



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Pwyllgor yr Economi, Seilwaith a Sgiliau](#)

[The Economy, Infrastructure and Skills
Committee](#)

09/03/2017

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Delivery

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Hefin David Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles Bywgraffiad Biography	Llafur Labour
David J. Rowlands Bywgraffiad Biography	UKIP Cymru UKIP Wales

Eraill yn bresennol
Others in attendance

Councillor Samantha Dixon	Cadeirydd, Tasglu Rheilffyrdd Trawsffiniol Gogledd Cymru a Merswy Dyfrdwy Chair, North Wales & Mersey Dee (NW&MD) Cross-Border Rail Task Force
Huw Jenkins	Rheolwr Datblygu Polisi, Merseytravel Policy Development Manager, Merseytravel
Iwan Prys Jones	Rheolwr Rhaglen, Bwrdd Uchelgais Economaidd Gogledd Cymru Programme Manager, North Wales Economic Ambition Board

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance**

Sean Evans Y Gwasanaeth Ymchwil
Research Service

Robert Lloyd-Williams Dirprwy Glerc
Deputy Clerk

Andrew Minnis Y Gwasanaeth Ymchwil
Research Service

Gareth Price Clerc
Clerc

*Cynhaliwyd y cyfarfod yng Nghanolfan Addysg a Chelfyddydau Gateway,
yr Amwythig.*

The meeting was held in the Gateway Education and Arts Centre, Shrewsbury.

Dechreuodd y cyfarfod am 10:00.

The meeting began at 10:00.

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **Russell George:** Croeso, bawb, **Russell George:** A very warm
i Bwyllgor yr Economi, Sgiliau a welcome to you all to the Economy,
Seilwaith. Infrastructure and Skills Committee.

[2] I'd like to welcome Members and members of the public to the
committee this morning. This morning, we're meeting at the Gateway
Education and Arts Centre in Shrewsbury. I'd like to thank the centre here for
hosting us this morning. I move to item 1, and that's in regard to apologies
and declarations of interest. There is one apology, from Adam Price, this
morning. Are there any declarations of interest? No.

**Gogledd Cymru a Glannau Merswy—Ymchwiliad i Ddarparu
Masnachfrait y Rheilffyrdd a'r Metro
North Wales and Merseyside—Inquiry into Rail Franchise and Metro
Delivery**

[3] **Russell George:** In that case I move to item 2. This is in regard to our inquiry into the rail franchise and metro delivery. This morning we have a panel with us representing north Wales and Merseyside. So, I'd like to welcome our witnesses this morning. I'd be very grateful if you could just introduce yourselves and give us your title and your organisation, just for the record. If I could start from my left.

[4] **Mr Jenkins:** Thank you. Diolch yn fawr. My name's Huw Jenkins. I'm the policy manager at Merseytravel. Merseytravel is the Liverpool city region combined authority's transport delivery body.

[5] **Mr Jones:** Iwan Prys Jones. **Mr Jones:** Iwan Prys Jones. I'm here Rydw i'n gweithredu ar ran Bwrdd on behalf of the North Wales Uchelgais Economaidd Gogledd Economic Ambition Board. I am also Cymru. Rydw i hefyd yn gweithredu operating as supporter of the cross-fel cefnogydd i'r grŵp trawsffiniol ar border group on railways, Growth reilffyrdd, sef Growth Track 360. Track 360.

[6] **Ms Dixon:** I'm Councillor Samantha Dixon. I'm the ward member for Chester City ward in Cheshire West and Chester council. I'm also the leader of the council. I'm a member of the Cheshire and Warrington local enterprise partnership and the chair of the Growth Track 360 rail taskforce.

[7] **Russell George:** I'm very grateful for you all being with us this morning. I know that you are all busy people, like ourselves, and I appreciate your time taken to be with us this morning. Members will have different questions in different subject areas, but, if I could ask the first question, and if I could ask you what you think of the procurement process and whether you think it's effective. Who would like to go first? Huw.

[8] **Mr Jenkins:** I think, just to start off, the fact that we've been invited to this session today is testament to the process of engagement. We've been aware of this process for some time, through our close working arrangements with the Welsh Government, recognising the importance of cross-boundary links—cross-boundary transport links. We see it as a really

important process. As I say, a good opportunity to discuss some of the core issues today—we've contributed to a number of inquiries and committees and pieces of evidence over the years now, dealing with this subject, both at the Welsh Government level and in Westminster. I guess the really exciting opportunity—or the more exciting opportunity—will be when it comes to the detail, and that's something that I know I and my colleagues would be keen to discuss with you.

[9] **Russell George:** Samantha.

[10] **Ms Dixon:** I was just going to add that the Growth Track 360 rail taskforce was formed in the summer last year to become a lobby for the cross-border needs of the economies but also the residents who live in north Wales and in Cheshire and Merseyside. I think the opportunities that we've had, because we've come together and worked with real energy on that cross-border footprint, have meant that we have had an opportunity to play into the procurement process, which has been very welcome. And, certainly, from Welsh Government, and particularly from the Minister, we couldn't have asked for more. His participation in the rail taskforce has been very powerful and engaged, and has given us, I think, a real focus in the work that we've done. I don't know if you want to add anything, Iwan.

[11] **Russell George:** If I could ask perhaps, Iwan, in your comments, as well, if you think the procurement process has been clear and understood.

[12] **Mr Jones:** I think it's probably fair to say that we've struggled a bit with the procurement process. I say that in the sense that it's been very different from procurement processes that have taken place on other franchises. So, I think it's taken a while to get our head around exactly how the procurement process is going to work. The others were expecting a clear set of outcomes to be published at the outset of the work, and then we would have argued with or for those outcomes. I tried to get ours in, which is very much the case with other franchises. So, I think we put a lot of energy and effort, early doors, into making sure that we had our asks well-documented, and then we found that the process was actually quite different. So, it took a while, I think, for us to get our head around what the best route to engage with the process is. We're still quite active, and, as Councillor Dixon has said, we're working hard with colleagues from the Welsh Government at the moment to make sure that the things that we want to see built into the franchise are actually included within it. I think, with the benefit of hindsight, it perhaps might have helped if there had been a clearer

explanation at the outset of just how radically different this franchise procurement process was going to be, and also what the process and opportunities were for stakeholder engagement as we went through it.

[13] **Russell George:** Can I ask Huw and Councillor Dixon, do you share that view, as well, of Mr Jones?

[14] **Ms Dixon:** My role is to deal with the political leadership and the wider aspirations of the taskforce. Iwan has to deal with the nitty-gritty and, certainly, from the sort of high-level strategic perspective, I found that access has been easy. However, when it gets down to the brass tacks, I think it's a little more tricky.

[15] **Mr Jenkins:** I think, because we are working very closely with Welsh Government colleagues on two specific schemes—Borderlands and Halton curve, and that's been a process of engagement over several years, now—we've been quite close to the process, perhaps not the detail as Iwan says, but certainly awareness of the franchise process, how that would be different and, actually, the similarities with the arrangement we have in Merseyside, of course. So, there's been a lot of interest, a lot of engagement from both the political and the officer level from my perspective.

[16] **Russell George:** Thank you. I'll ask Mark Isherwood to come in at this point.

