



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](#)

23/03/2017

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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

David Beer	Rheolwr Rhanddeiliaid, Transport Focus Stakeholder Manager, Transport Focus
Yr Athro/ Professor Stuart Cole	Athro Emeritws Trafnidiaeth, Prifysgol De Cymru Emeritus Professor of Transport, University of South Wales
Cynghorydd / Councillor Huw David	Cadeirydd, Awdurdod Trafnidiaeth Prifddinas– Ranbarth Caerdydd Chair, Cardiff Capital Region Transport Authority
Richard Evans	Pennaeth Polisi Gwasanaethau i Deithwyr, Rail Delivery Group Head of Passenger Services Policy, Rail Delivery

Group

Sharon Hedges	Rheolwr Rhaglen Masnachfrait, Transport Focus Franchise Programme Manager, Transport Focus
Mike Hewitson	Pennaeth Polisi, Transport Focus Head of Policy, Transport Focus
Dr Mark Lang	Ymchwilydd Ymgynghorol Economaidd– Gymdeithasol, Prifysgol Caerdydd Consultant Socio–Economic Researcher, Cardiff University
Andrew Morgan	Cadeirydd, Prifddinas–Ranbarth Caerdydd Chair, Cardiff Capital Region
Rowland Pittard	Ysgrifennydd, Railfuture Cymru/Wales Secretary, Railfuture Cymru/Wales
Roger Waters	Swyddog Arweiniol, Awdurdod Trafnidiaeth Prifddinas–Ranbarth Caerdydd Lead Officer, Cardiff Capital Region Transport Authority

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

Andrew Minnis	Ymchwilydd Researcher
Gareth Price	Clerc Clerk
Robert Lloyd–Williams	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 09:23.
The meeting began at 09:23.

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

[1] **Russell George:** Bore da. I'd like to welcome Members and members of the committee to the Economy, Infrastructure and Skills Committee this morning. I move to item 1 and note that we have apologies from Adam Price, and Jeremy Miles has indicated he'll be leaving later in the morning. Are there any declarations of interest this morning? No, there are not.

**Prifddinas–ranbarth Caerdydd—Ymchwiliad i Ddarparu Masnachfaint y
Rheilffyrdd a'r Metro
Cardiff Capital Region—Inquiry into Rail Franchise and Metro Delivery**

[2] **Russell George:** In that case, I move to item 2, and this is in regard to our inquiry on the rail franchise and metro delivery. This morning, we have witnesses in regards to Cardiff capital city region, and I'd like to welcome our witnesses this morning. I'd be grateful if you could introduce yourself just for the Record and what your roles are.

[3] **Mr Morgan:** Okay. I'm Andrew Morgan, leader of RCT, but I'm the chair of the Cardiff capital city region city deal. Just to clarify, I'm not the chair of the capital region, as is in the report. I'm on the capital region board, but I chair the city deal, not the region.

[4] **Russell George:** Thank you for the clarification.

[5] **Mr David:** Good morning. Thank you for the invitation. I'm Huw David, leader or Bridgend County Borough Council and I'm chair of the shadow Cardiff capital region transport authority.

[6] **Russell George:** Thank you.

[7] **Mr Waters:** Good morning, bore da. I'm Roger Waters. The day job is a service director for highways and street care services with Rhondda Cynon Taf County Borough Council, but I'm here as the lead officer for the shadow regional transport authority.

[8] **Russell George:** I'm very grateful. So, Members have got various questions this morning, but if I could start and just ask you what your roles are in the procurement process and the management of the franchise going

forward?

[9] **Mr David:** The shadow regional transport authority—we will be coming out of the shadows, shortly, in the summer—has a senior transport officer seconded on a full-time basis as part of the procurement team for the new metro. He reports back regularly to the regional transport authority that consists of the cabinet members for transportation from each of the 10 constituent local authorities. He's there to provide his expertise, to feed back to us and then to feed back to the procurement team in Welsh Government. Obviously, at the outset of the vision for the metro, the former Minister had meetings with leaders at the time—I wasn't a leader at the time—and they were part of that initial discussion around the concept and the vision for the metro.

[10] **Mr Morgan:** Can I say that, when Edwina Hart was the Minister, we had bimonthly meetings—all leaders across Wales with transport officials present—and it was at the time, actually, when they were starting to open up some of the wider public consultation around what the new franchise could look like. So, we had engagement on issues around capacity, the state of the trains, better changing facilities, low-floor access and Wi-Fi, which were just some of the basics. We had a consultation during that period. Since the shadow joint cabinet was set up, we've had Transport for Wales and Simon Jones come to our meetings to give us updates as much as they could during the process. We've come out of shadow now, so the joint committee is now formal since 1 March. But, at this present time, especially because we're going into purdah, the dialogue is between officers, and, as Huw has rightly said, Roger is leading on that with the officer who is seconded in from Caerphilly on a full-time basis.

[11] **Mr Waters:** Perhaps just to expand on that, in practical terms, we've had involvement with Welsh Government and Transport for Wales at an officer level for some significant period of time, now, contributing to work to look at the potential range of schemes and interventions that might come forward, particularly under the metro concept. We were involved in evaluating those schemes before the procurement process really kicked in.

[12] At the outset of the procurement process, we attended sessions to encourage the supply chain to engage. We supported that process, and, to be fair, I think, as officers, we were very impressed with that engagement. I guess, at that time, if Transport for Wales and Welsh Government had envisaged having four significant bidders coming to the table and engaging

in this process, they would've been delighted, had they been able to foresee that. So, we were involved in that process. We were involved, as my colleagues say, in terms of the procurement process now, so we've got somebody at the table in the competitive dialogue, representing our thoughts in that process.

[13] Also, when the discussion continues, now, to deal with things like skills and training, we will have people sitting at the table for those specialist topic sessions to represent our views and help, and really add value and bring the local authority side of things to the table.

[14] **Russell George:** Hefin David.

[15] **Hefin David:** A very quick question on something Councillor Morgan said. You said the purdah's going to have an impact on what you're doing. I don't understand why.

[16] **Mr Morgan:** Only on the basis that, obviously, we've scaled back, as leaders, a lot of our meetings. We're still meeting as the joint cabinet. That is having an impact in terms of the political aspect, but, officer wise, because of the competitive dialogue and what's going on, actually, members won't have a direct role in it.

[17] **Hefin David:** It's extraordinary, though, isn't it? It wouldn't happen at any other level of government.

[18] **Mr Morgan:** Well, when I say it's having an impact, what I'm saying is that we won't be having meetings to discuss it during that period, but, even if there wasn't purdah, we wouldn't get much more information than what we're getting now anyway, because they are in that dialogue period, and there's a lot of confidentiality with that anyway, because of the nature. But that's why we have an officer who is seconded in with them and they will then feed back.

[19] **Hefin David:** Okay. It was only an aside. I didn't want to get into the detail on it.

09:30

[20] **Mr David:** Chair, can I add that we will be having a day-long workshop with officials from Welsh Government with the cabinet members for

transportation, but because of the pre-election period and because of the commercial sensitivities around the procurement process, that will be a private session, but it will be an opportunity that we very much welcome, to sit around the table with the team from Welsh Government, because we are crucial partners in delivering a successful metro, because we are the highway authorities and because, to have a truly successful metro, we have to bring all levels of government together and work with private partners as well. So, that workshop will be taking place, and I'm sure, once the election is out of the way, it'll be back to full speed. But it's certainly not holding up progress. We met only last week, actually, and we had an update.

[21] I wanted to take the opportunity, actually, to thank Welsh Government for the level of engagement, which has been appreciated, at official level. So, Simon Jones has been very open with us, and I think that's important for that partnership, going forward—that we've got that relationship.

[22] **Russell George:** Before we move on, can I just ask, given the role of local authorities in funding the metro as well, is your role sufficient? You don't all need to answer. If one of you could perhaps comment on that.

[23] **Mr David:** Andrew can answer that one.

[24] **Mr Morgan:** Can you just clarify the question, again, sorry?

[25] **Russell George:** Given the role of local authorities in funding the metro, do you think that your role is sufficient?

[26] **Mr Morgan:** Yes, but just to be clear that the actual metro—in the next phase of the metro, local authorities are not funding. So, we're quite clear that the £734 million as part of the city deal is a mixture of UK and Welsh Government funding, and that's locked in and ring-fenced. The £495 million then, which forms part of the remaining city deal, which is directly under the control of the joint cabinet—that element—some of it may be used, and we've just used a term that's called 'metro plus'. So, once we know how far that £734 million will go, it would be for the joint cabinet then to decide if there are further interventions, over and above that, for us to fund. But, certainly, on the basis at present, it was in the heads of the terms of the city deal agreement that we would be co-procuring and co-designing the metro, and, in fairness, as Huw has said, Simon, James Price and others whom we've been having meetings with have lived up to that so far.

[27] **Russell George:** Thank you. Jeremy Miles.

[28] **Jeremy Miles:** Thank you, Chair. Two very important issues in delivering a project of this scale are governance and the ability to deliver it. From the outside, if you look at the number of organisations involved in it, or the number of bodies involved in it, you've got Transport for Wales, you've got the regional transport authority, you've got the integrated alliance board. Do you have any thoughts about whether that's the most streamlined way of delivering a project of this scale? [*Interruption.*]

[29] **Russell George:** Can I just say—? We'll just pause for a moment and if we could just all stand.

*Safodd Aelodau'r Cynulliad am funud o dawelwch.
Assembly Members stood for a minute's silence.*

[30] **Russell George:** Thank you. It was important, I think, that we took just a moment for reflection, given the events of yesterday.

[31] So, I think Jeremy had asked his question. Did somebody want to respond to that point?

[32] **Mr Morgan:** If I could answer first on that. I don't see it as a barrier, at present, certainly, in the way that it's working. I know we hear a lot of terms, over many years, about collaboration, but I think what we have done, and it's been right from the outset, is actually to define what people's roles are as part of this. So, we're looking at this as one project, working together. Huw rightly said that Welsh Government is the statutory highways authority, but only on trunk roads. There are 22 other statutory authorities for highways, and, obviously, the metro isn't just about trains, it's about integration of transport. So, unless the Welsh Government wanted to use a piece of legislation to take back the highways authority powers, which could then potentially involve having to maintain all roads and everything else, which I'm sure the Assembly wouldn't want to take back, it is about, actually, just being quite clear in defining who is responsible for what and actually making sure, as we have done from the outset, that somebody is seconded in to make sure that they're working. Over time, we've had conversations with officers. There's one officer there now, but over time, that secondment or the joint working will need to increase, certainly as some of the projects are starting to get developed, both for metro through the Welsh Government and through the city deal. So, we will be looking to integrate the teams. So, we

don't see it as—. The different bodies, as long as they work together, we don't see as an issue.

[33] **Jeremy Miles:** So, the objective will end up being, operationally at least, one integrated team. Is that a fair way of summarising that?

[34] **Mr Morgan:** I could give my own view, and I wouldn't want to put words in Huw's mouth. For example, the city deal team at present is going to be based, we agreed last week, in Treforest. The shadow transport authority staff are currently working as a small team in Sardis House, which are our offices in Pontypridd. Ideally, they would come together anyway. With the news now that Transport for Wales will be based in Pontypridd at Taff Vale, my own view would be that it would be sensible to co-locate all those staff together in terms of the city deal and the regional transport authority actually sitting in the same room, even, as people from Transport for Wales. But that would have to be a decision for the joint cabinet to take, and for Huw's committee to make. So, I wouldn't want to put words in their mouths, but that would certainly be my view.

[35] **Mr David:** I think it's actually quite streamlined for Government in terms of just having those three organisations. This is a—. Well, it will be over its lifetime probably a £1 billion investment, and I think it's right to have that different level. So, the regional transport authority will look at those strategic routes and those strategic issues, but I wouldn't expect it to be looking at the location of the bus stop in Cefn Cribwr; you'll still need the local transport authorities to deliver that function. But we have made a commitment in the city deal to have a regional transport service, and we will make progress towards delivering that. We've made a commitment to the city deal. Now, that could be via secondments or pooling existing staff, so there are different ways of achieving that. But I think we recognise that that is an important step forward—having that regional strategic transport function, so that when we are planning strategic bus routes and strategic transport improvements, they have to be planned on a regional basis. And in actual fact, that's not a new concept. Andrew and I, we might not look it, but we've been around a long time, and we were on the South East Wales Transport Alliance, which was a successful consortium that used to bid and invest on a regional basis in regional transport schemes. This is that consortium, but with much stronger powers and a wider remit. That was successful, and this can be successful. Indeed, SEWTA laid a lot of the groundwork for the metro. So, I'm confident that we can make that progress. It's just artificial at the moment to treat transport on just a local basis, because that's not how

people live, work and travel, is it?

[36] **Jeremy Miles:** Okay. Can I just take you on to the question of the competitive dialogue? In the evidence, you've indicated that you support the principle of it, I guess. Do you think it's the best way it could have been procured?

[37] **Mr Waters:** I think it's something that we are more used to on the construction side of things, particularly around building schools and complex infrastructure. I know the Welsh Government have recent experience of it, and I think that's why they've plumped for this option, really. In terms of complex ICT infrastructure, and so on, that's the process that they've used. And I think where you can't be precise and specific and you need to engage with the market to understand potential solutions, and you open up the market to innovation, it is a suitable vehicle to take forward. We welcome that opportunity, because we really do need the supply chain to come forward, innovative and give us the best solutions here and the best value for money. But I think it's not a team game. It's not something that we can all kind of chip in and have a view on. Once they get into that tender process and the dialogue starts, which it has, effectively the process goes into lockdown. They have to maintain the parity of those tenderers who are investing a lot of money into the process, and there are commercial sensitivities there that simply can't go outside the room.

[38] **Jeremy Miles:** We heard from other stakeholders that they thought that although it might be sensible to procure the metro on that basis because it's an entirely new project, it might not be the same consideration for the rest of the franchise, because that's a much more clearly understood set of parameters. Do you have a view on that?

[39] **Mr Waters:** I suspect that there is still innovation that could come forward on those areas, particularly around integrated ticketing and integration with the wider transport network. They're not things that we've seen come forward through other franchises.

[40] **Jeremy Miles:** Okay. Right.

[41] **Mr David:** And I think it's important as well to recognise that, as the public sector, as the procurer, we don't have all the answers. And we have world-leading businesses who've come forward to procure, so we need to benefit from that. There are arguably risks. It would be dishonest to say that

there aren't, but I think you've got to recognise that there's an opportunity there to see some cutting edge practice and improvements. And I think that's the thinking behind it.

[42] **Jeremy Miles:** Okay.

[43] **Mr David:** And it is being applauded by some in the sector, certainly, as a bold move with opportunities there.

[44] **Mr Waters:** I think, as the process goes forward, and the dialogue evolves and certain realities come into focus, then there'll be decisions that will need to be made along the way, and that's why we wanted to have somebody representing us in the middle of that, who could put our views and thoughts forward. And one of the really positive things, I think, is the workshop that is due to take place on 10 April, where Simon Jones, the director of transport for Welsh Government, together with Geoff Ogden, the managing director of Transport for Wales, and two of his directors, will come to the regional transport authority and have that dialogue around some of the emerging themes and things, so we can offer some views and give them a steer. Having an officer in the centre is an excellent start, but it is difficult still for that officer to represent the thoughts of the 10 authorities. He is extremely experienced, we've got huge confidence in him, but nevertheless we recognise that that is a difficult challenge in its own right.

[45] **Jeremy Miles:** Thank you.

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

[47] **Mark Isherwood:** Thank you. The metro funding includes £106 million of European regional development funding. What assurances have you received, or what concerns around that do you have as we move towards EU exit?

[48] **Mr Morgan:** I've had several meetings with Alun Cairns over the last nine months—six to nine months—around it. The issue as it stands—and we've also raised this with the First Minister, and we've had a number of meetings as the 10 leaders with the First Minister, looking at it—is that we've had no absolute assurance, but what we were told is that it all depends on the timescale of drawing down the funding. If the Valleys electrification element starts by 2018, as that is still in the two-year negotiation period for article 50, once it's been triggered, then, because it is starting and the work

is under way, that drawdown would continue and wouldn't be at risk. It depends very much on when that project and that element starts.

