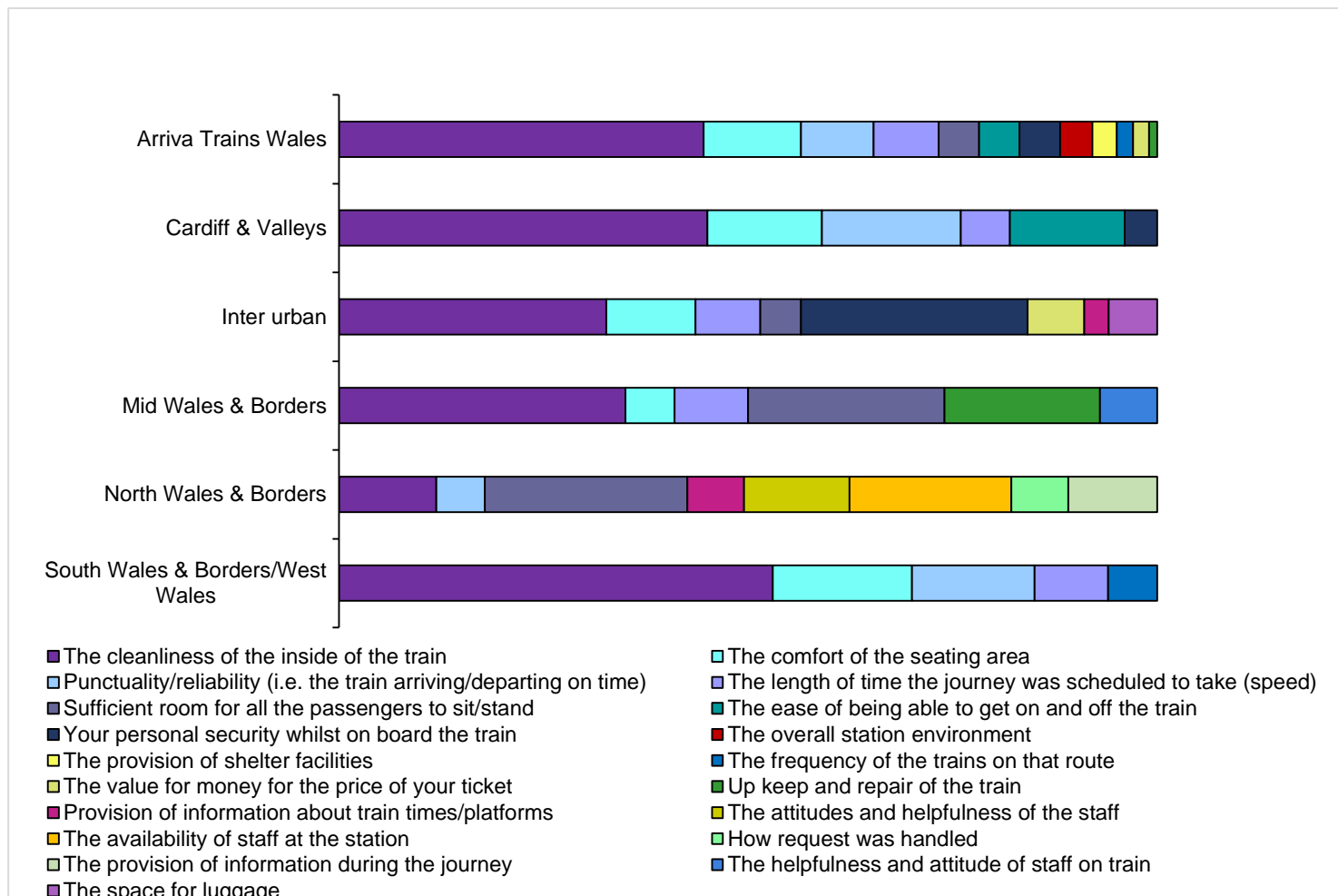
## What has the biggest impact on overall satisfaction? ATW and Cardiff and Valleys building block



Please note that due to changes to the building blocks in 2016, drivers of satisfaction are only available for Cardiff and Valleys for Spring 2016/Autumn 2016 combined.

Autumn 2015/Spring 2016 drivers of satisfaction by building block are included below for reference.