[17] **Mark Isherwood:** Thank you. I'll refer to the reference in your papers to levels of stakeholder involvement to date, how they've been disappointing and more difficult to engage with certain key players. I wonder if you could expand on that—what the problems with engagement have been, who those players have been. Also, your papers appear not to mention Welsh Government plans for the north Wales metro, which is the dialogue we hear referred to all the time in Cardiff Bay, rather than the dialogue around Growth Track 360 and the north Wales growth vision, and to what extent, from your engagement with Welsh Government, that is related to your proposals as a joined-up, cross-border consortia of public, private, third sector and academia, and to what extent it's happening separately from that.

[18] **Russell George:** Who'd like to answer that question? Councillor Dixon.

[19] **Ms Dixon:** Certainly, the engagement with the north Wales metro proposals has been quite substantial. I think it reflects many of the

aspirations that we've set out in Growth Track 360, so I'd say that we were very pleased with the way that it reflects our aspirations. I think, in terms of your question about the engagement with stakeholders—Iwan, I think it's varied.

[20] **Mr Jones:** Yes, as Councillor Dixon said earlier on, the engagement with the Cabinet Secretary and with officials within Welsh Government has been really helpful and supportive all the way through the process. It's been more difficult, I think, to engage with Transport for Wales and with the bidders, inevitably, I suppose, as part of the process that we're following this time, because they're wrapped up in a series of confidentiality agreements and a competitive dialogue process. It feels that we're quite distant from that discussion, for all of the right reasons—that's not necessarily a criticism—but I think we were hoping that we would be able to have had more dialogue, perhaps, with Transport for Wales and more input into the procurement process. But we understand entirely the reasons why that should be. Having said that, that is balanced very well and very completely by the fact that we've had really good dialogue with Welsh Government directly.

[21] **Mark Isherwood:** Can I just add that the growth vision document itself, which of course also refers to Growth Track 360, had wider asks, some of which related to transport specifically, others to the skills that transport and other sectors will need? What dialogue have you had with Welsh Government regarding those asks?

[22] **Ms Dixon:** I think, at the very beginning there was a recognition that the cross-border economy has many different dimensions, and the taskforce came out of a very specific need that was perceived, and is real, about actually improving the rail infrastructure. So, we focused very much on transformational impact that the rail improvements could have. Certainly, on the other aspects around skills, and there are other sectors that are equally important, we felt that we would be very focused, rather than try to address everything in terms of skills, the energy sector and all of the other development issues that would transform the cross-border economy. We wanted to have as much impact as possible on this specific issue, because it will deliver the most change, potentially.

[23] **Mark Isherwood:** And just finally, if I may, because, obviously, this is tied in with the other Government as well and the growth deal offer and your ask for some internal devolution to run alongside this cross-border development, what response have you had to that, which is, I think, a core

element of the growth vision document?

[24] **Mr Jones:** I think the response, broadly speaking, has been positive. One of the issues, I think, that led to Growth Track in the first place was the fact that we've got an economic region that covers quite a wide geographical area. The rail network links all of that together, and yet it's split between various Governments and various other funding bodies. What we're trying to do is to bring that together in a consistent way so that the region as a whole can benefit from a fully integrated rail network that serves all of its people properly and gets people to where they need to get to. In the past, I think it's not always been easy to do that, because governance has been fragmented between different organisations. What we've tried to do with Growth Track is to say, 'Actually, if we get this right, it's going to work for everybody's benefit.' I think we've been pretty encouraged by the response that we're getting both from Welsh Government and from the Department for Transport and from Westminster around how that might come together.

[25] **Ms Dixon:** The relationships on the cross-border footprint go in many different directions and suit many different bureaucracies, if you like. In Cheshire and Warrington, as a sub-region, we're working on a devolution deal with the UK Government, which fully recognises that, actually, it's a very outward-looking devolution bid that has a very strong relationship with north Wales. Similarly, I've been with Welsh leaders to visit UK Government in London to discuss the north Wales growth deal, and it's been a privilege to actually be invited along to contribute to that debate. Certainly, Welsh Government recognises that the Mersey Dee Alliance, which is north-east Wales councils, the Wirral council and my own council, is actually a functioning economic unit that overlaps many different geographies, including, for example, the Liverpool city region. So, there are many aspects of growth and economic growth and development, but, as Iwan said, to have the most impact, we felt that rail was the spine, if you like, that could deliver really transformational growth.

[26] **Russell George:** Iwan, you said you've had difficulty engaging with Transport for Wales. Have you tried, or—?

[27] **Mr Jones:** Yes. We've had meetings with them, to be fair, and I wouldn't like the committee to go away with the impression that they've not responded in any way, shape or form to us. They have. But I think, within the constraints that the procurement process sets upon them, and in particular the need for confidentiality, we can put ideas forward, but there's very little

coming back in return at the moment, because of the competitive dialogue process that they're engaged in. As I said at the outset, that's quite different from the process that would've applied in a more normal franchise procurement process. I wouldn't want it to seem that we're critical; it's just, I think, partly a function of the process that's been followed in this case.

[28] **Russell George:** You mentioned difficulty, perhaps, with engaging with Transport for Wales and also in engaging with the bidders and the bidding process, but how could it be done differently, do you think?

[29] **Mr Jones:** Well, I think it's quite difficult in the context of the way that procurement has happened in this case. Perhaps naively on our part, or on my part, we thought that, because we'd published a very clear set of outcomes that we wanted to see within the franchise, there would've been a clear response back to that, and there hasn't been, because it's wrapped up in the competitive dialogue process.

[30] **Russell George:** And can I ask—? Well, you want to comment on this, Huw, but I have a question for you as well after. But go ahead.

10:15

[31] **Mr Jenkins:** Of course, but if I can just respond to that point, Chair, I think the experience with the Rail North franchise is a good one. That was a complicated franchise, covering, I think, 33 local authorities across the north of England, DFT and other passenger transport bodies. But that process of governance managed to bring together those bodies, there was representation from all the areas, and even the outside, outlying areas were represented, as well. That process, again at officer and at political level, was one that worked well in our experience. We saw some very significant, some very welcome enhancements through those new franchise arrangements from a Rail North perspective.

[32] **Russell George:** You've answered the question I was going to ask. [*Laughter.*] That's good. We'll move on to the next set of questions, and this is on cross-border issues and accountability, and I go to Hannah Blythyn.

[33] **Hannah Blythyn:** Thanks, Chair. It'll come as no surprise to colleagues that I've opted to lead on the cross-border issues. Just to open on that, I'd be interested to hear your view as to how the cross-border-specific issues and the connectivity are reflected in the new franchise, because, as we know,

the services don't stop at the border, maybe Bidston? Over the next franchise, how are those needs being reflected in that and how should they be reflected in it?

[34] **Ms Dixon:** In terms of the headlines of what we're looking for, they're really more frequent services—for example, the Wrexham to Bidston line, we'd like to see them doubled—better rolling stock and reduced journey times. Those are the headlines that we're aiming for to build on the economic development that we want to see. Do you want to provide more detail?