[49] What we were told—I wouldn't want to put words into the Secretary of State's mouth—but we were told, relaying the information from what the Prime Minister said, that if projects are approved, they will be made good. If there was an issue around the Objective 1 or European funding being lost, we have nothing in writing to that effect, and very much that would be a confirmation to Welsh Government rather than to us as the city deal team. We've certainly seen nothing in writing, but it has been said several times that if that funding didn't come from Europe, then it would be made up as an already approved project. But once we're out of Europe, obviously our minds are looking to see what happens then, because as local authorities, in particular on transport, we've been very successful over a number of years through Objective 1 and convergence funding in bidding for additional investment for park and ride, that infrastructure, and bus station upgrades. If that opportunity is lost to us, then obviously we'll be lobbying to see what new opportunities they have post leaving Europe.

09:45

[50] **Mark Isherwood:** Looking longer term, what revenue funding needs will the metro project require? Have you any concerns around that?

[51] **Mr Morgan:** That's pretty much outside our remit. Again, that's for the Welsh Government rather than us, either as the transport authority or the city deal team. But there are obviously ongoing conversations and officers have been discussing with them, making sure that any revenue implications are affordable, because, obviously, they are looking at increasing the number of rolling stock and potential extensions to lines et cetera, and those conversations are going on to try and make sure that whatever the final model is, it is affordable within the envelope.

[52] **Mark Isherwood:** Is there a revenue implication for local government longer term?

[53] **Mr David:** I think there will be issues and challenges for local government, because actually, recognising that the metro is far more than just trains—it's actually about an integrated public transport system. So, we can never lose sight of the fact that by far the biggest form of transport in south-east Wales is the bus. I think that four times as many journeys are

made by bus than by train. That will continue to be the case for at least the next 10 years. That is where we need to see significant growth. In terms of short-to-medium term gains around growing public transport, we will not make those gains in rail because it's very costly and takes a long time, for example, to build new train stations and new train lines and even to procure new rolling stock et cetera.

[54] However, you can quite quickly improve the bus network. We know that bus usage is stable and, in some places, actually falling, disappointingly. So, we will need to ensure that there is proper investment, both in the bus infrastructure—so, that's bus stops, bus stations et cetera—and the bus fleet. Because there are some gold-standard buses out there, and there are some not-gold-standard buses out there, and that does have an impact on usage. We also know, from the public, that integrated journeys are very important. At the moment, there's not proper integration and there's not any serious level of integration between bus and train across south-east Wales.

[55] We have said consistently, as a regional transport authority, through our seconded officer, that that is an essential component of the metro—it cannot be an aspiration. So, I think that that is absolutely vital. It's not a, 'We will make progress; we will aim; we will do that towards the end'—we need to achieve that. In my view, that's as important as any specific route improvement. There is single ticketing as well. They do it all over the UK, and all over the world; they've been doing it for a number of years. I don't think it's unreasonable to expect that of the metro over the next 10 to 15 years. It also recognises then—because I know that there are a number of Assembly Members who represent the region here—that there are lots of places in the region, my own community included, and two of the three valleys in Bridgend, that do not have rail services. So, they need either rapid bus services to get them directly to where they need to go as part of the metro, or they need bus services that will connect them into the train infrastructure. So, that is part of the metro and our work with—. That's not to say that we don't need that improvement in rail—we need that too. But the two will go hand in hand: rail and bus.

[56] **Mr Morgan:** Can I just quickly say that the revenue implication for bus services would come if we don't have some reregulation? The concern that I have—and we're facing it as all local authorities—is that we spend well over £1 million, probably £1.5 million, between our own funding and the Welsh Government grant funding that we have, in supporting bus services. But you have bus operators—we have no say if they want to register a route. You can

have 20 buses an hour up and down a route up until, say, 6 o'clock, because it is profitable and they're carrying the masses. After 6 o'clock, if it's not profitable, they walk away.

[57] For example, on a Sunday, if you want to get from the Cynon Valley, or from anywhere in Rhondda Cynon Taf, to the hospitals, we have to pay for the service to operate, but other days, then, those same operators are happy to make money during certain hours. So, unless there is some sort of condition that—. We don't have the powers at present, but unless you could say, 'Well, you can run the service from 8 in the morning or from 6 in the morning until 6 at night, but you also have to run an hourly bus service until 11 at night so that people who work in the hospital or are visiting can get there'—unless you do that, communities are going to continue to be isolated, because, unfortunately, it's a profit-driven market. Now, bus operators, we have a good relationship with them, and they will say that they're not making the vast sums of money that a lot of people think, but, ultimately, they are running profitable routes, and during those times when it is downtime and they're not making a profit, unfortunately it's the taxpayer picking up the subsidy.

[58] **Mr Waters:** I think, Chair, in our evidence, we highlight the emergence of what's called the integration alliance board, where we're working with Welsh Government, Transport for Wales, the bus operators, Arriva trains and so on to find ways to enhance the bus services across south-east Wales in particular and make sure that they complement the improvements in rail and that they integrate. And some of the things that we can do to help them to help us, if you like, are around ensuring that journey times can be regular, so that buses aren't caught up in congestion. So, it's about finding ways of getting buses through congested streets, so that the journey times are regular, time isn't lost sitting in traffic, and the revenue costs then don't go up without commensurate benefit.

[59] **Russell George:** I'm just conscious of time. Do you have a final question, Mark?

[60] **Mark Isherwood:** Indeed. Given that the Welsh and UK Governments haven't yet agreed on either devolution of powers or associated funding for either the franchise or the metro, what are the implications as you go forward? Or do you have any encouraging news on progress?

[61] **Mr Morgan:** It's not one we probably can comment on, because we're

not involved in those conversations around what funding is going to be passported as part of the—.

[62] **Mr David:** Well, I mean, I suppose a general point I would make is, you know, we do welcome the investment from the UK and Welsh Government in the metro, and it is significant, but I think Wales is short-changed if you look at the level of infrastructure across the UK. And I'm not being party political here—I think, you know, the reality is that's a long-term issue. But when you think that they are investing, the UK Government—is it looking at, is it £30 billion in the Crossrail scheme, from one side of south-east England to the other, or one side of the city to the other? So, you know, the metro, in that scale of it, is crumbs off the table, isn't it? And I do think we need to see—. If we're going to have devolution of any powers, in my view, we need to see devolution of the resources that are required. And I don't want any special treatment for Wales or extra money; I just want a share of what other parts of the UK, primarily the south-east and London, receive consistently. I think it is a problem for Wales that that scale of investment is just not being made here. And it is very disappointing that, you know, it's only now that we're having electrified rail routes in Wales. I think we're there with Albania, aren't we? And it's still very disappointing, because, obviously, we look at south-east Wales, but it's important that transport across the whole of Wales is improved so that south-east Wales benefits. We're still waiting for confirmation of electrification of the route west of Cardiff, and that's very disappointing. I've got to take that opportunity as the leader of Bridgend County Borough Council to make that point. I don't think that's acceptable when the investment is taking place across the rest of the UK. But I know that's a long-term—

[63] **Russell George:** I'm just conscious that we're down to quite a tight time. You know, we've only got five minutes left and we've got quite a lot of—

[64] **Mark Isherwood:** North Wales is in the queue as well.

[65] **Russell George:** So, can I just ask us to be pointed in our questions and our answers, so that we can sum up all we want to? Vikki Howells.

[66] **Vikki Howells:** Clearly, the south Wales metro has the potential for a transformative impact on our public transport provision in south Wales, but the primary objective of the Cardiff capital region is to further the economic prosperity of the area. Do you foresee that the metro has the potential to

deliver in that regard?

[67] **Mr Morgan:** The simple answer is 'yes', but as long as the other building blocks are put in place. So, increasing capacity on the network alone wouldn't do that. It would certainly address the thousands of people who are frustrated with the existing service on the Valleys lines in particular. Obviously, if you have additional capacity, then you can be looking to send the trains north with people on them, rather than empty, as at present. But it does need to be joined up in terms of Welsh Government priorities.

[68] I have to say, I know this is talking about the all-Wales franchise as well, but the Valleys taskforce, which I sit on, is looking at that to see how the metro can develop areas and add value to areas such as Merthyr, Rhondda Cynon Taf and other areas, so that you can bring either public or private sector jobs into those areas, because land values are a hell of a lot less there than they are in Cardiff. There would be a much better return for business if you could put in office accommodation. You wouldn't have to be taking everybody from the Valleys down to Admiral and other sites. Those conversations are ongoing.

[69] The one thing I have to put on the table and say, 'There's a spanner in the works', is that, if the metro is to deliver in south Wales and is to address the problems on the Valleys lines, there is one fundamental, long-term sticking block that needs to be addressed, and that is Cardiff Central station. Because even if we electrify all the lines, if we put in the services as intended, with a 15-minute turn-up-and-go service, and the extra capacity, the sticking point in the future is very much—and when I say the future, it's the very near future—Cardiff Central, because there isn't enough through capacity there to deal with all the additional services that are planned.

[70] So, unless we get confirmation from the UK Government and Network Rail about in what control period they are looking to upgrade that station—I know there's dialogue going on, but there is absolutely no commitment. It was part of the city deal originally. We were asked by the UK Government to take it out. It was a non-negotiable point for them. So, our concern is: you can get the economic benefit if it's joined up with other investment plans. However, to get the metro right in the first place in south Wales, we need to also address the long-term problem of Cardiff Central.

[71] **Vikki Howells:** Thanks.

[72] **Russell George:** Hefin.

[73] **Hefin David:** Some people have got a real downer on the metro as well, let's not forget. We are taking evidence from Dr Mark Lang this afternoon. He's given some written evidence. One of the things he says is that

[74] 'There is very little evidence available on the spatial interconnectedness of places in South East Wales'.

[75] I was struck by something that Councillor David—no relation—said earlier about the important of interconnectedness. Just to read you his quote:

[76] '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.'

[77] Given that he's coming in, how would you respond to that?

[78] **Mr Morgan:** I'd say an awful lot of people have an awful lot of views, and they are not in the room having the discussion. Within the city deal, for example, a city deal isn't just about one particular area; it's about regeneration, it's about housing, it's about business support and it's about transport. Actually, we are pulling together a regional plan to cover all those areas. The 10 local authorities have agreed, not just for the sake of the metro and the city deal alone—. We are looking to pool other key functions within—. For example, we're looking at housing allocation as very much—rather than having 10 local authorities doing 10 LDPs, we've had discussion—. I know LDPs is another subject, but, rather than doing 10 LDPs, we're talking now about doing joint LDPs and maybe in the future we'll move to a strategic planning document. That work is all being worked on now and is being considered. Actually, it's only by doing that work you'll get the wider economic benefit from the metro. All I would say is: it's unfortunate—I do read quite a bit sometimes in the *Western Mail* and others. People will make comments and I think, 'Well, they obviously don't know what's going on'. Those people are not part of these meetings where we are discussing it. Now, we are out of shadow. These meetings are now public. They are going to be on the website. There are minutes being made available for the city deal and those points are being addressed.

[79] **Hefin David:** So, we do understand the special interconnectedness of the northern Valleys, for example.

10:00

[80] **Mr David:** Just in response to your first question, we don't have all the answers and we're not the experts. I still have some faith in experts and what other people think. In actual fact, as part of the city deal, one of the requirements was that we have an independent commission, led by Professor Greg Clark. He and the other commissioners wrote a very useful report and that report was quite clear about the impact of having a metro, and I think we need to recognise in some of our communities that the days of heavy industry are long gone. The days of us having thousands of people working just in their own town and not having to go anywhere else I think have gone too. And that isn't a Welsh phenomenon, it's not a UK—that's across the world, isn't it? It's globalisation, and inward investors are quite clear about transport infrastructure when they talk to us. So, that's the evidence. Students wanting to come to our universities—a big part of it—that's the evidence. Tourists wanting to come to Wales; they want good transport links. So, we've got to improve our transport links, you know, I—.

[81] **Hefin David:** Do you think there's a potential for indigenous businesses, small businesses, and supply chain links across from, for example, RCT to Blaenau Gwent?

[82] **Mr David:** Yes, absolutely, and make no bones about it. This isn't about people getting just into Cardiff. So, in Bridgend, in Porthcawl, and in the Valleys, we've got a tourism economy that's £240 million. So, I need people to come from Cardiff and the rest of the UK into Bridgend, because it's worth 2,500 jobs in Bridgend. And, at the moment, those transport links are not good enough. So, it's not just about getting people into Cardiff, let's be clear about that, and there's huge potential in our Valleys economies, but we need people to be able to get there. There's a project, Caerau Parc, where there's going to be a Centre Parcs type development—Jeremy will be well aware of that. The jobs potential—hundreds of new jobs at the heads of two of our most disadvantaged Valleys in Wales, and we will need to make sure that there's proper transport infrastructure there so that the people from all over the UK, who will be coming there, can get there easily. So, this is not just about getting people into Cardiff—it is about getting people into our Valleys, too.

[83] **Hefin David:** Councillor Morgan, you agree with that—you endorse that view.

[84] **Mr Morgan:** Pretty much, yes. But what I would say as well is: we're talking about huge sums of money that will be invested in capital infrastructure, apart from the ongoing revenue side in terms of city deal and within the metro. But what I would say, for example, is that, back a couple years ago, we made the point—. And I have to say that the Minister and the Welsh Government at that time invested in Nantgarw. You'll be aware there's the rail—I call it the rail training shed; I'm not sure what the technical term is. It's a £3 million shed, I would say, but actually it is training youngsters in south Wales who can then obviously work on the rails, because it isn't just about the upfront investment, it's about maintaining the track. There's going to be obviously, in the future, maintaining; if there are going to be electric trains, there will be new technologies—we're going to need people. And, actually, by training people up early—doors, what we want is to make sure is that as much of that money on the initial capital investment is spent actually in Wales. We can't always control it with the procurement element of actually where the materials come from—there are limitations—but actually the labour—. Well, if we want to improve the GVA of south Wales, let's try and make sure that hundreds of youngsters who are trained up for this current programme—. I think it's McGinley who've partnered with Coleg y Cymoedd. They're now training them up. At present, they are working out of Wales, because obviously there's very little electrification work going on Wales; it's all across the border at present. But there are going to be opportunities there, and we need to do these joined-up streams.

[85] **Russell George:** Okay. Hannah Blythyn.

[86] **Hannah Blythyn:** I just want to turn now to the limitations of the current franchise, and how that could be perhaps be addressed in the new franchise. One of the things you point out in your written evidence was the lack of co-operation, shall we say, between the train operators, the co-ordination of the train operators, and Network Rail. How do you think the new franchise specification review could actually tackle that and perhaps improve that relationship?

[87] **Russell George:** Could I ask if just one of you could answer, because we're a bit tight on time?

[88] **Hannah Blythyn:** You can draw straws. [*Laughter.*]

[89] **Mr Waters:** I think the opportunity specifically on core Valleys lines, where you have that integrated approach to providing the infrastructure and maintaining the infrastructure, and running the services over that infrastructure—so, if they're all brought into the same place, as it were, then you can have the innovation and the efficiencies that come out of that, and not the sort of finger pointing from one party to another as to the responsibility for the wrong leaves on the track and that type of thing.

[90] **Hannah Blythyn:** What do you make of the fact that the Cabinet Secretary has said that stations could be managed by Transport for Wales? Do you have any thoughts on that?

[91] **Mr Morgan:** All I would say is, 'At least somebody will be managing them, then'. I'd have to say, currently, that that is one of the biggest criticisms on the stations: the lack of facilities. I know that the existing operator will say they've invested over and above perhaps what they were originally asked to, but obviously they're making a lot more profit than perhaps was anticipated. But what I would say is that, if Transport for Wales want to manage the stations, I wouldn't be against that, but I think we need to be quite clear what the expectations are going to be on what we need. Because, frankly, a lot of the stations out there, which were built in the 1990s when a lot of train lines were reopened, are really not fit for purpose now and they need significant investment in the facilities. If I give a very quick example: in Mountain Ash, it's the passing loop, it's my own home town. The shelters there, because they were vandalized some time ago, they've basically put giant metal canopies up, the size of this room, with no sides on them. So, it's great if you have just simply rain coming down from above, but, obviously, in the Valleys we do get a little bit of wind with the rain. So, if you want to catch a train, you wouldn't get there 10 minutes early, because you'd be soaked by the time you get on it. But you just need simple facilities that make people want to catch—very similar to what was mentioned about bus infrastructure. My comment is, and we've done an awful lot in Rhondda Cynon Taf, a lot of authorities now are investing in bus shelters through the Welsh Government funding. You can't expect people to turn up and wait for a bus in the pouring rain if there's no shelter and there's no seats there. You need good quality facilities to encourage people onto public transport. They won't make that change otherwise.