## Drivers of satisfaction and dissatisfaction, NRPS Autumn 2015/Spring 2016: ATW and building blocks



To download the full National Rail Passenger Survey, visit:  
<http://www.transportfocus.org.uk/research/national-passenger-survey-introduction>

You can explore the results in more depth at:  
<http://www.transportfocus.org.uk/our-open-data>

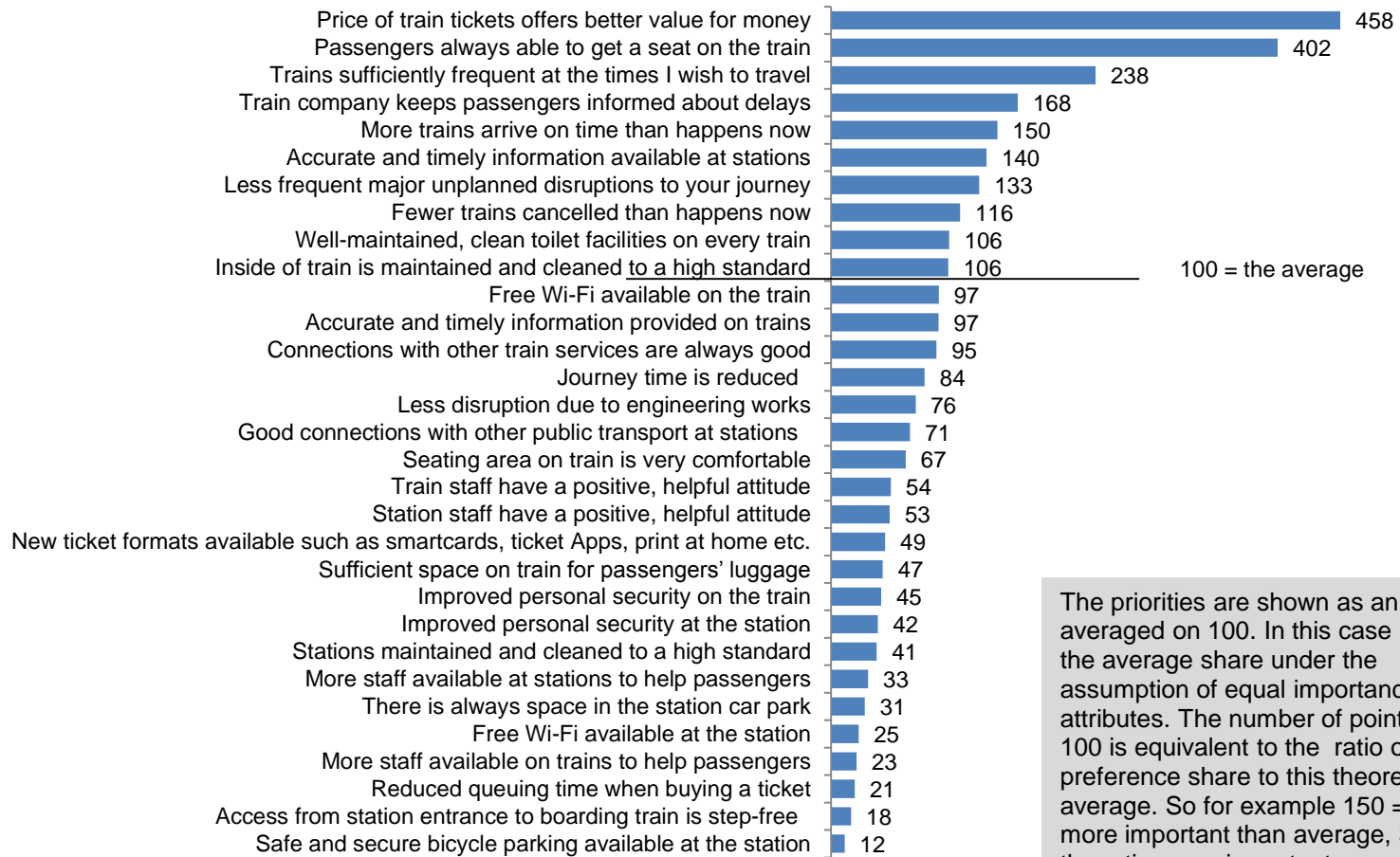
## Appendix 2: Rail passengers' priorities for improvement

The table below shows the relative scores for the top 14 priorities (out of a list of 31) for Wales as a whole alongside those for commuters, business and leisure passengers. To achieve a representative sample for Wales the returned questionnaires are weighted in relation to journey purpose: commuter 32%, business 12% and Leisure 56%. ATW passengers make up nearly 700 of the 750 returns for Wales.