[35] **Mr Jenkins:** I think, from the Liverpool city region's perspective, we recognise that the world doesn't stop at Heswall or at Hooton, in our case. Although the city region has a clear geography, which is its local enterprise partnership, the command authority's boundary, covering 1.5 million people, the actual economic boundary of the Liverpool city region extends much further to 2.2 million, 2.5 million people, extending comfortably into north-east Wales, extending into West Lancashire and into Cheshire. So, our strategies—the long-term rail strategy that we've adopted, for example, has a very, very clear focus on cross-border links, recognising, if you take the Wrexham–Bidston line, for example, which is a real cinderella line at the moment but that line actually connects three enterprise zones, that the economic significance is enormous. The cross-border traffic flows, the cross-border passenger flows are very, very significant. Unfortunately, many of those trips are made by car at present, because the offer is not as it should be. So, improving those links, as Councillor Dixon states, and as we've set out in our evidence, is an absolute priority.

[36] Specifically, yes, doubling that level of service from Wrexham to Bidston, which has been blighted by a number of operational difficulties of late, and, equally, in relation to the Halton curve, the economic significance of that line is very, very significant in terms of connecting north-east Wales with Liverpool John Lennon Airport, south Liverpool, Jaguar Land Rover, et cetera. All of those major economic nodes are within reach through enhancements to that service, and that's going to be critical for us to see through the franchise.

[37] **Mr Jones:** What Growth Track set out to try and do was to understand how the rail network could underpin economic growth across the wider region, and we started off by trying to do some econometric analysis of how rail could best serve that region. The conclusion you come to, really, is that

the rail network at the moment just doesn't serve the types of journeys that people are seeking to make for employment purposes well. Therefore, that's why we've proposed a series of what we think are logical alternative service provisions that get people to where they want to go in order to access employment, leisure, health or whatever opportunity there is.

[38] It's no coincidence that, where the road network currently follows the rail network, the M53 and M56 in particular, at peak times those roads are coming apart at the seams. There's some significant congestion, and yet, as Huw said, the number of people who are choosing to use rail as an alternative is really low, because it doesn't provide the kind of frequency, speed or quality of service that people need to make those journeys. We think that there is significant suppressed demand within the network at the moment, and we see the franchise as a real opportunity for being able to unlock that.

[39] What I would further say is it's not just an issue for this franchise. It's an issue for policy makers on both sides of the border, and one of the big asks that we've been trying to push for the last year is for the Department for Transport and for Network Rail to see this as an intra-regional network that can connect tens of thousands of people to employment opportunities. Because I think, at the moment, they see it as a fragmented series of individual routes and journeys that happen to exist, in many cases, for purely historical reasons.

[40] **Ms Dixon:** If I could just add, I think that what Growth Track 360 brings, as Iwan says, is the coherence that's needed about the argument, and that's particularly important right now when the discussions are happening around Crewe. Because if Crewe isn't right—[*Inaudible.*—trains coming to Crewe, then the whole of this region—north Wales, Wirral and Chester—potentially loses out, and that's a huge risk for our economy. It's not about it staying the same; it's actually about it getting worse. I think one of the most significant ways in which Growth Track 360 can help is by articulating that need and that necessity, but also by linking, for example, the needs of Holyhead into the discussion about Crewe. This is much wider than the franchise issue, but it does play into it as well, because it unlocks opportunities through to Liverpool John Lennon Airport, through to Manchester Airport, but also on the east and west of the whole of the United Kingdom.

[41] **Hannah Blythyn:** Would you see the north-east Wales metro linking

into that as well and playing a key role?

[42] **Russell George:** Did you want to come in, Huw?

[43] **Mr Jenkins:** I was just going to add another point in relation to the earlier question, if I may. In addition to service quality enhancements that we're pushing for through—as I've said—the rail strategy, through Growth Track 360, we shouldn't underestimate the importance of ticketing as a means of improving cross-boundary connectivity. So, at the moment, for example, the Merseyside ticketing product, the Walrus smartcard, stops at the boundary. That's not right. That's not logical. It should logically extend to Deeside. In time, it should extend to Wrexham, of course. That's an issue. I think that's an important issue for the franchise.

[44] **Mr Jones:** Yes, specifically on the north-east Wales metro, what I would say is that, I think, embedded in Growth Track 360 are three clear asks, really. Firstly, as Councillor Dixon said, it's this connectivity into Crewe, particularly the HS2 hub and the ability then to connect to the north-south high-speed rail network within the UK. The second big ask is all about trans-Pennine connectivity. So, it's important that we have a good link from the region into the forthcoming Northern Powerhouse rail project. The third strand is all about intra-regional connectivity for commuting purposes. This is where I think the north-east Wales metro comes into the equation. It's hugely important that we have a network that delivers fast long-distance journeys that also provides a good set of local journeys that enable people to use the rail network for commuting purposes. At the moment, it's trying to do both with one set of journey types. What we end up with is long-distance journeys being really slow and local journeys being really poor and infrequent because it doesn't meet either of those two needs well. It has kind of shoehorned two competing asks together to deliver a service pattern. Ideally, you'd want that split out, so that the metro component allows people to access work at the time they want to do it, and have sufficiently frequent trains so that they can go home at night, but at the same time we want faster longer distance journeys so that people can get to key business destinations, like Cardiff, London, Birmingham, Manchester, Leeds and Liverpool, in a timely way.

[45] **Ms Dixon:** One statement—one sentence—from our prospectus that came from the new integrated transport taskforce technical report in 2013 is that one in five people are turning down job interviews or employment offers owing to inaccessibility. It's not acceptable, is it?

[46] **Russell George:** Do you have further questions, Hannah?

[47] **Hannah Blythyn:** Just one very quick question.

[48] **Russell George:** One more and then I'll come to Mark, Hannah.

[49] **Hannah Blythyn:** I think you've touched on it slightly, but are the things that you learnt in the next franchise, in terms of how the cross-border and the north-west regional issues are managed by the franchise and understood?

[50] **Mr Jenkins:** I would hope that, through the evidence that we've submitted from the Liverpool city region, which is compelling around the need for, and the value of, enhanced cross-border links, that would be informing the business case. What we have been trying to do with the Welsh Government and across the Liverpool city region is to build that evidence base, because if you don't have the evidence, you can't instigate change. So, we have commissioned and jointly funded the advance studies, for example, with the Welsh Government, on the Wrexham-Bidston line, as an example. That shows us that there is a strong business case in moving forward and that a half-hourly rail service does stack up in business terms. So, that is compelling evidence that we would hope that the new franchise would take on board.

[51] **Russell George:** Mark Isherwood.

[52] **Mark Isherwood:** Thank you. Mr Jenkins made reference to Halton curve and the links that that can provide. I think, in your paper to us you also refer to the fact there's still a single line between Rossett and Wrexham, so the Wrexham to Saltney lost those key two miles, which, as you say, creates capacity constraints in Wrexham and Chester. I wonder if you could tell us, firstly, how important it is that those matters be addressed, but secondly, what engagement you're having with the Welsh Government on Halton curve. We know it's over two years since UK Government announced £10 million, it's over a year since the local city regions announced an extra £16 million and the go-ahead as far as the borders with Wales, but that it depends upon that partnership with the Welsh Government to invest on the Welsh side to extend it into Deeside and the wider area. So, where are you up to with that, what are you hearing from the Welsh Government regarding that? Similarly, in those key two miles, which were debated extensively in the Chamber, are

you hearing anything about that from the Welsh Government end when the existing £44 million project comes to conclusion this year? And finally, in terms of the metro and the linkage between local connectivity and more regional connectivity, you'll know that the business counts, which is one component to the economic ambition board's presentations to economic ambition board meetings, have shown the onion ring—the need to extent prosperity westwards, because it progressively declines the further west you go. How do we reconcile the two, so that we're not so focused on the east that we're not extending that prosperity all the way to Holyhead?