[92] **Hannah Blythyn:** Thanks. You've just brought me nicely to my final question, and I think Councillor David touched on it, that the transport links

aren't good enough at the moment and we need to increase them as part of the franchise and the metro going forward. When considering the franchise—I think I've got an idea of what your answer might be to this—but do you think that there need to be new routes and destinations added to that?

[93] **Mr David:** Yes, significantly more routes. I think one of the failings of the existing franchise is that it assumed that there would be no growth, and that's been one of the major problems as a result. We have to plan for extra growth, because we're planning for economic growth for the region and for Wales, and we certainly know that the population is going to grow significantly in south-east Wales. Those people will need investment in the public transport system.

[94] **Mr Morgan:** There are a number already highlighted in the metro map: the Abertillery spur, the Hirwaun line in the Cynon Valley, the Beddau-Llantrisant on the Cardiff north element. Without some of those in the future, what we'll end up doing is simply address today's problems. But, as house building continues, especially in the north of Cardiff, all you're going to do is just—you're fixing today's problems and you're just going to build up the next problem then in another 10 to 15 years' time.

[95] **Mr Waters:** I think extendability is absolutely the key to this piece of procurement, because what this piece of procurement needs to deliver is a system that is capable of easy extendability, and, by that, I mean adding new stations, extending lines, adding frequencies and so on. We have to have that flexibility and a system that is capable of that process. We suspect light rail is probably the right solution for that.

[96] **Russell George:** David Rowlands, you've got a final set of questions.

[97] **David J. Rowlands:** Thank you, Chair. One of the topics that came up time and time again with almost all the stakeholders was the quality of rolling stock and obviously the procurement of new rolling stock. Do you think that the Welsh Government has acted fast enough to get that stock, given that we're told that lead-in times are something like four years to procure new stock? Do you think they're moving on that fast enough?

[98] **Mr Morgan:** One of the difficulties is because, if the Valleys lines are all to be electrified—and it's obviously to be determined exactly through the procurement process what is the best mode, but the difficulty is it is a bit of a conundrum for them, because, if they were to order new, heavy rail rolling

stock now over the last few years to address the capacity issue, and if Welsh Government were to fund that, it could be then that some of those are obsolete if then we move to light rail and electric trains. So, it has been a bit of a difficulty there, but it has been a huge frustration, that, in the short term, because we know that, no matter what the mode is—so, if it is full electrification with light rail, that's probably going to be a good four, five, six years off before those lines are fully implemented. So, if there is going to be an extension of the existing franchise, there has to be additional capacity. I've met with the managing director several times—of Arriva. I've pressed the point. I know that other elected Members have, from the Assembly, and Members of Parliament. I find it hugely frustrating that that hasn't been addressed, because no matter what happens with the franchise in a few years' time, we know there's an intermediate gap. So, if there is—and I'm being told all the time there is—a UK shortage of additional rolling stock—my question that I've put to the current franchise provider is, 'Well, if you were to go on to procure, it might be costly, but if you procured 10 additional carriages, for example, to alleviate some of the problems on Valleys lines, if they're only used for five years why couldn't you sell those on, then, within the UK, if everywhere in the UK is desperate for rolling stock?' So, it does seem to be that somebody needs to catch hold of this problem and address it.

[99] **Russell George:** Do Members have any other questions on that point? Did you have anything, Mark?

[100] **Mark Isherwood:** I did. Last week, we were given evidence in Shrewsbury. We had representatives from the English authorities that fall within the franchise area. One of them told us about an operator in the eastern side, which was, in that interim period, leasing stock or rail carriages from London Underground. Should that sort of innovative approach be considered?

[101] **Mr Morgan:** Can I just say, I'm mindful of conversations I've had around commercial sensitivity, but I understand that that option was considered, and that was something that was being looked at? But not all the rolling stock is suitable for various lines—depending on bridges, depending on the station layouts, et cetera, and I think there were some technical issues that would probably have stopped that going ahead. But, certainly, I am aware, from meetings that I've attended, that options around London Underground stock being remodelled were considered.

[102] **Russell George:** I appreciate your time with us this morning. I appreciate you're all extremely busy people, so, thank you, and a transcript of the proceedings will be sent to you, so, please do review that, and give us any feedback. Thank you.

10:13

Academyddion—Ymchwiliad i Ddarparu Masnachfrait y Rheilffyrdd a'r Metro

Academics—Inquiry into Rail Franchise and Metro Delivery

[103] **Russell George:** I move to item 3 in regard to our inquiry. I'd like to welcome two witnesses this morning, Professor Lang and Dr—Dr Lang and Professor Cole; I beg your pardon.

[104] **Dr Lang:** You can promote me if you like. [*Laughter.*]

[105] **Russell George:** We're very grateful for your time to be with us this morning. We've got just under an hour. We need to finish just after 11 o'clock. The set of questions we've got this morning, we've grouped them a little, so the first set of questions is probably more focused at you, Dr Lang, and then the second half at you, Professor Cole. So, if I could just ask, to start with, the opening question, your paper that you provided to us, Dr Lang, very kindly: you've got a view that the economic rationale is based on a particular view of how to grow the Welsh economy. Can you just expand on that a bit?

10:15

[106] **Dr Lang:** Yes. Good morning, first of all, and thank you for inviting me to come and speak to you. I think that we're in danger, in Wales, of closing down economic policy-making discussion, and, very often, decisions about economic policy are made by a very small, elite group of people. And many people are excluded, many communities are excluded from those discussions. I think that in Wales we suffer currently— although there are early indications that this might be about to change— with the view that, actually, if we can in some way attract foreign direct investment, then we will cure all of Wales's ills. And the way that we go about that is by engaging in infrastructure and building the trappings of the creative classes, to quote Richard Florida—that if, in some way, we build sport stadiums, improve public transport and make the world a better place to live locally, then, in

some way, we will attract all of those people who are wealth creators and that it will, in some way, make Wales a far better place to live. And I think that is the dominant economic model that we have suffered with in Wales for some time now. As I say, more recently, I think there have been some indications that that might be about to change, and I would welcome the change.

[107] **Russell George:** So, how might the current approach to the metro miss opportunities to support our small and medium-sized enterprises?

[108] **Dr Lang:** Well, you've got to ask why it's being done, and that's, in a sense, what I've tried to do recently in the piece of work that I've done, which informed the kind of summary paper I gave to the committee. Very often, we make these infrastructural investments on the basis of a particular goal, and my fear is that this one so far has been dominated by an obsession with growth and competitiveness, which fits quite nicely with that kind of dominant economic rationale. Seldom are these things—and not just here in Wales, but elsewhere globally—done for equity reasons, for social justice, for sustainability issues. Seldom are those things done for those reasons. And if we start on the wrong footing, then what are we actually trying to achieve? What we're trying to achieve, I think, will determine what we actually do with this investment.

[109] **Russell George:** We may come back to some of those points. Vikki Howells.

[110] **Vikki Howells:** Thank you. So, we've just taken evidence from Councillor Andrew Morgan and Councillor Huw David, who lead on local authorities within the south Wales Valleys area, and they were both unanimous in agreeing that the metro does have the potential to deliver the social justice and the equity that you refer to there. So, how would you respond to the comment, Dr Lang, from the CCRTA, which concluded that large-scale transport infrastructure developments like the metro can play a transformative and integrative role in many regions that are quite fragmented?

[111] **Dr Lang:** I think the operative word in that quote is the word 'can'. Context is absolutely critical, and, in terms of the international examples that I've looked at, where transport investment has played a part in achieving those kind of social justice outcomes, it clearly has. But there are many other examples of where it hasn't, where the context has been different. I think that, to make a statement, you know, you've got to back that up. We haven't

done that level of deep analysis that's required as to determine whether or not the types and specific transport investment that we're proposing as part of the metro project will actually have those impacts here in Wales.

[112] **Vikki Howells:** So, what are the key lessons we need to draw, then, from areas where this kind of approach has worked in the past and where it hasn't?

[113] **Dr Lang:** Understand the existing context. Have a clearly defined baseline. What are we going to measure this investment against? And have a clear set of criteria of what we want to achieve from it. Be honest. There's a fear, I think, with the metro so far, but, actually, what we're doing is we're branding up a collection of public transport investments in Wales. I'm certainly not against public transport investment—goodness knows we need it—however, if this is a branding exercise, well, I'm a bit more sceptical of it. So, what actually is the metro? There have been claims that we've already delivered phase 1 of the metro, but phase 1 of the metro seems to be a collection of previously announced transport investments. Phase 2, well, it seems to have a bit more substance, but, actually, let's be clear about what it is we want to achieve with it, and how much it's going to cost. There have been various costs—which I'm sure Stewart will talk about—labelled throughout this process and none of them have been consistent with the previous announcement that's come out. So, how much is it going to cost, and what is it going to be?

[114] **Vikki Howells:** Thank you. And, just finally, in your research you refer to types of unintended consequences, and some negative, indifferent and positive outcomes as well. I wonder whether you would just be able to embellish on that for us, please.

[115] **Dr Lang:** Yes, certainly. I think, again, it comes back to context. If you don't understand the context, how do you understand what actually you're about to do is going to achieve in that context? Some of the examples I quoted, for example, are the public transport investments in the new territories in Hong Kong. So, that led to additional land values, which, of course, made it harder for poorer people to actually live in close proximity to those kinds of hubs that were created in the new territories. That's happened elsewhere as well, where we've had this kind of approach. That makes life a lot more difficult for poor people because they can no longer afford to live near a transport hub, whereas, actually, they should be the very people who should actually benefit from this. So, that's an unintended consequence.

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

[117] **Russell George:** Hefin David.

[118] **Hefin David:** Just taking a step back, you made the case that you've got to have an intellectual underpinning what you want to do. Surely, that does exist in that social capital theory.

[119] **Dr Lang:** Yes, it does. You're absolutely right. I think it goes beyond social capital theory. I think that should have a major impact on how we make economic decisions, and that's the point I was making earlier on—actually, with the economic decisions we've made in Wales, who has determined what they should be thus far? It's a very small group.

[120] **Hefin David:** You would have seen the foundational economy debate.

[121] **Dr Lang:** Yes, I did. Yes.

[122] **Hefin David:** I specifically referenced your evidence, which you gave in writing for this committee. One of the things that you said was:

[123] 'There is very little evidence available on the spatial interconnectedness of places in South East Wales.'

[124] **Dr Lang:** Yes.

[125] **Hefin David:** Now, I would suggest that if social capital theory is the whole, spatial interconnectedness is key. Are you suggesting that we need to do a further study into the impact of connecting places across, for example, Rhondda Cynon Taf to Blaenau Gwent?

[126] **Dr Lang:** Well, you say 'a further study', but I'm not actually sure—

[127] **Hefin David:** Or 'a study'.

[128] **Dr Lang:** Yes, because I was going to say that I'm not sure that we've ever done a piece of work. Since the demise of the Wales spatial plan, we've never taken spatial planning seriously.

[129] **Hefin David:** But wouldn't an understanding of the fact that small

businesses connecting across those areas—weak links or weak ties to bridging social capital—tell us that there is going to be an intrinsic benefit whether we study it or not, any further.

[130] **Dr Lang:** Well, there is, but you've got to understand the particular nature of the small businesses that exist. Are the businesses that exist predominantly across the network those that actually will benefit from public transport investments? If you're a builder or a bathroom installer, living in Ebbw Vale, in what way will the metro improvement improve your business?

[131] **Hefin David:** We found examples of carpet fitters who were using supply chains across what we would think of as the northern valleys. That would benefit, wouldn't it? That would have a benefit.

[132] **Dr Lang:** It might do in terms of the impact for the people who actually work in centres that actually create the products, if they are actually created locally.

[133] **Hefin David:** Yes.

[134] **Dr Lang:** But you're not going to take your carpet installation business on a train or a bus.

[135] **Hefin David:** But the people working in that industry might need to work across those areas.

[136] **Dr Lang:** Yes, exactly, but we need to understand more closely what that will be.

[137] **Hefin David:** Okay. So, how do we understand? What do we do? Are you suggesting a research grant and somebody taking up a bit of work? Or is there something that the Welsh Government can do? How do we get this data?

[138] **Dr Lang:** We need more informed data. We need to stop measuring certain things that we think are necessarily—*[Inaudible.]*

[139] **Hefin David:** I accept that, but how do we get it? What do we do to get there?

[140] **Dr Lang:** Well, clearly, more research is the answer. Okay, I'm an

academic; I would suggest that more research is the answer.

[141] **Hefin David:** I agree. I think research is intrinsically a good thing.

[142] **Dr Lang:** And as a former academic yourself.

[143] **Hefin David:** But, having said that, we've got an opportunity to connect the south Wales Valleys through a metro system. I've said time and time again that it's not about spokes into Cardiff; it's about connecting. I believe, having grown up in that community, that connecting those Valleys is an important thing to do.

[144] **Dr Lang:** Yes.

[145] **Hefin David:** Gathering that evidence is going to be a costly exercise and possibly a distraction to the development of an integrated transport system.

[146] **Dr Lang:** I wouldn't suggest it's a distraction. I would have thought it was an essential part of that process. I was going to make this point, hopefully, at some stage this morning, but I'll make it now because I think it's relevant: we're going through a process in Wales at the moment of implementing the Well-being of Future Generations (Wales) Act 2015. That Act requires us to actually do this kind of planning across all of our communities in Wales. It is intrinsically place based. We mustn't forget that. Now, the overarching economic programme within which the current metro proposals are located—the city deal—is a programme of the UK Government. The UK Government is not subject to the well-being of future generations Act, but let's be clear about this: all of the devolved public bodies in Wales that engage with it are subject to the Act. The question that I have for them is how closely they're tying the city deal programme and the metro proposals to that process. I think they'll find that if they actually tie the two things together, then they're beginning to do the kind of spatial planning that's required of the Act, which will actually have a direct impact on the implementation of the metro.

[147] **Hefin David:** Thank you.

[148] **Russell George:** We'll move on to a new subject area. Jeremy Miles.

[149] **Jeremy Miles:** For Professor Cole.

[150] **Russell George:** Yes, that's right. If you've got any questions for Dr Lang—

[151] **Jeremy Miles:** No, I haven't. That's fine.

[152] You have written about the timetable for the procurement process slipping, and I wondered who you thought was to blame for that and what the consequence of that is.

[153] **Professor Cole:** Right, yes, interesting point—a vital point, in fact, to the whole debate here. First of all,

[154] bore da, a diolch yn fawr am y good morning, and thank you for the gwahoddiad invitation.

[155] Thank you for the invitation. The original timeline should have been from about January 2014. That's when the first public discussions took place about how the metro would be managed. That then evolved over a period of time until Transport for Wales was set up in January 2016. The staffing of it was the first risk, because clearly you have to get—and my advice at the time was there had to be—three types of skill. One to manage the Network Rail issues and the interaction and interface with Network Rail; the second, the procurement of rolling stock, because, clearly, the rolling stock we have at the moment ceases to be usable after 2020, and, in any case, is very old, and therefore what the public want, from all the research that we have, is new, modern trains, amongst other things; and the third is who will procure the train operating company. The concept of a not-for-dividend operating company was always not possible under the current legislation. The legislation requires a private company to be the train operating company. It's been, traditionally, big bus groups, and some other groups have come into the market. But state groups—public bodies—in Britain are not allowed to put forward schemes, which was to stop, at the time, British railways from putting forward any kind of proposals, because, obviously, they would have a distinct advantage over anybody else. Ironically, I suppose, the Governments of the Netherlands, Germany, Hong Kong, and one other are now the current bidders, and those companies that are in Britain are private companies. So, they are all bidding against one another.

[156] The situation we now have, therefore, is a very tight timeline, where the timings for—. Initially, the pre-qualifying was in October of last year,

then the bidders at that point were asked for financial information, their technical ability and so on—were they capable of putting this package together? Then, in December last year, there was a shortlist. Now we're getting to the position where the shortlist was determined by a series of questions—questions on priorities, questions on investment, questions on how they would deal with the metro versus the rest of Wales, because we have a two-part franchise here. By February, those assessments had been made, and the companies were then asked to put forward their bids. That's what they're doing now through this process of, as you heard earlier, competitive dialogue.

