

Evidence from – WBF

## **Enterprise and Business Committee inquiry into the Future of the Wales and Borders Franchise**

### **Evidence from the Chartered Institute of Logistics and Transport (UK) Cymru Wales**

#### **Executive Summary**

- The new franchise offers a good opportunity to develop an enhanced rail service within Wales
- This service should be informed by regional and local government, as well as passengers but largely managed by the Welsh Government
- Consideration should be given to franchise models with private sector involvement, and not just a ‘not for profit’ approach
- A slight expansion of the franchise area is suggested, coupled with electrification and additional infrastructure to enable service enhancements
- A stricter performance regime, like that in London or Scotland, would enhance the passenger experience, along with integrated ticketing solutions with other modes

#### **Introduction**

1. We are pleased to provide evidence to the Enterprise and Business committee in relation to the current inquiry into the Wales and Borders franchise. In doing so, we structure our submission around the key issues that the committee are looking to address.

#### **Does the current franchise meets passenger needs and what lessons should be learnt from it?**

2. There have been challenges with the current franchise in a number of different areas. One of these, and this is not unique to Wales and Borders, is that the franchise was let on the basis of no growth. Therefore, as passenger numbers grew, and as the Welsh Government wanted more services or increase the level of rolling stock provision, so renegotiations with Arriva were required. Therefore, the biggest lesson for the new franchise is to include flexibility within the agreement to support the development of rail services, either reflecting passenger or policy demands. At the same time, we would consider that the franchise should not be let on the basis of continued growth. Experience with other franchises has shown that this can be equally risky for both franchise holders and government alike. A balance needs to be found between incentivising the franchise holder to encourage growth and reducing the risk of financial problems.

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3. More localised concerns raised by passengers would include the reliability of services (particularly on Cambrian Coast), overcrowding on Cardiff Valleys trains at peak times and the continued use of Pacers, and class 150 and 153 units on inter-urban and rural services. Of these, the cause of delays is often as attributable to Network Rail as it is to the operator, and therefore the suggestion later of closer working with Network Rail should assist with this. The other two issues are related to rolling stock requirements, which can be considered within the specification of the franchise, and are discussed in a later section.

**How should passengers be involved in the franchise development and delivery?**

4. In developing the franchise, we would encourage the Welsh Government to consult with the public, in the same way as they do for other policy decisions. This would be consistent with the approach adopted by the Department for Transport, who have also consulted on franchise documents elsewhere. In addition to this, workshops could be organised to give a broader opportunity to contribute to the discussion. One benefit of this process is that there is the opportunity for the Welsh Government to ensure that those passenger suggestions taken forwards are affordable. As part of this process, it will be important to include those communities within England for whom the Wales and Borders franchise provides an important role.
5. In terms of passenger involvement in the delivery of the franchise, we suggest that this is done more remotely and using similar channels as now such as the National Passenger Survey. Setting targets for these results within the franchise agreement would ensure a focus upon the customer. We would also note that the involvement of public members within Network Rail does not appear to have made a significant difference to performance. Therefore, we would suggest that this approach is not replicated in the Wales and Borders franchise.

**How should communities and local government / Regional Transport Consortia be involved? Could they be involved in specifying the franchise or perhaps even in delivering services?**

6. A key aspect with this is the balance between local/regional governmental bodies defining service requirements against the bigger picture which national government considers. The Regional Transport Consortia, through the Regional Transport Plans, can define their expectations in terms of service levels. Given that these are then submitted to the Welsh Government, there is then the opportunity to feed these into the Wales and Borders franchise.
7. An alternative would be for the transport consortia to take responsibility for specifying and delivering the local services in their area, with the Welsh Government taking control of longer distance services. However, this may lead to an inefficient use of resources and poor coordination between regions. Further, the lack of equivalent transport consortia in England may disadvantage

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these communities when it comes to service provision. The one region where more local control may be more appropriate is in South East Wales, where the local network is more discrete.