[53] **Mr Jenkins:** If I start off with the Halton curve, I think it's a perfect example of a cross-border transport challenge. There's a piece of infrastructure that's missing, which happens to be in England, which has big benefits for our sub-region in England, in the north-west, but also has significant benefits stretching right across to north Wales, right across to Holyhead—indeed, down to Shrewsbury. It's a true cross-border challenge for the sake of half a mile of missing line. To answer your question, we have funding approval now to the tune of £16 million to reinstate the missing link between Frodsham junction and Runcorn. So, that will allow trains to start using the Halton curve again, which can, in theory, allow direct trains from Holyhead, from Wrexham, to travel through Chester, along the Halton curve into Liverpool South Parkway for the Liverpool John Lennon Airport, and straight into Lime Street.

[54] The business case has been predicated on Merseytravel providing revenue support, in the first instance, for a service between Chester and Liverpool. Now, that's not the optimal solution. One of the barriers to extending that service is capacity. Picking up on your question, there simply is not the capacity at Chester station or in the Wrexham area to allow additional services to extend from, for example, Wrexham to Liverpool via the Halton curve. Even if that funding was on the table, my understanding is that the capacity—the rail infrastructure—does not allow that to happen. I think this highlights the importance of the Growth Track 360 alliance. We need to bring together the partners on both sides of the border to bring practical solutions together, so we've brought capital funding to the Halton curve, we need to bring capital funding to address the challenges in Chester and in Wrexham as well, from wherever they may come. Building the enhanced services has to be a product of the franchise in my view. That's what we are really, really keen to pursue, so that there would be direct services to Liverpool from, for example, Llandudno or from Wrexham, built into the core franchise, so that we're not reliant on short-term revenue fixes

to provide a rail service that is actually only an interim solution.

[55] **Mr Jones:** On the other issue, within Growth Track 360 we've identified a number of key infrastructure issues—Huw's referred to the Halton curve project, he's also referred to the capacity issues at Chester station—and the remaining single track between Wrexham and Chester is one of those issues.

10:30

[56] What we're doing at the moment is a series of pieces of work to understand exactly what can be accommodated within the existing infrastructure. I think we're encouraged that, even from the commencement of the new franchise, it will be possible to run more trains through some of that infrastructure than is the case at the moment. So, there's scope for immediate improvements and benefits right from day one of the new franchise, if they're included in there as outcomes. But also, some of the issues around dealing with that single-track section relate to the capacity at Chester and the capacity and ability to turn trains around at Wrexham, and they are every bit as much a barrier as the remaining single-track section is. So, there's probably an incremental approach that can be adopted to infrastructure improvements and what we would hope to see in the franchise is a flexible process that allows the franchise specification to evolve over time as usage increases and as some of these infrastructure programmes come on board.

[57] Another of the projects that we've identified as being a critical infrastructure scheme is about improving line speed to the west of Chester, so that north-west Wales can also benefit from the improvements as much as possible. Again, one of the key asks in Growth Track was to extend the number of people who can use rail for journeys of an hour to as many people as possible. So, at the moment, it takes about an hour to get from Manchester to Chester. If, by improving the speed of rail services, we were able to get that hour to Llandudno or somewhere like that—it's a bit far-fetched that, but if it were possible—then that provides an opportunity for far more people to see that journey as being a viable commute for them, and the same thing applies—. It's all about improving the opportunities along the whole of the line.

[58] In the north-west, there are a number of critical issues. Bangor is by far the busiest station in north Wales in passenger number terms at the moment and yet, it's got a pretty rubbish service of one train an hour, plus

some trains in some hours. We believe it needs more than that if it's to act as a hub for the economy for the whole of the north-west of Wales. I also think there's scope for a better series of local services between Llandudno and Bangor that would allow people to use the rail network for commuting in and out of Bangor, and relieve some of the pressure on the Menai crossing. We think that would also be a real advantage that could be built into the new franchise.

[59] **Russell George:** Do you have any further questions, Mark?

[60] **Mark Isherwood:** No. I think Councillor Dixon—

[61] **Ms Dixon:** I just wanted to add a point about the governance arrangements and how they play into the aspirations, because for elected members, you can get lost in the detail around line-speed improvements, signalling and the technical details that I won't even pretend to know the detail of. However, I see it as my role to ensure that conversations take place in the right places, and are linked together. So, for example, the Cheshire and Warrington local enterprise partnership's local transport body, which is chaired by Pete Waterman, plays very strongly into the aspirations for north-west Wales. He has a very clear understanding of the relationship with Holyhead and what may be perceived to be a small aspect of a much wider transport picture. Articulating how it's significant in the wider picture is really the role of the umbrella organisation of Growth Track 360. So, from my perspective, it's about joining up the conversations so that they make sense and so that the small asks can be seen in the context of what they unlock.

[62] **Russell George:** Before I move to the next section, there's one last question. With regard to a Welsh Government, Transport for Wales-led franchise, how do English passengers get their voices heard in that? Is that an issue? I don't need answers from all of you, because we're a little bit pressed for time, but if you've got a particular view on that, I'd be grateful.

[63] **Ms Dixon:** Through Growth Track 360 and the governance around it, I think. I think that's the answer to your question. I'm an elected representative of English residents who will definitely benefit from improvements to the franchise, but also, we've been able to establish, for example, in the UK Parliament and in the Welsh Assembly, all-party parliamentary groups who are the elected Members of Parliament or Members of the Assembly who articulate the aspirations of their residents as well. I don't want to claim too much, but I think that those groups came

about because of the work that we were doing around Growth Track 360.

[64] **Russell George:** So, in short, you think that with a franchise that is being led by the Welsh Government, English passengers are having their voices heard in that process.

[65] **Ms Dixon:** It's my responsibility to make sure that they are.

[66] **Russell George:** Iwan.

[67] **Mr Jones:** A very small point: I think, in the context of that question, it's probably also important to note that by far the biggest constraints that there are to improving rail services in north Wales are actually all in England, so it needs to be a two-way street. The big issues for us are Crewe, Manchester, Liverpool, Birmingham and the West Coast main line, and it's just as important for us to have a voice in how those services and infrastructure are funded as it is for passengers in England to have a say within the Welsh franchise.

[68] **Russell George:** Grateful. We have got quite a bit of subjects—

[69] **Mark Isherwood:** Should we just comment that you are the chair of the cross-party group?

[70] **Russell George:** That's right, I am. I do chair the cross-party group on cross-border issues, yes. Thank you, Mark. We have got quite a few subject areas to get through, so I'll ask Members to be pointed in their questions, and if answers could be as short as possible to allow us to ask more questions as we go along. Jeremy Miles.