[157] **Jeremy Miles:** So, on that point, do you feel—? You've made comments about the competitive dialogue process being one that hasn't been used either at all or not very much in the context of the rail franchise, and it's being let by an entity that has very limited experience of doing that anyway. That sounds like a fairly critical set of remarks. Do you feel, given the delays that you've described, for whatever reason they've been caused, that a different process would have been more appropriate?

[158] **Professor Cole:** Well, the process is a good process.

[159] **Jeremy Miles:** The competitive dialogue process.

[160] **Professor Cole:** It's not full of flaws. It is a process that has many advantages. For example, it will produce four separate visions from each of the bidders for the solutions to the questions that the Welsh Government have put. And they were the right questions. The problem arises when you have four visions that now have to be put into one vision within a period of six months.

10:30

[161] **Jeremy Miles:** Well, or one could be selected, presumably.

[162] **Professor Cole:** Well, one could say that the process is about cherry-picking—that the four companies put in their best efforts and then the team, which isn't the full-time, long-term team, which is another issue, I think, to consider, within TFW—. Many of them are consultants, very competent consultants, but nevertheless, their careers and their long-term commitment can't be there in that context. But they are making the assessment, then, in a very short period of time, of these four options and picking the best bits, if

you like.

[163] **Jeremy Miles:** But the question, I suppose is: are they necessarily picking the best bits, or are they accepting what I suspect is behind your view, which is to say that there's a sort of perspective, which each of the bids may have and there are relative merits, strengths and weaknesses in each, like any commercial proposal? And if you're faced with a constrained timetable, you might say, 'Actually, we don't really want to go and build a fifth option from the best bits'—just to put it simply—'we think that this bid is not perfect and needs a bit of tinkering around the edges, but basically that's the bid.' That would be one way of addressing that, presumably.

[164] **Professor Cole:** It would if the time was there, and I think the timeline that they've given themselves is the problem. It's the weakness in that process. Had the Government begun its process two, or three years ago now, then there would've been time to fully assess each one of these sets of ideas and have a full discussion with them. But where we are now is a situation where there is a process that doesn't have any kind of final element in it. What would normally happen in franchise processes, say it was the Department for Transport—because Welsh Government have never done this before, because it was not their responsibility in 2003—is that they would look at all the information that they had and the market research that had been done for TFW—had it been done—and they would then put the spec in and the bidders would bid to that spec.

[165] **Jeremy Miles:** Yes.

[166] **Professor Cole:** And the price and provision and the skills and so on could be assessed against that spec. Now, that isn't there at the moment, and that won't be there until June.

[167] **Jeremy Miles:** But this sort of process is one that is very commonly used in IT contracts, for example, and, indeed, goes further in IT contracts, because, quite often, you don't actually have a spec at any point—you just have a rotating menu of options and you negotiate prices for those as you go. Now, that, obviously, wouldn't be appropriate in a piece of public infrastructure of this scale delivering this outcome, but there will, presumably, be a point at which there is a specification. There may be things that remain to be negotiated, with a price tag for each element, I suppose. But there will be a specification and there will be a pricing of that, and you've identified, I think, the risk of that—people pricing in risk, if you like, or

pricing in uncertainty. Is that necessarily the case, or isn't it possible to have a set of options to sit alongside those, which have separate prices for them, I guess?

[168] **Professor Cole:** I sit alongside the Wales Audit Office, which made that very point. Where there is uncertainty, any commercial bidder for a project is going to say, 'We don't know exactly what we're bidding for, so we will bid according to our best instincts and the market research that we've done', and these companies have each done whole sets of pieces of market research that would normally be done by the franchisor, which is the Welsh Government in this case. Because that research hadn't been done and the companies had to do it, obviously there is an additional bill of about £3 million per bidder for that. Now, they will also be looking at: what is their opportunity to achieve a one-in-four chance of getting the contract? But also, because they don't know, 100 per cent, with the metro, for example, do the Welsh Government want trams? Do they want tram trains, or do they want diesel and stick with that? Do they want electric? What do they want? Obviously, when you put your bid in, because—. By June, the Welsh Government will have said, 'Okay, we've looked at all the competitive proposals and this is what we've now concluded and now we'd like all of you'—or maybe a shortlist of two or three, whatever they decide—'to bid for this'. Now, at that point, they will know what they're bidding for, but the Welsh Government still have given themselves very little time—or TFW—to make that assessment, for what is, after all, a £3.5 billion contract.

[169] **Jeremy Miles:** Could I ask you to respond to this point that was made to us when we spoke to stakeholders—last week I believe it was, or certainly within the last two weeks? One of them said to me, 'Actually, for the metro, it's a slightly less known quantity than the main franchise', if I can describe it in that way, so, probably, there's a thing about creativity, innovation and new ideas, which makes a degree of sense, subject to what you've just said, obviously, from your perspective. But they said, essentially, 'We know what the franchise is for the Wales and borders—we can, sort of, specify that and get it delivered.' Is it sensible to look at it like that, having an iterative process for one and having a conventional process for the other, or does it necessarily have to be the same process?

[170] **Professor Cole:** No, it doesn't. You are absolutely right in what you've just said: that there are two franchises here. One is for a simple, straightforward diesel-based franchise—maybe Cardiff-Swansea will be electrified in the next control period of Network Rail, but, for the moment, it

is an entirely diesel franchise, and the key thing there is to try and upgrade both the quality of the vehicles and timings and so on. But it's a relatively straightforward process, which has been—it's a well-trodden path.

[171] The path that is being taken on the metro—so-called, as Mark has just said; maybe this isn't the name for it—. But if that process is to take over both the rolling stock and the infrastructure for south-east Wales or a part of south-east Wales, then you have a number of issues coming in there. One: is the whole of Valleys lines going to be electrified, as was the original plan, which included Ebbw Vale and Maesteg, and down to Barry, Penarth and Bridgend, or are we now down to the minimalist, core Valleys lines, which is Treherbert, Aberdare, Rumney and Merthyr to Cardiff? Does that mean a lot of changing over of passengers at Cardiff? What exactly is being bid for? Then it goes back to your point about the uncertainty in that part of the franchise and whether the companies are being expected to take over the infrastructure. I'm sure, when you hear from Network Rail, they will say that's not a very wise idea, from the discussions I've had with them.

[172] **Jeremy Miles:** I think the next set of questions is around that very topic, so I'll leave it there, for my part.

[173] **Russell George:** With regard to that, what are your views with regard to the transfers of ownership for the Valleys lines? What are the risks?

[174] **Professor Cole:** The big risk is insurance. If the Welsh Government or TFW take over the 100-and-so miles of track that core Valleys lines includes, then there are a series of bridges, embankments and other structures that will have to be taken care of. They are quite old, and they'll have to be taken care of. There's the electrification process, as well, to go in there.

[175] So, TFW are then being made responsible for a piece of railway, but a very small-scale piece of railway, compared with Network Rail. What Network Rail has is something like 24,000 miles of track with bridges, viaducts and so on to be repaired. But the probability of having a serious cost problem with one of those items of infrastructure is relatively small, in terms of its total estate. Network Rail, therefore, as British Rail before it, self-insure themselves, in the main. Now, whether the Welsh Government could self-insure itself is a matter for actuaries and not for me, but the cost of an insurance policy—when you compare the insurance on a house with the insurance on 150 miles of railway track, that is going to be a substantial sum of money, and, at the moment, that's not paid by Network Rail—they put

aside money for the probability of there being a serious piece of engineering work to be done, and we have some serious pieces of engineering. At Cynghordy, we have a viaduct, which is little used, but if it presented a problem in terms of rebuilding, it's a costly process—

[176] **Russell George:** So, are Transport for Wales and the Welsh Government prepared to manage those risks?

[177] **Professor Cole:** You'll have to ask them what risk they're prepared to take, but I think the probability issue comes in of what is the likelihood of something going seriously wrong with a piece of infrastructure and who's going to pay for its repair? Now, at the moment, that's down to Network Rail. The problems on the Blaenau Ffestiniog line, for example, are for Network Rail to repair. If part of Valleys lines was transferred, it would be a responsibility for the Welsh Government.

[178] The Scots have worked out a reasonable deal with Network Rail, where Network Rail are responsible for maintenance, but in 2006 the Scottish Government decided it would take responsibility for new rail investment, which the Welsh Government of the day turned down.

[179] **Russell George:** We can ask the Welsh Government and Transport for Wales if they think that they're prepared to manage the risks, but what's your view?

[180] **Professor Cole:** It's a big risk. There are enough risks in this operation without introducing more risks. The original plan to simply electrify parts of Valleys lines or all the Valleys lines was the best plan. That was a sensible way of going forward because it would be the responsibility, in the main, of the Department for Transport, and no doubt there would be a negotiated deal. When the original figures came out for electrifying all the Valleys lines—apart from, I think, Ebbw Vale and Maesteg—the figure was something like £330 million or thereabouts. The Department for Transport offered £125 million of that. Now, if the Welsh Government goes for something that is more unconventional, such as a tram system or tram train or something, then DfT may wish to reconsider its position because it will be saying, 'We as the owners of Network Rail'—because Network Rail is a division of the Department for Transport—'It's not our responsibility anymore; it is purely a responsibility of the Welsh Government.'

[181] So, we are safer—yes, risk—with a situation where we have a

straightforward electrification, such as happened in many other places. But in London, for example, which has a very large estate of rail infrastructure, it has gone for trams in certain localities, like Croydon. There's nothing wrong with us going for trams, and there are many advantages in terms of acceleration, in terms of journey time and in terms of capacity, but against that we have to balance who will take that risk. Will the train operating company—the winner—be asked to take that risk, and will they be prepared to do so? That, I think, is one of the issues, because if they've only got a 15-year franchise maximum, then this is an investment over 60 years. I wouldn't have thought that any of those private companies would wish to take that risk, and it would lie then with Transport for Wales.

[182] **Russell George:** Dr Lang, you were nodding away. Did you have any comments to add to anything that's been said so far?

[183] **Dr Lang:** Very early in this process, we closed down one of the core options, which was basically to nationalise the whole lot, and that would have been a far better approach, in my view. It seems to me, under this model, that the public sector is at risk of taking all the risk, whereas the foreign-owned large companies have an opportunity to take all the profit and cherry-pick the most valuable bits.

[184] **Hefin David:** A point of clarification there, Chair: the Welsh Government doesn't have the power.

[185] **Dr Lang:** No, I know, but that was closed down before. I'm not suggesting Welsh Government—

[186] **Hefin David:** You said 'we' as in Welsh—

[187] **Dr Lang:** Yes, that was closed down. That's all I'm saying. I'm not suggesting the Welsh Government had the power to actually nationalise the rail system.

[188] **Russell George:** Jeremy, did you have any comments on that?

[189] **Jeremy Miles:** No, thank you, Chair.

[190] **Russell George:** Any questions on this subject before I move on to Mark Isherwood? Mark Isherwood.

[191] **Mark Isherwood:** That brings us on to the concession model. I think the Welsh Government intends to partly address the concerns you've just raised. Last week, we heard from Merseytravel that in letting the concession to operate the Merseyrail network, they had recognised the importance of incentivising the operator to innovate and maximise passenger numbers. In the context of Transport for Wales, what, therefore, are the risks and benefits of the concession model?

[192] **Professor Cole:** Either way, it's a concession. Franchise concession involves a contract between a private company, in the current context, and the Government agency, which in this case will be Transport for Wales. The kind of incentives that are there at the moment are clearly inadequate. There is only one incentive, and that's time-keeping. The only financial penalty currently available is, 'Do you stick to time?', and if you look carefully at many timetables, you'll find for some amazing reason that it takes less time to get from Swansea to Neath than it does from Neath to Swansea on the public timetable, because the penalty is incurred when a train arrives at its destination.

10:45

[193] So, in many cases, it's cheaper on Valleys lines to run trains non-stop in order to catch up on your time than it is to stop at intermediate stations. It doesn't happen as much as it used to. It used to happen quite a lot, maybe going back eight, nine years. But that was the only incentive—the arrival at the final destination. It needs to have incentives such as market growth. What are the companies doing to grow the market? What are they doing to achieve maximum revenue protection, and therefore revenue collection? The fact that a train is crowded is not a reason for not collecting all the fares. What is the incentive for that? There is an incentive process, whereby an assessment is made of how much money should have been collected on a particular train, and how much was. That's not there as an incentive. So, there are additional incentives of that sort, but financial, in terms of overcrowding, in terms of what happens when the operator finds that several trains in the morning peak into Cardiff, or certain times on the north Wales main line, or certain times on the Aberystwyth line, are full, and full and standing, and maybe leaving people behind, what is the incentive to do something about that? There isn't one at the moment, and that kind of incentive needs to be built in to the concession.

[194] So, call it a franchise, call it a concession, it's the big difference

between Mark's comment a moment ago about nationalising the railway. If you rationalise the railway, then the buck stops with the chair of that organisation, as it did with British Rail. It wasn't perfect—far from it—but there are other ways than of achieving the goals that you want to achieve. With a private company, that has to be dealt with at the beginning of the concession, because if it's tried to be achieved during the concession, we have what we had earlier in this current franchise, where it was a run down to nothing franchise, with old rolling stock, with no plans for additional capacity, and then we had these growth rates of 6 to 8 per cent every year since about 2006. The Welsh Government then found themselves having to ask Arriva to find more trains, trains which were in short supply, trains which cost more to lease, for a variety of reasons, including the fact that they had to be acquired from somewhere else. And, consequently, that has to be built in to the franchise: growth issues, additional capacity, how the fares policy will be pursued. There is a sort of link with the fares policy, in that the Welsh Government can decide that it is going to subsidise the railway to the tune of 52 per cent currently, to Arriva Trains—half of Arriva's costs are paid by the Welsh Government. In the English Government's Department for Transport, their Minister is of the view that the current 70 per cent paid by passengers should be increased to 75 per cent—a totally different kind of policy, and, therefore, a totally different fare structure. How does that work in terms of trying to get more people from their cars onto the railway, as part of a cross-elasticity package for trying to reduce congestion? That's one of the functions that this new franchise can really make an impact on, with the right investment, with the right kind of capacity being provided, and the right price.

[195] **Mark Isherwood:** Thank you. I'd like to comment that people here often think it takes less time to travel from north Wales to Cardiff than Cardiff to north Wales, but that's a side issue.

[196] **Professor Cole:** It takes the same time to travel, as I found out on Saturday, to travel from Paris to London as it does from London to Cardiff—two and a bit hours.

[197] **Mark Isherwood:** Good grief. Right. What are your views on the capacity and skills base of Transport for Wales to both procure and manage the project?

[198] **Professor Cole:** I think I made myself fairly clear on this. The process of using—. Sorry, the process, as it should have been set up, was to set up

the team I described earlier of management who had experience, many years of experience and responsibility, in dealing with Network Rail rolling stock and a train operating company. My structure was to have three people, one for each of those, with two deputies each. The main person on £150,000 a year, and the ones underneath on £100,000 a year, and then all the researchers and foot soldiers and so on. That's the kind of salary that is being paid in the railway industry for that type of person. We have some very competent consultants, as I've said, who've taken over various jobs, but it's not a long-term management; it's, at best, an interim management. What we should have had in this case, particularly as it's a brand-new kind of process, was the kind of team that I've just described. It's not sufficient to have a small group of civil servants who would be the liaison staff. They're necessary to watch what the—it's a quango—quango was doing, and to report back to Ministers. The operation—the business itself—needs to be managed by those key kinds of skills, because those are the three big expenditure and revenue areas that the new franchise will have available to it.

[199] **Mark Isherwood:** Finally, as you know, the franchise infrastructure powers have yet to be devolved and the financial package agreed, what are the implications of that?

[200] **Professor Cole:** I'm afraid that, because I'm not party to the discussions, the outstanding issues, when last I looked, which was not so very long ago, were that the powers to fund the subsidy were contained in a memorandum of understanding in 2006—that's when Scotland took over full responsibility and Wales took over responsibility for the payment of the subsidy, but the franchise is still held by the Department for Transport, with the Welsh Government as co-signatories. What we need is the other way around: where the Welsh Government issues the franchise and DfT are co-signatories, because obviously part of the operation is in England and it is the responsibility of the Department for Transport to protect English travellers. But the Wales and borders franchise can't work at all without the marcher line running from north to south because we effectively have a reversed 'e' in terms of what that franchise looks like: the marcher line down the east; the north Wales main line, the Aberystwyth and Cambrian line in the middle, and the south Wales main line in the south. Those are our lines and therefore that needs to be there. So, there quite reasonably has to be an agreement that the English passengers will be looked after.