**What is the most appropriate management model to be adopted, including the Welsh Government's proposal for a not-for-dividend franchise?**

8. It is fair to say that, after 20 years, there is still no clear consensus as to which management model is most appropriate. Even within the CILT Cymru membership, there are diverse views on the way forward. The recent review of franchising by Richard Brown (hereafter the Brown Review) provides some useful insights into this, including a suggestion that there should not be a 'one size fits all' approach.
9. As an Institute, we believe that the Welsh Government should not rule out continuing with private sector involvement in running the franchise. Depending upon the organisation awarded the franchise, there are opportunities for sharing of ideas across the owning group of the franchise, and this has been seen in the Wales and Borders franchise where those with experience elsewhere in Arriva have been brought into the running of the franchise.
10. The Brown Review suggests that, if stability will be present in the franchise, then a model similar to that seen now would be worth pursuing. Where disruption is forecast, then a management contract style agreement is suggested. Given the electrification in South Wales, there is likely to be disruption in the core business area of the franchise and therefore a management contract would seem to be more appropriate.
11. To that end, we would recommend that a closer investigation is made of the current operations in both London and Liverpool, where management contracts/concessions controlled by the local governments are in place. These seem to be quite effective at supporting passenger growth, while ensuring that a range of different performance objectives are achieved.
12. If the Welsh Government decides that a public sector approach (such as not for profit) is more appropriate, then thought needs to be given as to the management model. Experience gained with Directly Operated Railways on the East Coast franchise may be informative. With regards to 'not for profit' it should be noted that in 2011, based on the UK Government's Transport Select Committee report on Rail 2020, the franchise made a profit of £20.5m but received a subsidy of £136.8m. Regional railway operations such as those in Wales and Borders have never returned a profit and so there is a risk that 'not for profit' becomes 'minimum subsidy'. If this was to occur, then there is the danger of capital not being available for investment by the operation, instead being funded separately by the Welsh Government and therefore competing with other transport schemes. We would also note that the 'not for profit' approach appears to be better suited to organisations that need access to large amounts of financial capital for investment. Given this is not a characteristic of a railway franchise, it may be that this approach is less suitable.

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**How should the franchise specification improve the passenger experience, including issues such as franchise length, targets / incentives and the core service standards which should be included?**

13. We believe that there would be value here in learning from some of the other rail franchises, where the operators have well specified customer objectives. In the case of London Overground, a number of key objectives are set by Transport for London, including service frequency, station facilities and overall performance. The operator is then required to meet these standards and, if successful, they are rewarded for doing so. Revenue is retained by Transport for London, rather than the operator and therefore they are exposed to any risks in relation to this. However, the London Overground network operates a simple fare structure and is integrated into Oyster as well. For the Wales and Borders franchise, where there are a wide variety of services and ticket types, such an arrangement in relation to revenue may be more complicated, especially given the cross-border nature of the services.
14. Another example would be Merseyrail, which again operates on a concession basis. Passenger satisfaction targets are defined, with the operator incentivised to meet them. Another feature of this franchise, which may be of relevance in Wales, is that it has been awarded for 25 years, but with 5 yearly reviews. At these reviews, there is an option to end the franchise agreement. Further, these reviews align with funding agreements between the DfT and Merseytravel, which also run on a five yearly cycle.
15. One feature of both of these franchises is that they operate on a management contract basis. In Scotland, the franchise operates in a similar manner to the current Wales and Borders franchise. However, Transport Scotland sets annual performance targets in a similar basis to the above examples, which is termed Service Quality Incentive Regime (SQUIRE). There are 36 different performance objectives that are audited by Transport Scotland inspectors, with benchmark levels set at a minimum of 90%. These results are published quarterly on the Transport Scotland website, and can be presented at an overall level, or by station, line of route or train class.
16. We would also like to see the franchise include a requirement to adopt smartcard technology for ticketing, and particularly to have this integrated into the All Wales Travel Entitlement Card currently branded GoCymru. Such smartcards can allow a tracking of individual travel and ensure validity acceptance for the type of ticket purchased. It could reduce fraud and non-payment if "Swipe-In Swipe-out (Oyster type) could be included. Longer term, it could be extended to pay for car parking at any railway station within the franchise area or taxis too. As compliant technology already exists on local buses, extending the smartcard to Park & Ride services would be a logical extension.