[71] **Jeremy Miles:** I've got some questions about the concessionary model. You shouldn't all feel that you have to answer each question, but, equally, if you each have a view, I'd be glad to hear it. The Welsh Government has expressed a preference for the concessionary model as the best mechanism for getting to as near a not-for-profit model as the statutory obstacles allow. I'm just interested in your thoughts on how you would expect that to limit the profits available to the operator. Would it be on a cost-plus basis or would it be on a capped share of revenue basis? What would you expect to see as the most effective way of doing that?

[72] **Mr Jones:** What you'd want to see is the operator incentivised to

maximise income as far as possible, and reduce the level of subsidy then that goes into the service. I touched earlier on about the fact that we believe there to be suppressed demand. We would like to see—I think it's essential that we see a proper and effective incentivisation of the operator to maximise revenue on all routes. I'm not sure that's necessarily been there in the current franchise.

[73] **Jeremy Miles:** So, it would effectively be a capped participation in the revenues, or it might not be capped—how would that play through?

[74] **Mr Jones:** I don't think it necessarily needs to be capped. I think the important thing is this incentivisation of the franchise operator, really, to maximise income—

[75] **Jeremy Miles:** So a revenue share of some sort. A percentage share of the revenue, effectively.

[76] **Mr Jenkins:** I think, Chair, from the experience of Merseyrail, that concession was devolved from the Department for Transport to the Merseyside passenger transport executive in 2003. That's a very effective model. That is a concession that is owned by Merseytravel, but services are delivered by Serco-Abellio, by private sector companies that are clearly incentivised to make a profit, but there are profit-sharing agreements built into the way that the franchise works. Ultimately, if the franchisee does not deliver, Merseytravel has the ability to review that arrangement to become the operator of last resort. But what that's led to, particularly as it's a 25-year concession, is a very meaningful partnership, a very deep partnership and a good joint working arrangement on both sides that's helped facilitate investment from both Merseyrail and from Merseytravel, and other public sources.

[77] **Jeremy Miles:** So, the profit share operates, obviously, to incentivise driving up passenger numbers, clearly, but also to incentivise investment, in your experience.

[78] **Mr Jenkins:** Yes, indeed. In many ways, the Merseyrail franchise is now a victim of its own success. Passenger numbers have grown from around 27 million when the franchise was let to around 34 million now. There are now big capacity issues at stake that we, collectively, need to be addressing. One of the most obvious ways we're trying to address those jointly is now through the procurement of new rolling stock—we'll perhaps touch on that

later—but that’s a very good example of an investment by the Liverpool city region that will have direct benefits to carry on supporting growth.

[79] **Jeremy Miles:** I understand the incentive side. So, on the downside, if you like—the penalty side—how does that play through in a concessionary model? How do you expect a system of penalties to play through, given that there’s a limited upside, if you like, to the concession holder or the concession taker, whichever perspective you look at?

[80] **Mr Jenkins:** I think, from my experience, which is fairly general, there could be financial penalties. That tends not to be the way that we work for franchise. It is a much more conciliatory basis than that—joint working, trying to resolve problems together, rather than threatening to impose fines, for example. I think the fact that we are both based in Liverpool—we're both based within half a mile of one another, both Merseytravel and Merseyrail—does help to foster those good relationships.

[81] **Jeremy Miles:** Does the nature of the concession—? There’s a limited upside and, therefore, having an aggressive downside wouldn’t be appropriate. Is that part of the thinking, or—?

[82] **Mr Jenkins:** I think so.

[83] **Jeremy Miles:** So, in terms of how that model plays through into process, it would seem, from a common sense point of view, that if there’s limited flexibility from the operator’s point of view to maximise profit, then there’s going to be a lot of pressure on getting the specification for the service perhaps more tightly drafted and drawn than parties might otherwise have been prepared to live with. Is that a fair assumption?

[84] **Mr Jones:** If that assumption about suppressed demand is right, then what you want is a franchise that enables the level of services to flex and change over time. I think Huw’s right—it needs to be an effective partnership between the operator and Transport for Wales that delivers this opportunity for sustained growth. What I would add is that the ultimate driver for us is to secure that the rail network actually acts as a driver of economic growth in the wider sense, so there’s a long-term payback economically here as well as within the franchise.

[85] **Jeremy Miles:** What I’m trying to understand is whether the concessionary model, as opposed to a broader franchise model, tells us

something about the nature of the process so far. For example, you've talked about the issues around the competitive dialogue process. Would the choice of ultimate model change some of your considerations about how the process has been run so far?

[86] **Mr Jones:** It probably would, yes.

[87] **Mr Jenkins:** I guess from my perspective I think the importance is to get those services and the spec right from the start. So, based on growth, based on the strong cross-border links that we're talking about now, rather than trying to add them on later, which is always going to be much more complicated and much more expensive.

[88] So, as an example, with Merseyrail we were able to build things like price capping into the franchise, we were able to build service quality and capacity—which services would operate as three-car services and which would operate as six-car services. They could be specified as part of the original agreement.

[89] **Jeremy Miles:** Okay. And in general terms, would you say that the process of competitive dialogue leading to a specification in the way that it has been run by the Welsh Government has been appropriate to a concession-based model?

[90] **Mr Jones:** I think so, yes, because what you want to see in all of this is the innovation that the private sector bidders can bring to the equation. I think the point is that you would want that then exercised in a way that actually drives passenger growth, and how the rail network can support the economy, as opposed to that innovation being used, as it can be in some public sector contracts, purely for profit for the operators.

[91] **Jeremy Miles:** Just one final question, then. I think I was going to talk about the broader specification, but on the question of the duration of the contract, is whether it's a franchise proper or a concession relevant to the considerations around duration?

[92] **Mr Jones:** I think that concession probably gives more flexibility in the longer run, rather than the very fixed and rigid specification that we've had in the current franchise. There are going to be some big changes during the life of the franchise—the 15 years that it will operate. In our case, HS2 coming on board in the mid-2020s at Crewe will be an absolute game

changer as far as the service levels that we want to see. So, you wouldn't want to see all that investment in HS2 happen and then for us to be constrained with the service pattern that's in place between now and 2026. You need to have that flexibility to be able to vary services to suit changing demand.

[93] **Jeremy Miles:** And a concession provides better flexibility to do that, does it, effectively? Is that what you're saying?

[94] **Mr Jones:** I think it does, yes. It allows a dialogue between the operator and the franchisee.

[95] **Mr Jenkins:** I think from our perspective, the really important point is that length that's agreed as part of the arrangements. So, we have a 25-year concession for Merseyrail. That's a very long period, clearly, but that does allow investment to be made, it enables an element of risk, it gives confidence to invest in things like new rolling stock without the fear that you're going to perhaps lose that rolling stock or lose that benefit after a couple of years.

[96] **Jeremy Miles:** Okay. So the model that caps profit, if you like—the quid pro quo that incentivises investment—is the longer time frame. Is it fair to say that?

[97] **Mr Jones:** Possibly, yes.

[98] **Jeremy Miles:** Thanks.

[99] **Russell George:** Are there any other questions on this subject before I go on to rolling stock? Mark Isherwood.

[100] **Mark Isherwood:** Just in the context of your experience, of course, you're a far more concentrated network geographically, and you're electrified, I believe. How does that transfer across to the system we're talking about in Wales currently, which is very spread out and is not electrified?