[201] Whether the proposal for taking over key stations is the answer—I'm

not sure whether that's just a brand idea. The stations on the south Wales main line were originally run by First Great Western; they're now run by Arriva. The stations on the north Wales main line are run by Arriva. Who exactly runs the stations is not the issue; it's the quality of the whole service that we're talking about. Therefore, because the majority of that operation is in Wales and the key line linking them happens to be over the border in England, but only just, then it's the Welsh Government that should be responsible for the whole of that. That, as I understand it, is not yet done. That is the transfer of the franchise proposal to the Welsh Government being the main franchisor with DfT as the co-signatory. I'm afraid that you'll have to ask the Minister for the answer to that.

[202] **Mark Isherwood:** Is there a risk if we lose cross-subsidy? Or a risk to cross-subsidy?

[203] **Professor Cole:** Sorry?

[204] **Mark Isherwood:** Is there a risk to cross-subsidy? I understand that some of the lines crossing into England, for example, generate surplus, whereas many of the lines that you've referred to in Wales might not. Currently, the franchise has a degree of internal cross-subsidy.

[205] **Professor Cole:** It does indeed. The lines between Shrewsbury and Birmingham and Shrewsbury and Manchester, and probably Chester and Manchester as well, possibly—I know for definite that the other two, and possibly that line, because it's a busy line—generate surpluses and that surplus has made a nice contribution to the Welsh Government's contribution to subsidy over the last 10 years, since the franchise began. To lose that, HM Treasury might say, 'Oh well, we will compensate the Welsh Government for that.' That's only part of the issue. To try and create, as was once suggested, different franchises operating the services to the east of Shrewsbury really made no operational sense at all. It would almost be as foolish as my joking suggestion that I made in about 2001, when I suggested that we build a brand new station at Church Stretton with 15 platforms and lots of overbridges where everybody would get off one train and get on another train. It's not possible to do that at Shrewsbury. The insurance and discipline issues for the staff and the trains become a nightmare. I looked into that. Arriva were very helpful in showing me exactly what would happen. Shrewsbury station doesn't have the interchange facility, anyway. So, it's important for us to keep it.

[206] **Russell George:** Jeremy Miles.

[207] **Jeremy Miles:** You talked about passenger growth in your response to Mark Isherwood. When Joseph Bazalgette built the London sewers, he built it to a capacity way beyond what would ever be imagined to be required. We're in a much more just-in-time model now. Where along that spectrum, if you like, do you think the franchise should start? Should it build in additional capacity from the start or should it just be flexible enough to incrementally add capacity as it grows?

[208] **Professor Cole:** Well, the expected increase in demand that has taken place since 2006 is not expected to alleviate at all. It's been growing at about 8 per cent, and in some cases much more than that. So, this franchise has to have in it an allowance for an increase in both capacity for trains and capacity at stations—that's not just train capacity at stations, it might also be park and ride capacity.

[209] **Jeremy Miles:** Is that from the start or does it just need to be flexible enough to grow as it goes?

[210] **Professor Cole:** It needs to be flexible enough. There needs to be a decision as to exactly where we should be by now because we are still behind in terms of the capacity that is available currently to travellers. That needs then to be assessed over the next 10, 12, 15 years, or however long this franchise is finally determined for. There needs to be a facility where that growth rate can be accommodated. So, it may be done in five-year cycles but within the agreement—going back to Mark's point about the franchise structure—there has to be an agreement within that franchise for a reassessment, and the cost of that reassessment, as far as can be assessed at the time, needs to be worked out.

[211] It's possible to say—well, we know from Network Rail's forecasts that the current figure of 13 million people per annum going through Cardiff Central station will be 23 million in about eight years' time. That's the current rate of growth, which is expected to continue. We've seen, in the Wales Audit Office figures, a graph in there showing the rate of growth since the 1990s—it's consistently increasing. To take the DfT figure of 2.5 per cent, which has always been their average figure, just doesn't apply. It doesn't apply anywhere, but it certainly doesn't apply in Wales. Consequently, that needs to be built in. For that, Transport for Wales needs to make that assessment of what they think the number of passengers will

be, say at 8 per cent per annum, in five years' time and what additional facilities we'll need by then.

[212] Will we need more passing loops on the Aberystwyth line? Will we need more trains going westwards from Swansea, which clearly we need now? Network Rail has the capacity now, since the doubling of the track at Gowerton, to run trains every half an hour or more down as far as Whitland, which means that Carmarthen will get a half-hour service from Swansea, a half-hour frequency, and the two Pembrokeshire destinations, Milford Haven and Pembroke Dock, will get an hourly frequency. That's the kind of demand analysis that needs to be carried out now, so that it can be built into the franchise for a reassessment every five years, about how many more trains we want. Do we need two extra platforms at Cardiff Central? Where are they going to be built? Who's going to acquire the land? At whose risk? Those kinds of factors need to be built in.

[213] **Jeremy Miles:** Okay, thank you.

[214] **Russell George:** Thank you. Questions continue to be focused on Professor Cole but, Dr Lang, please do indicate if you feel you want to contribute. David Rowlands.

[215] **David J. Rowlands:** We touched upon this a little earlier, Professor Cole, but one of the key issues raised by many stakeholders we've taken evidence from is that of rolling stock. So, first of all, do you think the Welsh Government have been proactive early enough in doing something with regard to rolling stock? Do you think that it ought to be leased or purchased? Who should be doing that leasing or purchasing? Should it be the Welsh Government? Should it be the train operator? Or should it be Transport for Wales? Where do you think we are with regard to that rolling stock?

11:00

[216] **Professor Cole:** Well, at the moment, we have very old rolling stock. Seventy per cent of the Arriva Trains Wales current stock will be unusable after 2020. It's really been unusable for a long time. But those are the rules that have been set down by the Department for Transport. The process of deciding what kind of rolling stock you want falls into five stages.

[217] First of all, what is the demand analysis going to be? And I go back to Mr Miles's comment about should there be breaks in this franchise contract.

The demand needs to be assessed over the next, say, 15 years, and how that will increase. When that demand has been assessed, we need then to assess the capacity that we need: the capacity of the trains, the capacity of the stations. Are the platforms wide enough, for example, in some cases? Are they long enough? If we're going to put in longer trains on Valleys lines, for example—a number of platforms were extended, but we find throughout Wales that many of the platforms are relatively short in small towns like Kidwelly, for example, in Carmarthenshire. And on the city line, the platforms are relatively short. So we need to decide what our capacity will be, what service frequency will be there, what service frequency can we get in different locations. I've already mentioned south-west Wales, where the capacity has increased substantially. Indeed, the passenger numbers from Gowerton station, because more trains can now be run through and more trains can stop at Gowerton station than they did previously—.

[218] So, we've got demand patterns, capacity, the services, then the rolling stock. What kind of rolling stock do we need to produce that kind of package? And is it going to be different on Valleys lines? Yes it is, because that needs rolling stock with four sets of doors to get people on and off very quickly; no steps, so they need to be—. If anyone's been on the new services running out of Paddington, the electric rains or the underground trains running through Paddington, you see the kind of operation that we need on Valleys lines. In the more rural areas, it's two-door regional express trains. Are they going to be four-car from the start, in order to futureproof the demand pattern? Or is the plan to go for tram-trains, or trams? Which is not yet known. And then, where would the depots be? We don't want lots of trains running around empty at night or in the morning in order to position themselves. The depots need to be where the passengers start their journeys in the morning. A very good example: First Great Western park overnight a significant number of trains at Swansea in order to run them into the service throughout the day. Swansea, therefore, has a very good peak service in the morning, and a good peak service in the evening, as those trains are coming back to Swansea. That's being determined, though, by the demand pattern and the availability of land for a depot, because all that has to be taken into account.

[219] So, those are the five stages in determining what you do about rolling stock, what sort you get and where you keep it overnight. In terms of the type, I just mentioned we've got several types of services here; everything from a dense commuter network in and out of Cardiff and Newport and, to some extent, along the south Wales line. We've also got rural services of one

and two-car sets on the Heart of Wales line, for example. I declare an interest because I'm president of the Heart of Wales Line Travellers' Association. And we would like a train service every two hours. That's what we would like to see in the package that comes out. But from there, the ideal trains are in fact Pacers, as it turns out, but pacers that are modern with low flat-floor entry and so on, because they have big windows and people can see the views that they have to offer on the Conwy valley line and the Heart of Wales line and the lines down to Pembrokeshire. But we have a lot of commuting into Swansea, and so commuter trains are needed for Swansea, as well as Cardiff and Newport. Better use needs to be made of that line. So, when we're discussing rolling stock, don't just think of commuter rolling stock in Cardiff; we're also talking about Swansea and we're also talking about the north Wales main line into Chester. So, there are those kinds of commuter trains and there are regional trains. Are they going to be electric or diesel, or bimodal? We don't know in the next 15 years whether electric wires will come on the Cardiff-to-Swansea route yet.

[220] **David J. Rowlands:** Do you think that this will be the sort of thing that's being discussed in the competitive dialogue that's going on at the moment? We're not told by the Welsh Government exactly what they envisage as being the rolling stock that they require et cetera. But do you think this will come out in the competitive dialogue? I mean, that's what ought to be one of their main objectives, obviously, to find out exactly what they need.

[221] **Professor Cole:** Well, I'm not party to any of those discussions, but as the managing director of London Underground once told me, if I can't work it out for myself, I can't possibly be much of a professor of transport. What I try to do is to work out what I would do if I was the Welsh Government, and what I would want to know is what you as the bidders are going to set out. I know what the expectations are. The expectations are that our passengers, people who travel around Wales by train, people like us—what we want are newer trains, reliable trains and trains with more seats than they've got at the moment. We realise that you can't always do that for commuter trains, but we need an operation that—I think the Minister, Ken Skates, said 'transformational'. That's exactly what we're looking for. I think the opportunity has come—it's not going to be cheap—but the opportunity has come for a transformational railway network that provides not only for the current user, but really meets that 8 per cent increase in demand, and I'd like to see a 16 per cent increase in demand per annum, where we really start to pull people out of their cars, onto the trains, for those bulk journeys, particularly along the main lines in north Wales, south Wales and back and

forth between Shrewsbury and Aberystwyth. Those are our primary routes.

[222] On top of that, what is the station strategy going to be? What exactly are we going to do about expanding station capacity? And what are we going to do about meeting up with legislation, which I think was mentioned by the city deal team this morning, in terms of active travel and future generations? Now, all those issues are part of the policy set down by this Assembly and the Welsh Government, and those have got to be met. Those expectations have got to be met, and the rolling stock is a key part of that. There's also getting on and off the rolling stock in the stations.

[223] **David J. Rowlands:** Because there's going to be a mix of propulsion, isn't there? Because we're talking about electrified lines, and we're talking about those that will be diesel. Obviously, there are types of locomotive out there that can use both systems et cetera, but that all has to come together. Do you think the Welsh Government are actually moving in that direction? Do you have any feel—

[224] **Russell George:** Can I ask you to be short on that? Because we have a few more questions and not much time.

[225] **Professor Cole:** A quick answer: if I was the Welsh Government, I would be wanting to know whether you are going to have bimodal trains so that we can part-electrify Valleys lines and part not. The decision by the Department for Transport and Great Western Railway is to have bimodal trains because the decision on Cardiff–Swansea electrification hasn't been made. We're in a very similar position on Valleys lines in making that decision. So, yes, some of the trains could be bimodal. Most of the trains will still be diesel for 50 per cent of the travellers who are outside the Valleys lines area.

[226] **Russell George:** Has timely action been taken to secure sufficient rolling stock, do you think? Just to be clear on that.

[227] **Professor Cole:** There will be no new rolling stock available until at least 2019. The only rolling stock that will be available then will be cascaded rolling stock from other parts of England primarily, because Scotland are not giving anything away. They're keeping all the rolling stock they've got. Abellio's job in the ScotRail franchise is to provide a completely new fleet over the period of their franchise. We should be looking for the same thing here, but we have a much bigger problem than the Scots. Seventy per cent of

Arriva's current rolling stock—which isn't owned by Arriva anyway; it's owned by the rolling stock companies—70 per cent of that is unusable after 2020. We will be very lucky to get the required amount of replacement rolling stock in two and a half years.

[228] **Russell George:** So, you don't think timely action has been taken, then. You don't think timely action has been taken to secure rolling stock.

[229] **Professor Cole:** I was reading through the previous report by your predecessor committee over the last few days, and I made a comment in there, as did Porterbrook, who are one of the big rolling stock provision companies. Diesel trains take about four years to procure, brand new. Electric trains: a little less—two to three years. If you're lucky and there's already a production line in hand, then it could take less than that; you just tag on to the existing production line. Now, there is a production line for diesel trains that would suit us in Wales, in the Northern franchise, who had a large number of Pacer trains that are being replaced by brand new diesels, because the policy of DfT is to have diesel trains on much of the Newcastle-upon-Tyne-based network—well, right across northern England. Electric trains—

[230] **Russell George:** I'm just conscious I've got to get Hannah in as well, because we're well over time. We might have to have a discussion again on that.

[231] **Professor Cole:** I'm more than happy to send you a note.

[232] **Russell George:** We'd greatly appreciate that, because this is an important point; I'm just conscious I've got to get Hannah in as well. Hannah.

[233] **Hannah Blythyn:** Thanks, Chair. I'm conscious of time, so I'll try and make it as concise as possible. One of the problems of going last: a lot of my points have already been addressed. But just a couple of things. I think you've touched on the need for better co-ordination and integration between different modes of transport—whether that be getting people to cycle to stations, or buses and trains—both in terms of timetabling and also ticketing. How could the operator be required to do this, as part of the new franchise?

[234] **Professor Cole:** Right. A very simple example, currently: the new franchise can be told to do anything that the Welsh Government wants it to

do, within two frameworks—their profitability framework, and the affordability of Welsh Government. So, any instructions can be given, at any time, to the winner, preferably before the contract is signed, so it's all in there in black and white. Integrating with buses is fine so long as the public authority controls the operation. The example I think—. I've put a map in my briefing note. TrawsCymru, the brand, is owned by Welsh Government. Some of the buses are owned by Welsh Government or the county councils. The rest of them are leased via the contracting company, but they are all contracts. So, for example, Aberystwyth to Carmarthen is operated by First Cymru under contract. TrawsCymru specifies the timetable, the fares and the tickets that are acceptable, because there are rover tickets and so on. All of that is easy to do, so long as the control is in the hands of a public authority, and that is in liaison with the railway operation.

[235] Now, when that scheme was first proposed four years ago—nearly five years ago now—the deal was going along nicely with Arriva trains to have integrated ticketing. We were thwarted—there's no other word for it—by Arriva buses, who stopped the T1 TrawsCymru service being operated. Many people in that area will be aware of it. When that service came back, and TrawsCymru re-set-up that service, we now integrate with the timetable on the railway, so that there is a 15 to 20 minute gap between the arrival and departures of the two modes of transport, and the TrawsCymru buses into Carmarthen go into the railway station, as they do in Aberystwyth and elsewhere, as well, like Haverfordwest.

[236] What we've got is integration where the parties wanted to do it. Now, the bus companies are not necessarily that keen on being told what to do because they have a profitable core network and a tendered network. The tendered network can be told what to do because it can be included in the contract from the county councils, but not on the commercial network. Hence, the only way, in my view, to do it, is by franchising the bus operation and the train operation.

11:15

[237] I know that many bus companies will disagree with me, and have done over the years, but that, in my view, is the only way in which it can be done. That's how it works in London. I see no reason why that London principle can't be applied elsewhere. I was in the Netherlands just before Christmas and I looked at cities the size of Cardiff where there is a franchising authority, and every vehicle, public transport, bicycle lanes, and, indeed,

bicycles themselves, all have a big 'U' on them for Utrecht, and you can't operate anything in Utrecht unless you take part in that scheme. And that's the only way in which we will get that kind of operation. Locally, I suggest, for buses, either regional transport authorities or county councils combining in some way, and then the national rail network directed by the Welsh Government or TFW.

[238] **Russell George:** Sorry, Dr Lang, there hasn't been much opportunity for you to come in, but is there anything you want to add at all, briefly?

[239] **Dr Lang:** Can I just make one point, maybe, to finish with? I've got in front of me one of the reports I've written on the metro, and I quote in it a report that was commissioned by and for Welsh Government a few years ago by Mott MacDonald. Unfortunately, it was undated so I can't give you the specific date. But in it they say, and I quote,

[240] 'where economic activity will centralise is dependent on the underlying economic conditions of the areas that have been connected'.