	ATW (697)		Total Wales (750)		Commuter (400)		Business (62)		Leisure (288)	
	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index
Price of train tickets offers better value for money	2	473	1	458	1	491	2	485	2	434
Passengers always able to get a seat on the train	1	482	2	402	3	277	1	526	1	448
Trains sufficiently frequent at the times I wish to travel	3	231	3	238	2	279	3	220	3	219
Train company keeps passengers informed about delays	4	161	4	168	6	181	5	135	4	167
More trains arrive on time than happens now	5	140	5	150	4	202	9	109	6	128
Accurate and timely information available at stations	6	135	6	140	8	143	8	115	5	143
Less frequent major unplanned disruptions to your journey	7	123	7	133	5	186	11	95	9	111
Fewer trains cancelled than happens now	8	108	8	116	7	158	14	83	11	99
Well-maintained, clean toilet facilities on every train	9	107	9	106	15	75	6	117	7	122
Inside of train is maintained and cleaned to a high standard	10	106	10	106	13	83	7	115	8	117
Free Wi-Fi available on the train	13	90	11	97	12	99	4	161	13	82
Accurate and timely information provided on trains	12	91	12	97	10	101	15	80	12	98
Connections with other train services are always good	11	98	13	95	14	82	12	89	10	103
Journey time is reduced	14	77	14	84	9	101	10	105	16	70

## Priorities in rank order with index score to 100: all Wales passengers

Tudalen y pecyn 74



The priorities are shown as an index averaged on 100. In this case 100 = the average share under the assumption of equal importance of all attributes. The number of points above 100 is equivalent to the ratio of actual preference share to this theoretical average. So for example 150 = 50% more important than average, 300 = three times as important as average, 50 = half as important as average.

Mae cyfyngiadau ar y ddogfen hon



Organisation: Rail Delivery Group

Type: Business representative organisation

- 1) The Rail Delivery Group (RDG) brings together Network Rail and passenger and freight train operating companies. The purpose of the RDG is to enable Network Rail and passenger and freight train operating companies to succeed by delivering better services for their customers. Ultimately this benefits taxpayers, passengers and the wider economy. We aim to meet the needs of:
  - a) our members, by enabling them to deliver better outcomes for customers and the country;
  - b) government and regulators, by developing strategy, informing policy and confronting difficult decisions on choices, and
  - c) rail and non-rail users, by improving customer experience and building public trust

## Overview

- 2) RDG welcomes the opportunity to contribute to the Economy, Infrastructure and Skills Committee's inquiry into the Rail Franchise and the Metro inquiry. Since the commencement of the current Wales and Borders rail franchise it has delivered benefits for passengers and taxpayers:
  - a) Service provision is now 20% higher than the contracted service level;
  - b) passenger satisfaction has increased since the start of the franchise from 79% to 82% in the autumn 2016;
  - c) punctuality has improved with a current moving annual average of 92% PPM, which has increased from 79%, as measured by the public performance measure (PPM); and
  - d) the burden on the taxpayer has also reduced, with the annual subsidy declining by more than £40 million since the start of the franchise in 2003.
- 3) In reference to the next Wales and Borders rail franchise, the Welsh Government's approach to procurement has the potential to deliver further value, enable innovation, improve collaboration and align incentives between operators and infrastructure managers. The franchise also aims to meet local needs and improve local accountability. To do so the specification and delivery of the franchise should in our view:
  - a) Ensure effective cooperation between both the Welsh and UK Governments and close working between the Department for Transport, and Transport for Wales by all parties remaining actively involved in rail services;
  - b) enhance the customer experience further with particular focus on improving stations, ticketing, fares and rolling stock;
  - c) enable community stakeholders, such as community rail partnerships, to help shape and play an active role in the future of the franchise;

- d) facilitate passenger growth through incentivising the operator and providing additional capacity if required;
- e) support flexibility in the implementation of the franchise contract; and
- f) enable effective integration with the wider GB rail network to support one network, by maintaining seamless cross border passenger and market flows.

## **Procurement, development and delivery of the rail franchise and South Wales Metro**

- 4) The Welsh Government is procuring an Operator and Development Partnership (ODP) for the provision of passenger services on the Wales and Border network. RDG supports the Welsh Government's policy of linking infrastructure development and management to train operations. We believe this represents a significant step forward in driving further value from the rail network and creates new opportunities for collaboration and further passenger benefits.
- 5) We strongly support collaboration through the alignment of incentives between infrastructure provider and operators. Further passenger benefits could be unlocked in Wales through aligning the outcomes of the infrastructure manager and the operator, for example performance targets and creating additional capacity through optimisation of the network.
- 6) The role played by Welsh Government in developing the franchise specification linking the specification to local and regional wider economic needs is welcomed. The benefit of devolved specification of rail services is that the service provision can meet the aspirations of the local passenger; this in turn can increase accountability and produce a closer relationship between those who deliver the railway the wider society, and the economies it enables.
- 7) The Welsh Government may wish to consider the use of balanced scorecard to be used throughout the life of the franchise to provide a transparent view of performance and demonstrate the economic benefit of this contract on the Welsh and wider GB economy, as well as the service level provided to customers.

## **Franchise Specification and South Metro Delivery**

- 8) RDG would encourage the Welsh Government to consider the themes set out below as part of its specification process, to ensure the Wales and Borders franchise and South Wales Metro meet the needs of passengers, stakeholders and taxpayers, whilst delivering value for money.