[101] **Mr Jenkins:** I think the fact that Merseyrail is a self-contained network—there are no interfaces with freight or inter-city services, for example—does make it easier, in a sense, to manage. You're only thinking about one train operating company and one set of service patterns. It does

make it inherently easier to manage, but our ambition, very clearly, is to extend that network, which would make it more complicated, particularly if you're looking at different types of electrification. But our vision is to extend Merseyrail, so that it doesn't just stop at arbitrary boundaries, as it does now.

10:45

[102] **Mr Jones:** The concession model ought to allow slightly different approaches in different parts of Wales to suit local circumstances. That would potentially be an advantage, rather than a one-size-fits-all approach. Even within north Wales, I've already talked about the fact that you've got a long-distance market and you've got a local commuter market. Being able to differentiate between those two within the region would actually be quite helpful.

[103] **Russell George:** As long as our witnesses are happy, we will just go on a little bit beyond 11:00. Are you all happy to stay a little bit longer? Thank you. David Rowlands.

[104] **David J. Rowlands:** What I'd like to turn to is the specific and perhaps thorny question that's come up in our briefing notes and in our investigations previously, and that's the acquisition of rolling stock. Could we explore some ideas with regard to funding rolling stock that perhaps is in addition to the current practice?

[105] **Mr Jones:** I'll start with some general stuff and then perhaps Huw can come in on this, because I think there's some really helpful experience from Merseytravel on rolling stock.

[106] I think we are concerned about rolling stock. We're concerned that too much of the stock, come 2020, won't be compliant. We're concerned that a lot of the rolling stock is off contract in 2018 and, given the current shortage of rolling stock across the UK, there may be other predatory franchisees looking around for something. We've got issues just in terms of being able to retain the existing level of rolling stock we've had.

[107] Then, for the new franchise—and I think this is where Northern in particular is a lesson for us—the ability to have good, high quality, modern, economic, effective, rolling stock to serve the franchise for the length of time is absolutely crucial. We believe that rolling stock needs to be flexible so that

it can join together and split up instead of the relatively short single units that we have at the moment, and we need more of it. So, generally, yes, it's a really big issue for us.

[108] **Mr Jenkins:** Absolutely. The lack of rolling stock is one of the big constraints now to enhance services on the Borderlands line. Even if we had the capacity issues addressed that I talked about earlier on the infrastructure, the rolling stock to be able to extend into the Halton curve from north-east Wales—that is a challenge.

[109] What we're doing is that the Liverpool city region is becoming a ROSCO. We are buying rolling stock for the Merseyrail network. That contract has now been signed. That commits to £460 million investment in 52 new electric units operating on the Merseyrail Electrics franchise network. That brings lots and lots of benefits. I was talking about growth earlier. It helps accommodate that growth with additional capacity and additional speed.

[110] But I think one of the big benefits is that that stock has the flexibility to go off the network, or could have the potential to go off the network. Although it's designed at 750 volts DC, the third rail system, there is passive provision to enable those units to be electrified to an overhead standard so that, if Merseyrail was extended in the form of overhead electrification, that rolling stock would in principle be able to extend beyond Merseyrail and on to additional destinations. We have aspirations to extend to Skelmersdale in Lancashire, as an example. It's very unlikely that that would take the form of third rail electrification. It would be overhead, because that's the modern standard. Those trains have been designed with that flexibility in mind.

[111] So, the other important element of the acquisition of rolling stock is that there is headroom in that concession, or headroom in that contract, to enable additional stock to be purchased. So, if there was scope to look at additional units for extending those units into north Wales, in principle, that could be possible. The other element I should add that we're looking at as well is battery motive power, which could address a number of these cross-border issues in a much quicker way than overhead electrification, which is expensive and takes a lot of time.

[112] **David J. Rowlands:** Thank you. Merseytravel mentioned specifically the possibility of the Welsh Government purchasing stock directly, acting as a ROSCO. Can you give us a bit of expansion on how you feel that might be more beneficial to do it that way?

[113] **Mr Jenkins:** I think, from our experience, the business case shows that it's a more effective and efficient model. We are currently paying to lease what are now 40-year-old trains that have in many ways lost their value now. They are old trains, but we're still paying for the leasing of that rolling stock. We will be the rolling stock company. We've been able to specify what those trains look like, how they're designed, what people want and people have told us that they don't want closed compartments, for example. They want open seating areas, they want air-conditioning and they want to be able to charge up their mobile phones. We've been able to build that into the spec. The business model shows how that is a cheaper model than continuing to lease trains for the duration of the franchise.

[114] **David J. Rowlands:** And, of course, then it would give the Welsh Government an option when a new franchise comes up to keep that rolling stock going on over that period of time. That's right isn't it?

[115] **Mr Jenkins:** Exactly.

[116] **David J. Rowlands:** I think we're all concerned about the fact that if you're talking about new rolling stock, you've probably got a lead-in time of something like four years for the production of those units. So, really, the Welsh Government ought to be making moves with regard to that and how the stock is going to come about. There's talk about piggybacking on other larger orders in order that we can get some sort of reasonable price on purchase of that stock. Do you know anything about that? Can you give us any information on that?

[117] **Mr Jenkins:** It's something I touched on earlier. Although we have signed a contract for £460 million-worth of trains for Merseyrail, there is additional headroom in that contract. So, if we wanted to bring in additional units as our franchise extends and as other franchises grow and evolve, there could be the potential to come to some arrangement with adjoining areas, to sublease or to run services from, for example, Liverpool all the way through to Wrexham. Our long-term ambition, aspiration, is to see the electrification of the Wrexham-Bidston line that would allow direct trains to go from Liverpool through Shotton to Wrexham, as an example.

[118] **David J. Rowlands:** Yes—

[119] **Russell George:** Can I bring Hefin in? I'll come back to you if you've

got further questions, if that's all right. Hefin David.

[120] **Hefin David:** Just about electrification: purchasing rolling stock is hopeless, isn't it, because of diesel trains?

[121] **Mr Jones:** I don't know—the Northern franchise is procuring a substantial amount of new diesel rolling stock.

[122] **Hefin David:** Well, that's very interesting because Arriva told me that there's simply no diesel stock available.

[123] **Mr Jones:** There's no current diesel stock available for lease anywhere in the UK, but parts of both the Northern and TransPennine franchises, I think, are procuring substantial volumes of new rolling stock and that includes both electric and diesel stock and probably bi-mode as well, I would think, on the cusp between the two—it's basically the same type of train but you can put an engine in it or you can put the electrical component in it.

[124] **Hefin David:** What's the cost difference?

[125] **Mr Jones:** I wouldn't be able to know off the top of my head.

[126] **Hefin David:** Well, I mean, David Rowlands has already mentioned three to four years. Arriva have said on the record, indeed on *Week in Week Out*, that, 'It's three to four years and it's hugely costly to procure any kind of new rolling stock. What we've got to do is get existing stock and adapt it. We get electric stock and adapt it to a diesel track, and without electrification we're extremely hamstrung.'

[127] **Mr Jones:** I think, to be fair, what's affordable for Arriva within the current franchise is very different from what would be affordable under the new franchise, because, you know, you're looking at a new agreement. As Huw said, there is potentially an option for the Welsh Government to consider acting as a rolling stock operating company in its own right and procuring the stuff directly.