[241] That's an important point to make. If you connect places via transport, and I'm not suggesting that you don't do that—in fact, I actually suggest that you should do that; you just need to be careful about what you connect—unless you actually do something else, or a series, more likely, of something elses, then, actually, that is likely to happen. So, the question I have for Welsh Government and for the people implementing this programme is what consideration has actually been given to what else you're going to do to actually ensure that those communities that are connected don't suffer as a result of doing this?

[242] **Russell George:** Okay, grateful. Can I thank you both for your evidence? I mean, I feel a bit—sorry, I apologise that we're rushing you through questions a bit today as well, but we had a lot to get through. If you do feel that there are other points to add, especially as our inquiry continues and other witnesses give evidence, please drop us a note. We'd be grateful for that. We'll, of course, send you a copy of the transcript for you to review as well. We'll take a five, six, seven minute break and we'll convene back at 11:25.

[243] **Professor Cole:** Thank you very much, Chairman. Diolch yn fawr.

Gohiriwyd y cyfarfod rhwng 11:17 ac 11:28.

The meeting adjourned between 11:17 and 11:28.

**Sefydliadau Defnyddwyr Rheilffyrdd Annibynnol—Ymchwiliad i
Ddarparu Masnachfaint y Rheilffyrdd a'r Metro
Independent Rail User Organisations—Inquiry into Rail Franchise and
Metro Delivery**

[244] **Russell George:** Welcome back to the Economy, Infrastructure and Skills Committee. I move to item 4 on our agenda. We've got a panel of witnesses in front of us. We've got just, perhaps, over 45 minutes. If I could perhaps just ask you to introduce yourselves, your roles and what organisation you represent, just for the Record. If I could start from my left.

[245] **Mr Beer:** Thank you. I'm David Beer. I'm stakeholder manager with Transport Focus, the national transport watchdog.

[246] **Mr Hewitson:** Mike Hewitson. I'm head of policy at Transport Focus.

[247] **Ms Hedges:** Good morning. I'm Sharon Hedges. I lead Transport Focus's work on the rail franchise programme.

[248] **Mr Pittard:** I'm Rowland Pittard. I'm secretary of Railfuture Cymru/Wales.¹ Railfuture Cymru/ Wales trades as Railway Development Society. It's a non-profit-making organisation and it covers the whole of Great Britain.

[249] **Russell George:** So, what are the lessons that can be learned from the current franchise?

[250] **Mr Hewitson:** I think, as Professor Cole said earlier, growth in the current franchise, or, if not planned in from the start, mechanisms to adjust or to flex that franchise or contract as you go through, without every single thing needing to have a brand-new negotiation—some mechanism that makes it much easier to reopen, some mechanism that can get the enhancements in without it just being really difficult. I think that's probably

¹ Eglurhad/Clarification: Railfuture is independent and voluntary. It is the campaigning name of the Railway Development Society Ltd, a not-for-profit company limited by guarantee.

the biggest thing that we would say from the current franchise, but my colleague, Sharon, has a lot of experience with lots of other franchises, and we've picked up some generic points, if that would be of interest.

[251] **Russell George:** Yes. Did you want to say a few points each? Is that what you were suggesting?

[252] **Mr Hewitson:** Yes, indeed. Sharon leads our work on franchising and so has been engaged with all sorts of Department for Transport-based franchising and has picked up some tips, if you like, as we've gone through.

11:30

[253] **Russell George:** Please do.

[254] **Ms Hedges:** Thank you. I think the key point is that any franchise or rail service needs to be responsive to the needs of the passengers that are going to use it. I think, arguably, as well, it has a role in the communities that it serves. Mike's pointed out that the issue of demand and underserved demand has been a key issue for this franchise, and is clearly fundamental to addressing the issues going forward. Allied with that, I think we can't get away from the fact that the current rolling stock is largely deemed to be unsatisfactory. Much of it is very old and quite unsuitable for purpose for a number of reasons, and we'd certainly be suggesting that that needs to be addressed here.

[255] Just more generally, I think, as the franchise is procured, there are some kind of key lessons. The first one is that, when it is procured and then announcements need to be made about it, it's really important to talk about not just the really great stuff that's going to happen, albeit in some length of time on, but also, perhaps, to flag up some of the things where compromises have had to be made. We've seen often that a franchise or a contract is let, everyone has got expectations—new rolling stock, service changes and culture change all take a long time to deliver—people's expectations are set and there's often quite a strong disappointment that nothing has actually changed for some time. Allied with that, we'd actually also suggest being fairly cautious about the number of commitments that can ever be delivered on day one. Things do take time to mobilise and come forward, and, as I've said, there is this point then about making it very clear about what the trajectory is. Likewise, if there are some surprises, or things that people may not like, get it out there at the same time as the announcement is made,

rather than having a great razzmatazz and then going, 'Oh, I don't like this. This has come as that; you didn't tell us'.

[256] I think the other point about that actually relates to a point about trust, transparency and openness, and we would urge everybody involved in that to be really clear, engage with passengers through processes of consultation, be clear about what feedback has been given and the decisions that have been made on the basis of that, and being clear, where things can't be delivered, why. I would say that also ought to be a fundamental principle of the new contract and the new operation—openness and accountability.

[257] **Russell George:** I suspect there are a numbers of issues you've raised there that Members will raise in the course of the next 45 minutes.

[258] **Ms Hedges:** Okay.

[259] **Russell George:** If it's all right, I'll ask Hefin David to ask the first questions, and then other Members can perhaps come in as well.

[260] **Mr Pittard:** Could I mention, on the franchise, because I feel a number of facts are not coming out on the way the franchise is operated—? The franchise was a long franchise when it was let, over the 15 years, and it was so inflexible that it couldn't really develop without the support of Government. Now, there was a positive direction from Government at the beginning—there were 33 extra units, for example, put into the franchise, there were new services and new lines opened. There was quite an amount of development at the beginning of the franchise, and the operators themselves put in about 20 per cent extra services, giving some very useful, especially evening, services to communities across Wales. So, there was a positive start to it. But, after that, the interventions just became smaller and smaller and have not catered for the demand that has been created for extra rolling stock, for extra services since.

[261] But, when one looks back at the conditions of the franchise, Arriva Trains Wales, which has operated the franchise, met the expectations on things like punctuality, they've met the things on reliability, but they've been unable to meet things such as stations, and now the more recent overcrowding, just because there hasn't been that developmental process. So, there must be a developmental process that takes into account not only the backlog that has occurred with regard to rolling stock, but there's got to be a very early injection of additional capacity into the franchise. There have

got to be the station improvements, if they're to be developed alongside this, and that involves, if you're going to get more people onto trains, car parks.

[262] So, it would seem to have been a bit of a success story at the very beginning of the franchise, but the constraints have really not enabled the franchise to make that progress since, and let's hope that the catching-up process with the new franchise will actually take place to give the kind of services that the people of Wales will be expecting. They are expecting new rolling stock, rather than ancient rolling stock. So, it's to the expectancy of Welsh people that this particular franchise should be attempting to deliver.

[263] **Russell George:** I know that Members have got questions on some of the issues that you've raised that we'll pick up on later. Hefin, can I ask you to—?

[264] **Hefin David:** Yes. It leads quite nicely into the two areas I wanted to look at, which are the procurement approach and the concession model. First of all on the procurement approach, can you give us your views on the competitive dialogue process, given that the Welsh Government hasn't done this before?

[265] **Ms Hedges:** I think the jury has to be out on that, because it's not something that I have seen in any role of procurement in this country in anything that I've been involved in over the last eight or nine years. It's an interesting concept—the idea of an iterative development with people feeding in ideas and developing the spec in a collaborative way seems, in principle, to be a perfectly reasonable approach to it—in fact, it could even be beneficial. However, we haven't yet seen the outcome, so I have to say, at this stage, I'm not prepared to comment on whether I think it's going to be good or bad. I think it's going to be challenging for both the procuring authority and also the bidders involved. It's clearly quite time intensive, quite thought-provoking, and there will, I'm assuming, be a number of challenges about how you find, or resolve, on which particular choice, in a whole range of things, is actually going to be put down, and then the bidders have to compete against to bid for that.

[266] **Hefin David:** Can you elaborate on some of the challenges?

[267] **Ms Hedges:** Well, I suppose one of them, of course, is that one bidder might come along and say, 'I'd like to propose a load of apples', and then someone comes along and proposes some pears. How do you actually

compare both of those? They could be quite different. One has to assume, and one hopes that there's going to be a clear understanding of what needs have to be met, and the dialogue process, presumably, is going to flesh out what might be the best solution, and what will be good is clearly what meets the needs of the passengers who are going to be using it, and that it delivers against the priorities for the contract of the operation, and then it comes out as an efficient and economical way of procuring that.

[268] **Hefin David:** Okay. The flexibility should give it a better opportunity to deliver than the previously flawed franchise.

[269] **Mr Hewitson:** If I might, it rather depends on what you build into the 15-year contract. Predicting what's going to happen on the railway five years from now, let alone 10 or 15—. If you look back five years ago, you wouldn't have guessed, and if you look back 15 years ago, you certainly wouldn't have come up with the projection we've got now. So, whichever contract you're in—mechanisms to reopen, mechanisms to—. That's probably more important than trying to predict everything for 15 years.

[270] **Hefin David:** Yes, we explored those issues in the previous session.

[271] **Mr Hewitson:** Yes, I would totally endorse what Professor Cole said in that regard. We've seen growth on the railway throughout Great Britain just going upwards and upwards. There are various studies trying to work out why, and invariably, by the time they've come up with an answer, growth has continued and they still don't know why. Sometimes, you've just got to ride the wave, really. You need a mechanism to tap into it and to adapt to it. I can remember arguments between Network Rail and train companies over what level of growth to put in some route plans, and by the time they'd finished arguing, the growth was twice the best estimate they'd come up with in the first place. So, you don't know; you've got to build flexibility in.

[272] **Mr Pittard:** I think there are a number of issues when you start looking at challenges. First of all, I'd go back to the rolling stock. I read the submissions you had from the two rolling stock companies, which seemed to be wanting to sell existing rolling stock modified, which I don't think is what people would expect. Obviously, this is not helpful to the bidders when they're getting this kind of answer from the rolling stock companies not coming through constructively.

[273] The second thing that's also been mentioned is the interface with

Network Rail and their plans, because they submit plans to Government for investment. Their plans don't always meet with the aspirations of, say, Welsh Government, or the operators. For example, we've had a new signalling system introduced in Cardiff recently, but that new signalling system included the allowances for 16 trains to go through the Valleys platforms in Cardiff per hour. Obviously, it makes the bidders think now, 'If we're going to bring the metro against heavy rail in Cardiff, how is that going to work with the facilities that have now been provided by Network Rail?' It's important, because I think Network Rail plan over a much larger scale than, perhaps, transport evolves, but it is important that the interface with Network Rail, providing the right infrastructure for what services the bidder wants and what Welsh Government wants, is important, and therefore, there is an element of doubt there whether Network Rail will actually produce the services that are required.

[274] The other challenge to the bidders—

[275] **Hefin David:** Before you move on, can you effectively integrate track and train?

[276] **Mr Pittard:** Sorry?

[277] **Hefin David:** Can it be done? Can you effectively integrate track and train?

[278] **Mr Pittard:** I think it can be done, but it needs Welsh Government to have far more direction over Network Rail than they have at present. There must be a much better working relationship between Welsh Government, DfT and those who overlook Network Rail than at present, so that the two can come together in—

[279] **Hefin David:** Some of those things—

[280] **Mr Pittard:** —schemes that are to the benefit of Wales.

[281] **Hefin David:** Some of those things are beyond the scope of this committee and, indeed, this Government, I'd say, but that's interesting.

[282] **Mr Pittard:** I think the other challenge, of course, is the other operators. What is happening with regard to services between Paddington and Swansea, for example? You've already heard the issues of electrification,

but Arriva Trains Wales set up a standard pattern timetable fairly soon after they took over the franchise. It matched with what the operation of what Great Western was at that particular time in south Wales. The Great Western franchise altered its services, westbound into south Wales, and therefore, we had a mismatch of services between Newport and Swansea, with virtually two trains running within 10 minutes of each other, and people going beyond Cardiff to Swansea having to wait up to 50 minutes for a service, which still appertains today. So, there is the risk of not knowing, and I don't think it's come out into the public domain at the present time, what service south Wales is going to be offered by the new Great Western franchise, and I think that's tremendously important to ensure that we've got integrated transport and a transport system that's going to serve the south Wales area.

[283] A similar thing can happen in north Wales, where you've got Virgin Trains, another franchise that is changing—

[284] **Hefin David:** Okay. Can I direct my—?

[285] **Mr Pittard:** These must be integrated—

[286] **Hefin David:** I'm just conscious of time. Mike—the points made. There are a lot of people who've got to talk to each other.

[287] **Mr Hewitson:** The integration, as to the track and train—there are various models through the country. Scotland's got an alliance whereby there's a single person in charge of both, almost. We've seen various models in Wessex, where they have Network Rail and the train company alliances. We've got this new concept of route stakeholder boards, where Network Rail, the train company managing directors and the freight company MDs—and on the western model, we're a part of that as well, so there's a passenger input. So, it's essentially a stakeholder board that looks back at performance, looks forward at performance and where, if the heads of the companies are there, it makes it easier to sort things out. So, you can, within this construct of separate identities, mesh a lot closer together.

[288] **Hefin David:** Can I move on to the concessions?

[289] **Russell George:** Yes, absolutely.

[290] **Hefin David:** The concession model—can you help me understand it?

[291] **Mr Hewitson:** Concessions—much more controlled from the franchising body. So, if we take the London model—the TFL model, which is the one that most people tend to talk about—TFL sets the specification, basically ‘Who wants to run this service? It starts at 9 o’clock and finishes at 11 o’clock. How much will it take? What’s the bid?’ TFL takes the revenue and basically pays a fee—different from a franchise; the franchise takes the financial risk. It’s the financial risk, the revenue risk, that tends to determine which one you go for.

[292] **Hefin David:** And then, how do you apportion risk in a concession model, then? How do you—?

[293] **Mr Hewitson:** The franchising body takes it all, basically. There are contracts governing performance, incentive penalty payments if your operator doesn’t hit its targets, so it’s much more monitoring and chivvying up your contractors. But it’s the franchising body’s risk, therefore, arguably, there’s a lot of focus on, ‘Are we getting what we’re paying for?’

[294] But in terms of looking at passenger outputs, because passengers don’t see how it works, they just experience—and everyone points to London overground services being a great success, and they’ve certainly improved. But we can see—a long-term franchise—Chiltern Railways scores very well, passengers are very happy. A short-term, more commercially driven franchise c2c—sort of Essex into London—does well, so that’s a short-term franchise, a long-term franchise and a concession, all scoring really well. The thing that they all seem to have in common is good management and lots of investment. It’s that, more than anything else, I think, that drives satisfaction.

[295] **Hefin David:** What about a concession model where there’s not much profit to be made, anyway, and there’s a big subsidy? Is there any point?

11:45

[296] **Ms Hedges:** Arguably, if that was the case—if it is the case—then that would also be reflected in, if it was contracted to a private contractor, they’re perhaps looking for a level of subsidy that would be reflective of what the concessionaire would have to put in. So, actually, if it’s not very profitable, you’ve got those issues to address either way. One of those might be looking at—whatever model you take—how some efforts can be made to stimulate demand in perhaps the off-peak or lesser-used routes, which is your obvious

opportunity to get better return on the assets that you're putting out there.

[297] **Mr Hewitson:** But good management would apply whatever model you've got. If you've got good management that's responsive and it looks at what passengers are saying and reacts, you can be successful. That's probably a bigger criterion of success than which structure you take.

[298] **Hefin David:** Okay. Notwithstanding that response, Rowland, are you convinced by the concession approach?

[299] **Mr Pittard:** I think it has advantages, but, again, it is difficult to get an operator, perhaps, to take over a concession unless there is an amount of profit there, and to generate that profit, obviously there's got to be a subsidy coming in. In the case of Wales, you can start considering fare levels; there's a mismatch there. Someone's got to make a decision on fare levels, whereas when you've got the open bidding, there must be a cap to the profits, but there must be an incentive to the operator to provide that particular service. I can remember—

[300] **Hefin David:** Just to—. Sharon, are you suggesting that the subsidy is a method of control that actually does lever in a bit more—?