### **Government collaboration**

- 9) RDG strongly supports close working relationships between the Welsh and UK Governments to ensure that the services delivered by the Wales and Borders franchise remains part of an integrated GB network; providing the passenger with easy access to the rest of the rail network, as well as maintaining or enhancing the current level of cross-border services.

### **Stations**

- 10) In 2015 the RDG produced its [Vision for Stations](#), which set out nine principles for

the design and development of Britain's future stations, one of which is to reflect local needs and opportunities. Stations are there to allow customers to get on and off trains, the key function needed by the rail industry, but equally they can create thriving spaces for local communities with retail, leisure and other amenities. The specification and delivery process presents the opportunity.

- 11) Later in 2017, the RDG will be publishing a research study on contribution of stations to thriving communities and economies. The study covers key learning for how this could be delivered, and may be of particular use to the committee and Transport for Wales.

### **Community**

- 12) Facilitating more active engagement of the local community; Community Rail, which involves local people working in partnership with the rail industry, has proven a successful concept, with almost 50 Community Rail Partnerships (CRPs), and the generation of passenger demand growth that has exceeded the averages for the regional sector and the network as a whole. The RDG strongly supports community rail partnerships.

### **Retailing**

- 13) The franchise specification should be aligned to the RDG retailing vision, which aims to provide customers with an easy-to-understand and convenient-to-use ticketing proposition. The RDG retailing vision is to enable passengers to have tickets linked to a range of devices, including their smartphones and bank cards, so that they can easily access their tickets and gain entry to trains, without the need to print out paper tickets if they wish. The future Wales and Borders franchise and South Wales Metro operator should be incentivised to drive forward digital ticketing innovation that improves the customer experience in line with the principles of the RDG retail vision; [a railway for the digital age](#).

### **Fares**

- 14) We recognise that many customers find getting the best fare for their journey complicated, and the industry is working with governments to simplify this; so that customers can have confidence in buying the right ticket for them. The fares and ticketing policy for this franchise should align with the fares reform agenda the RDG has recently set out, which seeks to remove outdated fares regulation, and allow the franchisee sufficient freedom to innovate in meeting customer expectations in this area. The franchise specifiers need to provide sufficient space to the operator to facilitate changes to the current fares regulation, set out through the Ticketing and Settlement Agreement. By facilitating changes this can remove major obstacles in ensuring every customer finds the right fare for their journey. The benefits and challenges resulting from fares reform, as well as identifying the winners and losers need to be understood, before wholesale change is undertaken.

### **Rolling Stock**

- 15) The current average age of rolling stock in the Wales and Borders franchise is more than 27 years, this is higher than the national average. The Welsh Government will need to work collaboratively with the operator, and the supply chain to ensure sufficient funding is available to meet the aspirations of

customers and stakeholders regarding rolling stock renewal. The Welsh Government will also need to work with the market to consider the vehicle accessibility standards applicable from 2020, these standards will impact the current rolling stock used by the Wales and Borders franchisee.

### **Integration of services**

16) The current franchise was let and managed by DfT as part of a wider network covering the whole of Great Britain. With the specification and management of rail services being devolved to Cardiff, integration with the wider GB network needs to be maintained. This is particularly relevant for cross-border flows and the new interfaces created with the Metro.

### **Plan for growth**

17) When the current franchise was originally let, the rate of passenger growth was not foreseen. We expect that passenger growth will continue to rise, particularly around the main conurbations, and as such believe that the future franchise should be let on a basis that can respond to increasing demand.

### **Balancing the level of financial risk transfer to the private sector**

18) The Welsh Government will need to consider the level and nature of financial risk transfer to the private sector that it wishes to achieve through the franchising process. RDG would recommend that Welsh Government ensures that the risk transferred achieves value for money and is sustainable for all parties, including the taxpayer.

### **Flexibility in franchise management**

19) During the current franchise term, operated by Arriva Trains Wales, there has been investment both by the Government and the operator, with approximately £35 million of investment from the operator. This level of investment was not foreseen at the start of the franchise. RDG would recommend that there is sufficient flexibility in the next contract to enable additional investment to be made to meet changing demands. A suitable benefit share mechanism can be used to ensure all contractual partners are incentivised to make additional investment.

### **Contract duration**

20) We support the longer contract term put forward by the specifier, and are encouraged by the consideration given to encouraging the delivery of benefits in the latter part of the contract.

## **Summary**

21) RDG has been encouraged by the progress made to date by the Welsh Government in the procurement of the next rail franchise for Wales. The plans for the a vertically integrated valleys network will provide the GB network with an interesting example of the benefits of greater collaboration between track and train.

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