[128] **Hefin David:** Well, you say that, but I understand that the Welsh Government approached the UK Government in 2011 to become a ROSCO and purchase rolling stock, but they were told, 'Under no circumstances', because due to the electrification of the lines we'd have a glut of diesel stock in 2015. You know, so it's easier said than done, I think.

[129] **Mr Jones:** It is, and we're in an ever-changing environment. Twelve months ago when we started Growth Track 360 electrification was very much a significant component of what we had. It's probably fair to say that the UK as a whole has gone a little bit colder on electrification more recently as a result of the cost overruns on some of the existing schemes they're trying to deliver. So, I think there is a move at the moment to try and identify alternative mechanisms to deliver the same level of services that we want and possibly battery power linked to the electrification linked to something else is a way forward for the future.

[130] **Hefin David:** I've got to be fair to Arriva, they are trying to work on it. But are you suggesting that with the new franchise, then, we could see a faster movement to additional stock? If they ordered today it would be three years, so we could see it faster.

[131] **Mr Jones:** You would hope that with the current dialogue that's taking place with bidders, rolling stock is an essential component of that because it needs to be. Frankly, I'd be astounded if it wasn't. But like I say, because of the way the dialogue process is happening, nobody has got any real understanding of what's going on within that process, for all of the right reasons. The purchase of new rolling stock has to be absolutely at the core of the debate that's going on with the bidders around the franchise at the moment.

[132] **Hefin David:** So, notwithstanding the access legislation, we could be optimistic that we might see newer rolling stock with the new franchise before 2021.

[133] **Mr Jones:** That depends on the approach adopted by the franchise bidders, to be honest with you.

[134] **Hefin David:** But it's possible.

[135] **Mr Jones:** It's possible.

[136] **Hefin David:** Okay.

[137] **Mr Jones:** It would probably mean piggybacking onto an existing contract that's in place for rolling stock procurement in order for that to happen.

[138] **Hefin David:** Okay, thank you.

[139] **Russell George:** David, did you have further questions?

[140] **David J. Rowlands:** Just very quickly: obviously one of the other methods of acquisition is the cascading method, but as you've said, Huw, earlier on, that doesn't give us bespoke stock, does it? Have you been involved in the purchase of cascading stock or—?

[141] **Mr Jenkins:** I've no direct experience at all, but an offer has been made from my colleague who's been responsible for procuring the rolling stock within Merseytravel. He'd be more than happy to come and talk to Members of the Assembly about this issue or to pick up any further details. But we looked at a range of options as part of the rolling stock project, ranging from refurbishing what we've got, acquiring second-hand units, and the best option that stacked up in every way was building new units, and for the city regions, really, to be the ROSCO for those trains.

[142] **David J. Rowlands:** Yes, absolutely, because it obviously brings concerns about the quality of that cascaded stock, how old it is, and the quality of it, anyway. So, thank you. Thank you very much. Yes, sorry—

[143] **Mr Jones:** A small point: in the very short term, any new rolling stock would be an advantage, given the levels of overcrowding that exist on parts of the network. But that's very much a short-term stopgap.

[144] **David J. Rowlands:** Yes, thank you.

[145] **Russell George:** There's a section on stations, which Vikki is going to lead on, to come up later, and I want to allow sufficient time for that, so in the meantime, can I ask Members to be precise in their questions, and for answers to be as detailed but as short as possible at the same time? Mark Isherwood.

[146] **Mark Isherwood.** Very quickly: you've already referred to the need for flexibility in the franchise agreement. Could you confirm which areas you believe are likely to require that flexibility?

[147] **Mr Jones:** I've touched on it already. The big game-changer that's going to impact on north Wales over the life of the franchise is HS2 arriving

in Crewe. That will probably need a recast of the entire network—of the entire service pattern. So, that alone is enough to justify some kind of step point within the franchise to take account of the changes that that will bring with it. I've also touched on the fact that you would want to see the franchise evolving over time to increase the number of trains and services as, if it's managed correctly, the suppressed demand that we believe exists in the network at the moment is unravelled.

[148] **Mark Isherwood:** Thank you. And you talked about the specification process being an ideal opportunity for solutions. What key infrastructure enhancements—other than those you've already mentioned—if any, are required?

[149] **Mr Jenkins:** I think, from my perspective, certainly stations. The quality of the non-Merseyrail stations within the Liverpool city region at Heswall and Upton, which are part of the Wales and borders franchise at present, are way beyond, or way below, the standard of the other stations that we have across the network. So, we'd certainly want to see enhancements to the quality of those stations. Merseyrail stations, for example, as part of the concession, are all staffed. Now, that is a big ask and there's a cost to that, but, nevertheless, the quality of those stations that aren't part of Merseyrail or our Northern lines is significantly lower, and we want to see that enhanced as part of the franchise.

[150] **Mark Isherwood:** Thank you. From the Welsh side or the Chester side?

[151] **Ms Dixon:** Well, we'd like to see the improvements that Iwan described at Chester station, so that we can actually get trains in and out and unlock the untapped demand that he was talking about. We also want to see improvements to car parking facilities and passenger quality indicators as well, so things like CCTV, live journey information—those kinds of things that are really important for passengers, and encourage them to use the train.

[152] **Mark Isherwood:** Do you have anything to add, Iwan?

[153] **Mr Jones:** Only really that if the metro concept is to be successful in north Wales, then we've got to have full and effective integration between different modes of transport. So, you'd expect car to rail, bus to rail and car to bus all to feature as part of that network. And that does mean that you're going to need those interchange facilities to provide it at key hubs on the rail

network.

[154] **Mark Isherwood:** Multimodal—

[155] **Mr Jones:** Yes.

[156] **Mark Isherwood:** [*Inaudible.*]—it's a rhetorical question. I hope you'll all agree that, of course, disability access needs to be at the core of all of this also.

[157] **Mr Jones:** Absolutely.

[158] **Mark Isherwood:** Thank you.

11:00

[159] **Vikki Howells:** Thank you, Chair. I'd like to ask some questions around the issue of stations. When we look at what's important to passengers, then improving the quality of station facilities is right up there. So, firstly, I'd like to ask about the funding process behind that. There's been some talk of the residual value funding mechanism, and I wonder if you can expand for us on how that might allow the franchise operator to improve stations.

[160] **Mr Jones:** I think the issue that we were driving at in the response was that we need a mechanism that enables the franchisee to be able to deliver large station refurbishment projects. At the moment, those have mainly only happened because funding has come from outside of the franchise. Effectively, it's been either European or DfT or Welsh Government money that's funded the station improvement programmes. You would want the operator or the franchisee to play a more important role in the funding of those projects, rather than sitting back and relying on external grants to be provided for station improvements. That could happen within the length of the franchise, but then it also perhaps—. Some funding projects may be very substantial indeed; the kind of schemes that are likely to be required at Chester would be very significant indeed. And I think it's important that a mechanism exists so that whatever happens within the station also applies with the very ambitious proposals that Cheshire West have for the area around the station as well.

[161] **Vikki Howells:** So, do you foresee a situation where it's the franchisee that's solely responsible then for the management and the improvement of

stations, or do you think there's any room for that to be divided between the UK Government, Welsh Government and Transport for Wales as well?