[301] **Ms Hedges:** No, that wasn't quite what I was suggesting. What's the point of a concession if it's not profitable? Well, what I was saying is, even if you're going down a private model, there would still be a level of subsidy required. So, if it's not profitable, you still have to pay for the services one way or another.

[302] **Hefin David:** Okay. Thanks for the clarification. Sorry about that.

[303] **Mr Pittard:** And that again could restrict the development of new services, additional services, as well. Because in every case where you develop a new service, as was shown in the present franchise, if you wanted something new, if the Government wanted something new, they had to pay for it. Obviously, the company there had a small benefit out of each development there because they were managing it on behalf of the Government. So, we've actually seen that.

[304] I think the way that the thing was let, it was almost like a concession to operate. I can remember the previous franchise, which was the Wales and borders franchise, and the person in charge of that was Chris Gibb, who I

think you've used perhaps as a consultant for some of the work, and I can always remember Chris saying, 'So long as my company is making £1 million a year out of this franchise, we are happy about it', but there wasn't the incentive to do anything further there. So, I think it's a balance between incentive, cost and providing for the public, and having direction over how to provide for the public.

[305] **Hefin David:** And leadership, Mike.

[306] **Mr Hewitson:** And leadership, yes. It's good management and investment that seems to count. Where you've got a good railway, you'll find those two.

[307] **Mr Beer:** If I could just add a point, we've seen in the current franchise that passenger satisfaction was increasing up to the point of 2010, when the expansion of passenger numbers really started to bite. But because of the lack of investment, it's been a downward trend since then, to the point where passengers are really now just completely turned off, because all they've got is an overcrowded railway, particularly on the Valleys lines, and particularly at the key pinch points of the day. That's because of a lack of sustained investment, and passengers are voting with their feet and we're seeing the trend being dragged down on every front of passenger satisfaction, because of that lack of investment. So, whatever the model, it has to have that sustained and continued capacity for investment and have the flexibility to meet the needs of passenger growth and the demands day to day.

[308] **Hefin David:** Thank you.

[309] **Russell George:** Mike, briefly, how can the passenger survey be used in the franchise performance monitoring?

[310] **Mr Hewitson:** We have examples. Passenger satisfaction is one of the contractual outputs that is committed to. The bidders are invited to bid at a certain level of customer service, train service and stations, and there's an incentive or a penalty regime attached to it. So, where you put the money into a franchise or a concession in terms of targets, then there's somebody within that franchise or concession who manages it. Where there's a manager, then there's attention given to it. So, it drives a sort of virtuous circle of improvement.

[311] We like it, because when we've gone out and asked passengers what

involvement they want in a franchise, they invariably say, 'I want to be consulted about what goes in in the first place; I want some statement of promises that have been made so I can hold them to account; I want my voice to count through the franchise, rather than just coming to me once every 10 years.' Building passenger satisfaction into it is a way of making that voice count through the franchise. I'm the customer judging the supplier on their delivery. And it's important, because if it's not monetised and put into the franchise, it doesn't count. Business managers look at targets and look at risks. There's reputational risk if passengers aren't happy, but it's not the same as a financial risk. Why we quite like the NRPS—the national rail passenger survey—is not only is there about a 20-year baseline so you can see where things are going, but you can compare companies with companies, and you get this competitive benchmark and you get this league table effect. Nobody likes to be at the bottom, and the pressure of that does drive things up. So, I think that's why we like that passenger voice to be one of the key triggers within the contract.

[312] **Russell George:** Okay, thank you. Vikki Howells.

[313] **Vikki Howells:** Thank you. I've got some questions around mobilisation and management of the franchise. Mr Pittard, if I can just start with you. Railfuture observed that there's a short timetable for mobilisation following the award of the contract. What implications do you think that short timetable might have?

[314] **Mr Pittard:** I think the time is too short. The mobilisation should have taken place at least two years, if not three years, earlier. So, there is that difficulty of catching up. I consider that you really want to consult and ensure that you know what the people of Wales want before the franchise is fully written. I am concerned about the way in which questions have been asked about what the public wants. They seem to be directed in certain—. There are questions around comfort and around facilities, but they're not directed towards the level of services that people want and when they want the services, because it is so important to people, if they're going to use public transport, that they can get to work at the time they want to get to work. They don't want to get to work an hour earlier than they need to start, and they don't want to be five minutes late, otherwise their boss is going to tell them off. I can give recent examples of timetable changes that have caused people to have to shift from rail to road, because the difference of two or three minutes in the time of that train getting into Cardiff affects their time of arrival at work. This is important where you've got the low-frequency

services—the hourly or two-hourly services.

[315] I think one of the things that has been wrong in the mobilisation has been the use of the term ‘metro’, because I’ve asked about 50 people of various age groups, ‘What do you understand about a metro service?’ and they say it is a turn-up-and-go service. And I can’t see how the present proposals in any way will operate a turn-up-and-go service to the people that live in the area that is served by the metro—the 10 counties of south Wales. So, I feel there has been a rise there of expectation in this particular process of mobilisation.

[316] So, I think the way in which it’s been done is not really the best of ways to give information to the public, and to engage with the public. There have been surveys asking you to click off on—what do you call them—Puzzle Monkey, and those particular surveys could actually draw in a certain segment of the population. So, you might get that there’s a lot of dissatisfaction in the Cardiff Valleys because of the overcrowding. So, that dissatisfaction may come into those surveys, but it may not be the case. There might be other aspirations of the people who live in the Cambrian system coming in from Aberystwyth to Shrewsbury, or people that live in north Wales. So, I don’t think the way in which they’ve been trying to gather the information for this mobilisation process is ideal. What I have appreciated is the bidders coming asking for ideas, and doing a very good, sound consultation with interested organisations. And I think we’ll end up with the bidders perhaps having more expertise of what people want than Transport for Wales.

[317] **Vikki Howells:** Thank you. And could I ask the rest of the panel now, then: how do you think that Transport for Wales should prepare for its potentially significant role in managing key aspects of rail services, such as stations, car parks and other commercial contracts—those peripheral aspects that are so important in making sure that the service is actually delivered effectively?

[318] **Mr Hewitson:** Yes, they are. The whole package is what colours the passengers’ view of the service. How should they prepare? Well, they need to have a good sense of what they’re going to contract in the first place and how they’re going to measure it. And, again, a mixture of hard targets and soft targets. I keep coming back to the qualitative aspects, and I think the best way of bringing that aspect in is to go and ask the people who are using it what they think about it. There are loads of different techniques. We’re

running some qualitative research as we speak really, bringing focus groups in and just getting a feel for the issues. We run quantitative surveys as well. So, you can get the balance between the statistical stuff, and then the human stuff as well.

[319] It's always good, I think, when you get the operators having some requirement to look at the user voice, and I think as long as that is in the contract, as long as Transport for Wales builds that in—. And there's every reason to suspect they will; they're certainly very well-tuned in our conversations with them to that user voice. If you build that in, if you build the mechanisms into the contract, whether you've got stakeholder boards or you've got a mechanism whereby the complaints that come through are not just answered, but are fed back into the decision-making process, you can build lots of stuff in there whereby the voice feeds back and leads to improvements.

[320] **Mr Beer:** If I could just add to that. It's about broader aspects than just the rail network as well. I think what you're talking about there is door-to-door journeys, and I think there's a part for the bus network, there's a part for community transport, there's driving to stations, and provision for all of those needs to be understood. So, there's a range of current users, but it's also about making the service attractive in the future, so that it'll encourage new users to try it by having parking at stations, having maybe trial tickets, having those discounts available, those attractors, to bring people into the network. But, also, the rail network only has a certain reach and, beyond that, you've got to bring people to the rail network as a core spine, and I think you've got to talk to the bus network, make sure that that integration is happening, make sure there's that willingness and ability for the bus service providers to build that into their timetables and services. And that's the commercial network, as well as the TrawsCymru services.

[321] **Ms Hedges:** Could I just very briefly come in? I think we're picking up two different elements here: one about consultation and one about the mobilisation and migration. We're certainly real advocates for meaningful and comprehensive consultation to inform the development of what the new service is going to look like, and I think those points are very well made. But, I think, when we come to talking about the mobilisation and migration, I just double-checked actually, and this franchise is due to be announced, I believe, in January 2018, with the contract starting in October. That's a period of around nine months. That's actually significantly longer than we generally see. We generally see a period of around three months or so. I

think part of that, of course, is the very complex infrastructure work that's allied with this rail service, and I'm sure there's a lot there, but I think the point to think about there is that, clearly, people are going to be in a transition period—those people who are working for the current operator, many of whom will transfer. I think one of the things that really needs to be picked up as well, is how one reassures the staff and starts to give them some good, positive messages about their future, to try and take them along on the journey as well. I think that's going to be quite challenging for some people.

[322] **Vikki Howells:** Thank you. One final question around mobilisation. Do you think that Transport for Wales needs to be really driving the agenda now in terms of preparing all bodies to be proactive? To give you one example, in my own local authority, Rhondda Cynon Taf, they're currently looking at doubling the capacity in some car parks at rail stations, in advance of the metro coming in. Clearly, that's an example of good practice. Is there a role for Transport for Wales trying to cajole, for want of a better word, other stakeholders into those sorts of preparatory works, which could make the whole process so much easier?

12:00

[323] **Mr Hewitson:** Yes. [*Laughter.*] Sorry, it's a very simple answer. Yes. The more that you can co-ordinate the transport systems, the better it is. So, the more conversations that go on—. Even if there aren't powers, a clear sense of what the railway is going to look like can feed into a bus strategy and can feed into all sorts of other discussions. So, the more that's out there, the more that people can at least start the planning process, rather than, on day one, we'll all get together and work out what can be done. The more you can co-ordinate in advance—. Because that's quite difficult, isn't it, if you don't quite know what you're going to end up with, but you can start the process and you can get the mechanisms going.

[324] **Mr Pittard:** I think you've made a good point there, but one thing to remember is that cars and buses don't always mix and, therefore, the correct segregation needs to be done at the station. Obviously, the bus users would look for preference over the car users in getting access to the station. There are some design features in parts of Wales where it's the other way around.

[325] **Vikki Howells:** That's a very good point.

[326] **Mr Pittard:** Really, if you are going to integrate things, the priority is to get the bus to the station, then think about your car park and try and segregate the traffic, so that the cars leaving the car park when the train is coming are not blocking the bus that also wants to get out and get those people home.

[327] **Russell George:** Sharon, you want to come in.

[328] **Ms Hedges:** Just very briefly, I think we'd also expect good bidders to be out there doing a very, very similar job: going out and talking to all of the communities and stakeholders about the proposals that they think they would like to bring forward, how they marry up with other things on the table and how people can work together, as you say, to deliver a comprehensive and constructive and well-resourced, early delivered set of proposals.

[329] **Mr Hewitson:** And Transport for Wales can help with that as well by giving bidder points for good consultation. The more points you award for certain things within a franchise—we see it all the time—and the more that quality is emphasised within the franchise, the more the bidders talk about quality. So, if you make consultation an important aspect, you'll see that reflected in the bids. You can drive behaviours.

[330] **Mr Beer:** I think also, part of the issue is having the processes in place that are then going to scrutinise the delivery on an ongoing basis. So, have a look at what those mechanisms are going to be. So, take advantage of existing groups: the public transport users' advisory panel and the cross-border rail forum are existing groups that could take on a role in future. So, have a look at the issues that they can scrutinise—the expertise that's on those—but also have a look at what their terms of reference are and maybe seek to build those up and formalise some of those roles and—

[331] **Russell George:** I just—. Sorry, you carry on, David.

[332] **Mr Beer:** I was just going to say, and make sure that, particularly with the geography of the network, it includes the English side of the border. One of the key issues, I think—it particularly came up with the committee's outreach event—was a very useful point about the inclusion of English members in terms of their say and how they are actually included in consultation and in terms of the ongoing accountability to the English side, as well as the Welsh passengers.

[333] **Russell George:** I'm just very conscious of time. Do you have any last questions, Vikki?

[334] **Vikki Howells:** No, thank you.

[335] **Russell George:** Can we move on? We've got three subject areas to cover as well. Hannah Blythyn.

[336] **Hannah Blythyn:** Thanks, Chair. You've already touched on this, namely the importance of effective mechanisms for stakeholders and passengers in improving the passenger experience. What are those effective mechanisms and are there any specific areas that passengers and stakeholders should be involved in?

[337] **Mr Hewitson:** I've mentioned the feedback on performance—that's the really important one—and how that gets factored in. In terms of certainly other stakeholders, clearly it's important to feed in to local authorities, but also economic funds and whatever it's called these days: section 106 funds or whatever the new CIL funds are—I can't remember what the initials stand for. The railway's got to be good at tapping into available sources of money. It's got to be good at getting partners to invest, particularly around station schemes, local schemes, accessibility schemes, bike-parking schemes—all that type of stuff. There's money out there, but the railway's got to be really good at tapping into it.

[338] Community investment funds: we see a feature of that in some of the franchises, whereby there's a certain block of money set aside, but local community groups and the railway will deliver together. It brings engagement that way and it really does help. Community rail partnerships, adopt-a-station initiatives: there are loads of ways in which you can bring people in and get value out of it rather than it just being a tick box.

[339] **Russell George:** Does anybody else on the panel want to comment on that? Rowland.

[340] **Mr Pittard:** It is important to involve the various groups that have been discussed, but I also think it's important that that continues throughout the franchise. It's no good just having very good consultation at the beginning of the franchise. To maintain standards and, I would think, with developments that take place, such as some of the technological developments, it is important for that interface between the various bodies that are supportive

of rail, that that continues throughout the franchise and that there is an awareness with the franchise providers that consultation will give them some indications of how they are performing within the franchise, whereas, you know, the work of an organisation like Transport Focus will not only give performance ideas, but a comparison, which I think is the important one, with what is happening in other parts of the country.

[341] **Russell George:** Thank you.

[342] **Mr Hewitson:** You can put it into the specification. You can require people whose job it is to go out and talk. Again, you can drive whatever you like through the specification—engagement officers, regional planning, whatever you want. If you put it in the franchise, you'll drive behaviour. Sorry, Roland.

[343] **Russell George:** Sharon.

[344] **Ms Hedges:** One thing that we particularly like in recent franchises that we've seen is the concept of a customer report, where the operator starts at day one, but publishes it on a regular cycle, possibly annually, where they talk of—literally, you can put in, 'You said', 'We did', and actually use that as a mechanism for articulating what they've heard and how they are responding to that, and also bringing in, 'And how have we done on the promises that we've made'. I think that's a very neat way. It could be made very user-friendly, and it's quite useful.

[345] **Russell George:** Hannah.

[346] **Hannah Blythyn:** Just slightly linked to that, but moving slightly on, obviously, with this particular franchise, there are cross-border implications, and I think some of the other sessions, having a stakeholder event—it's like how and should the needs of the English regions covered by that franchise be fed in or represented, and I think there was a suggestion that there maybe should be representation on Transport for Wales. But what are your views on that, and what mechanisms could we use to ensure that is covered?

[347] **Ms Hedges:** One thing, and Mike mentioned earlier on that we're doing some research with Transport for Wales, but, with their agreement, we also approached the Department for Transport and asked them specifically to fund some focus groups to take place on the borders side, and one of the questions we're actually putting to a representative sample of passengers is,

'What do you think about this, and how would you like to have your views fed in, and what sort of accountability?' And we are looking forward to reporting on that during the procurement process. I think that that will probably be a good starting point.

[348] I don't know if anybody else mentioned the cross-border forum, but there is already a mechanism, and I think there's probably a lot of scope to perhaps beef up that particular constituency where people are already accustomed to coming and talking together and working together, and that might be a very helpful mechanism to ensure that there's a good exchange. Because it's not one side or the other: this is actually an entire network, and it needs to interface in all directions.

[349] **Russell George:** Thank you. Mark Isherwood.

[350] **Mark Isherwood:** Why does Railfuture say that it doubts the wisdom of including light rail in the franchise whilst also suggesting light rail on inner sections and the need for light rail to interchange with heavy rail?

[351] **Mr Pittard:** I'd certainly like to expand on that, because the importance of a rail network is integration, and if you cut off 150 miles or so of the Welsh network from the rest of the rail network, there is no opportunity to actually have services going from that part of the network to other parts. There'll be an interface where passengers will have to change, possibly at Cardiff, putting extra pressure on a station that has been said by many to be unfit for the purpose. So, that's the first point: integration could be lost by having a metro.