**Which routes, and particularly cross-border routes, should be included?**

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17. We would suggest that all the current services remain within the franchise. Further, we have previously suggested that the hourly 'stopping' train from Cardiff to Bristol (as opposed to the Portsmouth service) should be included in the franchise. This would enable the service to be worked by electric trains once electrification is complete, and be integrated into the South Wales area services in the process. This may also open up new opportunities such as Swansea to Bristol, potentially via Cardiff Airport, which would also potentially make better use of capacity through Cardiff Central. We would also advocate a small number of trains per day from South West Wales to Birmingham, a route that existed around ten years ago. This would improve connectivity to the West Midlands from throughout South Wales.
18. Longer term, if the Wrexham to Bidston line is electrified, then this route would probably pass to Merseyrail to allow integration into their services. However, while it remains a diesel service, retaining it in W&B is sensible, given that Merseyrail do not operate any diesel trains. An increase in frequency to half hourly, and potentially an extension to Birkenhead, would improve service provision in this area.
19. Finally, although not new services, consideration should be given to segregating services in North Wales to target different markets more effectively. Inter-urban services would stop at the major stations only, and carry on to destinations such as Manchester, Birmingham or Cardiff, while local services would stop at the remaining intermediate stations. This may require some infrastructure changes to permit an enhanced frequency. Additional services on the Coryton to Radyr route in Cardiff on a Sunday would also be worth considering for the new franchise.

**What factors need to be considered in relation to rolling stock for the new franchise and how this rolling stock be procured? Will new rolling stock be required?**

20. New rolling stock will be required, particularly for South Wales after electrification. In terms of sourcing this, the original business case is based on cascaded trains from elsewhere. However, the age of these trains is such that they will probably need replacement within 15 years or so. Therefore, it may be more suitable for new trains to be sourced now. Consideration needs to be given as to whether WG has the skills to lead this, and what the cost of this upskilling would be. Merseytravel have spent £1.3m in 2012/13 and will spend a further £3m this financial year to procure 57 units for their network. We would also advocate that the procurement process be less micro managed than the current DfT approach, setting some key objectives for the fleet and allowing the train builders to propose a solution. This may avoid unnecessary over specification and therefore cost.
21. The Pacers are generally unpopular and it may be best to remove them from service. The new electric trains will assist in this process. In addition, Class 17X trains should be sought from elsewhere to allow a cascade of 15X sprinter trains within the franchise. This would result in 17X

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trains (including the existing Class 175s) on inter-urban services, Class 158s on rural services and Class 150 and 153s on non-electrified urban services.

**Are additional lines, enhancements to existing lines, new stations or other infrastructure are needed?**

22. Electrification will offer a good opportunity for reflecting on service levels and provision, and may lead to new service groups, initially in South Wales but potentially in North Wales in the longer term. There does not appear to be any obvious need to new railway lines, although service enhancements such as hourly to Aberystwyth, possibly phased in response to passenger numbers and doubling at Saltney are needed. If an enhanced service is desired in South Wales, then some four tracking or dynamic loops may be needed between Cardiff and Bridgend to accommodate the mix of traffic on this route.

**Can the franchise support an enhanced relationship between Network Rail and the franchise operator and the benefits this might bring?**

23. Here, we would cite the example of the alliance between South West Trains and Network Rail, which is leading to an enhanced relationship between the two and improvements to services in this region. This includes adjusting the timetable to fit with engineering requirements and giving a better response to disruption (e.g. in terms of service prioritisation). More locally, there appears to be better working since Network Rail and First Great Western combined their office in Swindon.