[162] **Mr Jones:** Yes.

[163] **Ms Dixon:** It depends on the station.

[164] **Mr Jones:** It does depend on the station, but with the latter you'd want to see a partnership approach. And what you wouldn't want to see is the franchisee able to, effectively, walk away from delivering essential station improvements, purely because there's no commitment to do so in the franchise.

[165] **Vikki Howells:** Do you think there's a danger then that if we're looking at a model where you could have all those different parties being responsible for aspects of station improvement and maintenance, things would just not get done as efficiently?

[166] **Mr Jones:** I suppose it's a possibility. The reality is, though, I think, that the model that we've tried to outline through Growth Track 360 is very much a partnership approach, where the local authority, Welsh Government, the operator, Network Rail and other bodies are all involved in the process of moving a project forward. I think the Chester station project is a really good example of how that kind of thing could come together, where there are opportunities for substantial redevelopment around the station, which also need to be linked into, then, the redevelopment of the station itself. That needs to come together as a package, otherwise—. Go on.

[167] **Ms Dixon:** I was just going to add that I think devolution for us is a way of unlocking it as well, because currently the sort of dialogue that we have to have is issue by issue. If we can achieve devolved powers around transport, we'll be able to have a much greater say and determination about what happens. I mean, the Chester improvements—we need to raise a bridge. It's in my ward. People have died on that bridge because of the configuration of it. So, as a ward member, it's really important that that bridge is sorted out, but, actually, that bridge unlocks all of north Wales.

[168] **Mr Jenkins:** Merseytravel has invested heavily in new stations and upgraded stations using a range of public funding sources—everything from European funding to Network Rail funding. It's probably just worth adding that, as part of our devolution agreement in the Liverpool city region, we are

looking now at alternative models to managing and controlling railway stations. So, at the moment, they are leased from Network Rail. We're looking at potential options that could entail the transfer of those to the Liverpool city region, on perhaps a freehold basis or a long-term lease basis. That work's still being looked at, but we are looking at different models that could deliver more flexibility and reduced costs.

[169] **Vikki Howells:** Thank you.

[170] **Russell George:** I'll ask Members if they've got any final questions on any other subjects to ask. If I could ask about fare ticketing—sorry, fare structures and ticketing, how is the franchise specification going to help in that regard?

[171] **Mr Jones:** The whole issue of ticketing is part of the issue that we believe is around suppressed demand. Huw and I were actually comparing notes this morning on how much we paid to get here. I paid rather more money to travel from north Wales to here than Huw did from Liverpool. Also, it struck me this morning when I bought my ticket that last time I made this journey I was able to get a day return. That seems to have now disappeared, which has added another £16 onto the cost of my rail journey. So, it was a very expensive trip by train this morning, to be honest with you. It would have been cheaper for me to drive, and that's just with me in the car, let alone two people. So, there is a disincentive, I think, in terms of the fare structure across Wales. There are inequalities in the fare structure across Wales as well. Fares in parts of Wales are significantly higher than they are in other parts of Wales. If you want a golden example of that, the difference between the fares on the Wrexham–Bidston line, and on the competing—I say 'competing'; on the parallel—Merseytravel line is actually really stark. If you go from Neston, for example, I think it's about £6.80 on the Wrexham–Bidston line.

[172] **Russell George:** So, what could the franchise spec do to help the situation?

[173] **Mr Jones:** Well, I think there needs to be an equalisation of fares, and a full review of the fare structure across Wales. The new franchise is a real opportunity to do that. Secondly, I think that we'd be really keen to explore, particularly within this context of the metro, how we can work with the operators, ultimately, to put an alternative fare structure in place that helps unlock the suppressed demand.

[174] **Ms Dixon:** And that also links into bus services as well, so that it is really integrated—I think that’s really important—but also it uses the latest technology, so that people can purchase their tickets on their phone.

[175] **Russell George:** Huw.

[176] **Mr Jenkins:** I agree that the specification of the franchise is the perfect opportunity to recast and review all of those fares and those anomalies. We have capped fares on the Merseyrail network as part of a concession agreement, and that’s been one of the many factors that have driven up growth. What I would add is the importance of looking at adjoining areas’ ticketing schemes, and I’m thinking particularly here of smartcards. We have a smartcard scheme in the Liverpool city region, which is Walrus. As I said earlier, there’s no reason why that couldn’t extend much wider, well into north Wales and beyond. Transport for the North are also looking to a pan-northern ticketing scheme as well. So, perhaps rather than reinventing any wheels, trying to link into those ticketing schemes would seem a good opportunity as well.

[177] **Russell George:** With so many different schemes across different borders, isn’t it complicated? I’m an occasional train user. If I was a regular train user I’d work it out, but, as someone who’s not that regular, I find this really complicated, lots of different schemes, and—.

[178] **Mr Jenkins:** Yes.

[179] **Mr Jones:** Simplicity and affordability is the key.

[180] **Russell George:** Okay. Jeremy Miles.

[181] **Jeremy Miles:** I just have a question for you on becoming a rolling stock operating company. How do you fund the capital outlay for that?

[182] **Mr Jenkins:** It’s mainly through borrowing. We have capital receipts that we are using to borrow the funding, in effect. So, it’s almost like a mortgage, and that, basically, is how it’s being funded.

[183] **Jeremy Miles:** Okay. Thank you.

[184] **Russell George:** Do any other Members have questions at all? No. Well,

can I ask our witnesses, have you got any information that you want to impart to us that perhaps has not been drawn out through questions?

[185] **Mr Jones:** I don't think so.

[186] **Russell George:** Huw.

[187] **Mr Jenkins:** Just to extend that there's an invitation from my colleague who's been responsible for the procurement of the rolling stock and my colleague who is responsible for managing the Merseyrail concession. They'd be more than happy—they would both be very happy—to provide additional information and provide any answers to any further questions or to submit further evidence.

[188] **Ms Dixon:** And if I could just add that, as a representative of English residents, the cross-border working has been phenomenal. I think the relationships are really strong, and I think it's for the benefit of all of the communities that sit on either side of what is essentially a border that they don't recognise. So, thank you for inviting us.

[189] **Russell George:** One more question. In regard to Chester station, what about the importance of Chester station? Because the UK Government, as I understand it, want to retain the responsibility for Chester station. Any implications there?

[190] **Mr Jones:** Chester station is the hub that the network in north Wales revolves around. It's interesting that Arriva Trains Wales currently manage the station but, actually, the track within Chester station is not part of the Wales route. It actually sits with the London North Western route. So, again, it's a really good example of how different boundaries within governance arrangements actually impact on us trying to put an integrated network together.

[191] **Ms Dixon:** I think the three stations, certainly from our sub-region, that can unlock north Wales are Warrington, Chester and Crewe, and if we get those right then we're all happy.

[192] **Russell George:** That's a good note to end on, isn't it? Well, can I thank our witnesses this morning? We're very grateful for your time this morning to be with us. There will be a transcript of proceedings. Please look through it and let us know if there are any other issues you want to add to, and if you

have got comments that you think about after this meeting's finished then, by all means, let us know. We'd be grateful for further comments from you as well. So, I draw this session to an end, and the next session will start at 12:00.

Daeth y cyfarfod i ben am 11:10.

The meeting ended at 11:10.