[352] The second thing is: who is going to be responsible for the infrastructure? I've said earlier that Network Rail and Welsh Government should have a dialogue so that they understand that the infrastructure that's being provided is the infrastructure that is wanted for operating the services. There have been no proposals in the metro that the routes will change from the existing routes, which are being maintained, and continuously being maintained, by Network Rail, and you have a very good, if not top-ranking, signalling system in the Rhymney valley, for example, which can cater for all future needs.

[353] So, the infrastructure is there, the infrastructure is being looked after, but what is a question mark on the infrastructure is how fragile are certain parts of the infrastructure. The Valleys have quite a number of river bridges,

far more than certain areas of the country. There's the danger of landslides. In recent years, we've seen the landslide on the Rhymney line cause an element of disruption and additional work.

[354] So, there is the infrastructure and how safe is the infrastructure. If that was a light rail infrastructure, how is that going to be looked after in the future? Because, as Stuart Cole mentioned to you earlier, there is the huge question of insurance. There's not only the question of insurance of the infrastructure but there's the question of the insurance of the passengers that are using the services and whether that's taken up by the franchise operator or whether that is also taken up by Welsh Government.

[355] Then, finally, at a time when a lot is going on, there will be the disruption to convert the routes, whereas, if a steady progress of electrification took place, there wouldn't be as much disruption as a movement to metro, because a metro could involve different stock, involve different platform heights at different facilities, for example. What would be the ideal stock to have?

[356] Railfuture, at the moment, is convinced that to hive off the core Valleys lines would be wrong. We should be looking to fulfil things in the future generations Act, to have a whole network of lines in south Wales, and eventually in Wales, that are electrified, to reduce pollution and those aspects that can affect the environment and can affect people's well-being.

[357] So, there is certainly a place for new developments and new developments within Cardiff for tramways but I think, and Railfuture thinks, it would be wrong to replace a whole network with a tramway system.

[358] **Mark Isherwood:** Isn't that an argument to include the light rail interchanges within the franchise, to achieve what you're—

[359] **Mr Pittard:** Yes, I think, if the Government is looking forward and saying that there should be sections—. Manchester, for example, did take a few heavy rail routes from heavy rail and convert them to trams. But where there were parallel railway lines operating—altering them into Manchester and from Rochdale into Manchester—people still opted to go back to the heavy rail rather than use the trams for the long journeys that have been involved in Manchester.

[360] So, trams, I would say, are appropriate for short journeys but not

appropriate for the length of travel time of say an hour coming in from the Heads of the Valleys into Cardiff.

[361] **Mark Isherwood:** You also say that you support metro vertical integration of track and train on the Valleys network, but you also identify a number of risks in your submission to us. Could you expand on the risks and possible opportunities you believe would be involved in vertical integration?

[362] **Mr Pittard:** The risks are that the Government doesn't have any oversight of the bus services. I think this is the important thing with regard to the integration. Integration has been on Welsh Government's agenda since Welsh Government has been in existence. It is difficult to see where they've made tremendous progress with regard to integration.

[363] If we look at the example of the capital city of Wales, where the bus stops have migrated well away from the railway station, some of those bus stops don't even have shelters for passengers to wait. If there is a bus there, there are buses around the whole of the city confines, near to the railway station, that are running continuously while they are waiting time on those bus stops. It's—. I don't think it's the ideal way to entice visitors into a city that is trying to give the impression that it's one of greenest and least polluted cities in Britain. The idea of the small bus station, 24-bay bus station, that is going to come in to replace the bigger bus station is obviously not going to cater for the buses in Cardiff.

[364] So, the integration there doesn't seem to take place. There have been developments in some parts of the Valleys with integration. I can think of my own home area of Bridgend, where there were two services linked into the railway. They all had to be subsidised by the local authority to enable them to exist, and, obviously, with the cutbacks, those services have fallen by the wayside.

12:15

[365] **Mark Isherwood:** The question was primarily focused, actually, on the track and train integration, as opposed to more the connectivity or integration of the broader service.

[366] **Mr Pittard:** Sorry, if I misunderstood you, but track and train integration—there are advantages, and there could be advantages in the Valleys because the last coal trains probably will operate in the Valleys this

May, and the whole of the Valleys system will be freight-free. So, there could well be integration. But I think the integration must be a threefold one, where the operator, where Welsh Government, who's setting what they want, and Network Rail could actually get together. I think that it could be a very good example of this, where they could actually get together and decide what facilities they're operating and providing for those services—the ideal ones—and plan things in a cohesive manner. So, I think there is room to perhaps try integration in the Valleys, but it would be very difficult on some of the main lines where you have freight operators as well. They'll want to make sure, if there was vertical integration, that they're involved in that as well.

[367] **Mark Isherwood:** Does Transport Focus have a view on that?

[368] **Mr Hewitson:** On track and train integration?

[369] **Mark Isherwood:** And the risks and opportunities.

[370] **Mr Hewitson:** Well, I think some of the opportunities are particularly around disruption—so, engineering works and planning for a single body. You can plan the engineering work and the alternative passenger services and the communication stuff. It does make that easier. You can still do that, if you're two separate bodies, if you work closely together. So, there are mechanisms around it. But having the infrastructure provider and the operator heading in the same direction is a positive. I think there are different models.

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

[372] **Russell George:** David Rowlands. Sorry, Sharon, did you want to add something?

[373] **Ms Hedges:** What I was going to say is that one of the things we're pressing for in control period 6—the next investment period for the railways—is the thing that really would make a difference as well: ensuring that both Network Rail and operators are incentivised on the same line, so they're both trying to achieve the same targets. Our view on that is that the primary target should be about running trains to the right time at all stations where you can actually measure that. That should be the measure. It's the on-time thing. It's the thing that passengers understand. If everyone is focused on that, then arguably you're going to get a more efficient and much more rewarding and satisfactory service for everybody.

[374] **Russell George:** Thank you, Sharon.

[375] **Mr Hewitson:** Certainly, it does come through in a lot of our research with the, 'What do you think about the railway?' type of questions, that there's no-one in charge. It feels like you've got so many different bodies giving you different excuses—you know, that sense of grip. You can pick that up, particularly when we do the qualitative research and we ask people—you know, 'I just want someone in charge, just to take a grip of it and sort it out. That could be simpler with a vertically-integrated railway. It's not impossible without it, but that sort of pyramid structure, whereby there's someone in charge, saying, 'You do this, you do that, and let's go'. It can bring benefits.

[376] **Russell George:** I appreciate it. Final set of questions, David Rowlands.

[377] **David J. Rowlands:** Yes. It will come as no surprise to you that one of the key issues raised by many of the stakeholders that we've taken evidence from is rolling stock. We've touched on it a little earlier. Now, given that we've heard earlier from Professor Cole that it will take until 2019 before even cascaded stock will become available—. But, as and when that becomes available, how do you think it ought to be purchased? Should it be purchased or leased, and who should be the purchaser or the leasee? Should it be Transport for Wales; should it be the operator, or should it even be the Welsh Government? Do you have any views on that?

[378] **Mr Hewitson:** We tend to look at things from the passenger output—so, 'Can we have new trains, please? Thank you very much'. How it's done is a—. The issue of residual value in a franchise is always one that comes up—particularly, 'After five years there's no point investing any more. We haven't got time to recoup'. If the assets for rolling stock are owned centrally, then of course that can help. It can certainly help in long-term planning and cascading, but, whether you get a better deal than you would do through a ROSCO, I don't know the finance of it—that's something that we're not experts in. Equally, I suppose, you end up with this question of if you buy a train and it's not that good. If you've made a mistake in the specification and it's yours, and it's expensive to change, I suppose—I don't really know. 'Yes please' to new trains, if we could get new trains in quicker, having it centrally owned, that's a very big argument for it.

[379] **Mr Beer:** Sorry, if I could just add, there are some of the bidders that are talking about having rolling stock contracts already that they could

potentially piggyback. So, that is one potential source. Also, talking about the longevity of the rolling stock, if you're buying trains that are going to last for 20, 25, 30 plus years, then, potentially, what happens to them when they end of the next franchise is up? And, maybe, if those are held centrally by Welsh Government, by Transport for Wales, they could be held in perpetuity for the next one, rather than being released back to the market and then having to be brought back again, which can be an issue if you've then got an extension on the franchise, or if you've then got another franchise coming in at the end of the next one. What happens to the rolling stock at the end of the next franchise?

[380] **David J. Rowlands:** So, there's an argument for the Welsh Government to actually, maybe, become a ROSCO itself.

[381] **Mr Beer:** It's one of the models that could work quite well.

[382] **David J. Rowlands:** Yes.

[383] **Mr Hewitson:** Although I do think, you don't have much time left if you want new trains. It's probably too late now, to be honest.

[384] **David J. Rowlands:** Absolutely. We discussed that earlier on, obviously, that the timescale now, unless, of course, we could piggyback it onto the back of one of the other orders.

[385] **Mr Hewitson:** Yes, an existing order.

[386] **David J. Rowlands:** But, of course, that doesn't actually give you, perhaps, the exact rolling stock that you'd need. Is that right?

[387] **Mr Pittard:** There's also the issue of the motive power of the rolling stock, whether it should be diesel or whether it should be electric. Because if there's going to be a positive move by Welsh Government to expand the electric network in Wales, it would be inappropriate to be having a whole fleet of diesel stock. So, that's one of the downsides, whereas if it's with the ROSCO, they take that risk. But I would endorse what has already been said, which is that the best way to get rolling stock is to get rolling stock that is already in use, which has already been proven—or new, recent rolling stock that is already in use—and piggybacking orders on that stock that has been recently developed, so that you've got the most modern stock available, but it's also been pre-tested. Because if you had to go through a process of pre-

testing new types of rolling stock, that would again hinder the introduction of the new rolling stock by the franchise.

[388] **David J. Rowlands:** Fine, okay. There's one other issue that I wanted to raise with you, and that's the issue that the disability access regulations don't come in until 15 months after the franchise has been given. Who do you think should be taking responsibility for that? Should it be built into the contract itself at this moment in time, or—?

[389] **Mr Hewitson:** I think it will have to be, because the legislation is such that there's a hard stop there in theory that the trains can't run beyond. So, it's got to be planned for now, and the only people who can plan for it now are Transport for Wales in the specification. Although, I think the existing Arriva Trains Wales will probably have to have a look at it as well, because you can't just suddenly withdraw all that rolling stock and then have a gap. Quite what that means, as to whether we're looking at a refurbished option, something that's not quite as good as you'd get if you started from fresh, I don't know. There's a potential trade-off here between full compliance in two years' time and a brand new train in three years' time. I think there's probably a debate to be had there, although that's certainly not an argument for saying, 'Let's delay accessibility' in any sense. Because, in theory, it should have been fit for a long time before—

[390] **David J. Rowlands:** Franchise affairs have not really been devolved, so that brings in another problem.

[391] **Mr Hewitson:** No, and with any suggestion of a further derogation, you have to take into account, 'Why has it taken us this long in the first place?'

[392] **David J. Rowlands:** Yes.

[393] **Mr Beer:** And current indications are that there isn't going to be a further derogation. So, when we reach that hard stop, if the rolling stock is not compliant, there's a real danger that it won't be allowed to run, and that's the worst possible thing for passengers.

[394] **Mr Pittard:** Train size could have an effect on this, because a lot of the stock in Wales operates as four-car, even though it's built as two-car, and this is where it is so important to have corridor connections between stock and stock in the future. Because, for example, if you put two of the existing 150s that are operating on the Valleys together, you could actually meet the

regulations by converting just one of them with a disability toilet. So, there is a way of reducing the demand at the onset, without taking too many vehicles out of stock, but I feel that that issue should've been with the train operating companies rather than with the operators. Having said that, I still don't want to back down on that we should have new rolling stock for Wales and not converted stock that is already in existence.

[395] **David J. Rowlands:** Absolutely.

[396] **Mr Beer:** If I could just add a point. Rowland was talking there about putting two sets of stock together. That is one of the key things, across the fleet, that there needs to be that ability to connect two different sets of rolling stock, particularly to support peak period demand and things like that. So, whatever is bought and brought in has to be compatible.

[397] **Russell George:** As a committee, we carried out our own survey as well, and I hope you've had a look at those results. How do they compare to Arriva Trains Wales's passenger survey results?

[398] **Mr Hewitson:** We ask about satisfaction with current services and we also ask, periodically, about what the priorities for improvement are. If you look at our priorities for improvement and the results, they're much the same. The core product: punctual, reliable, getting a seat, frequency drives most attitudes to the railway. If you think of it in that sort of Maslow hierarchy of needs, we're on the bottom bit—the basic core product. And then, things like good Wi-Fi and availability of staff are the next tier up, but it all starts from that core product. At the moment, it's quite hard to get beyond that, so, I think the results that we've seen reflect the same.

[399] **Russell George:** So, the surveys were pretty much in line with each other.

[400] **Mr Hewitson:** Yes.

[401] **Russell George:** Well, that's good to know.

[402] **Mr Hewitson:** It's the level of disaggregation that starts to throw up some really interesting things, because you take Arriva Trains Wales as a whole, and if it's a big enough survey that you can then split out Valleys lines and these services, then you start to see some distinctions between journey purpose. And, for your average commuter, it's all about the train. As you

move towards more leisure, then the station comes in a bit more and, as you break it down further, you get much more nuanced. I've only seen the top-level results, but I suspect that they'll be in there if you break it down by different demographics or different journey purposes. I'd be very surprised if there's any difference, because, in all the research that we do across the country on priorities improvement, you can almost predict the top five: value for money, frequency, capacity, punctuality, information during disruption—that tends to fluctuate a bit—and Wi-Fi, actually, is a surprising one in there and certainly that comes in in the top 10. It's one of the first non-train aspects, where the quality of service comes through.

[403] **Russell George:** We are quite a bit out of time, but is there anything that is a very brief key message that you think we've not covered through questions today, that you want to briefly raise? Is there anything at all?

[404] **Mr Beer:** I think one thing that I'd like to mention is about complaint handling and making sure that that's robust, and, certainly, the fares policy and revenue protection, to make sure that that is in place in a way that is not going to beat passengers with a big stick. Big sales incentive, rather than big stick, I think. We're hearing some horror stories from revenue protection at the moment, and what we'd like to see in our complaints postbag is more upfront handling of the complaints on a more robust basis with the operator itself, so that they're doing a good job in terms of their complaint handling, and so that, when the appeals feed through to us, we're not seeing a huge influx of the same issues. But it is also in terms of revenue protection and making sure that there are staff on hand and there's a good, robust ticket sales capability, so that people can buy the ticket they want on a simple basis and so that they're not beaten over the head for not having a ticket, unfairly.

[405] **Mr Pittard:** Could I add to that, because I think David has said it quite well and covered most of it? I think there is the area of young people to look after and to get them into the position that they know that, if they're travelling on public transport, they have to have a ticket and it has to be made easy for them to actually acquire a ticket to travel.

12:30

[406] The next point I'd make, as far as Welsh tourism is concerned, is that there should be a good range of rover area tickets to attract tourism to Wales, and possibly leisure travel. So, it would be wrong to reduce the range of tickets that we've got at present. I know lots of organisations will be

saying, 'There are too many tickets,' but those actual rover tickets, tickets for off-peak travel and tickets for commuters who only go to work three days a week are things that are important ingredients to put into the mix with regard to the franchise.

[407] The final one I'd like to say is, actually, representation to the companies or to the bidders and the company that finally gets it, that there is this contact of consultation with the appropriate stakeholders, and also to develop themselves a way of looking at what they're operating and having constructive comments about it coming back. For example, the present franchise has two consumer panels—one that looks after the problems of the Cardiff Valleys and one that looks after the aspects of rail services in the rest of Wales. I think that interplay within those committees of different experiences does benefit the rail operators, and is something that should be carried forward from the present franchise into a future franchise.

[408] **Russell George:** Very grateful. Thank you. Last word—David.

[409] **Mr Beer:** There's just one further point, which is that passengers often believe that the rail industry should understand their travel behaviours to a greater extent. It's the thing we're seeing a lot in the retail industry, and if I go to a supermarket, they understand what I'm going to buy. The rail industry is not as good at doing that, and I think, particularly when it comes to things like compensation, that should be automated and to make sure that, if I've bought a ticket, the operator knows that I've bought that, and if something goes wrong, then they know who I am, know that I've travelled and they can compensate me and make it simple for the passenger.

[410] **Russell George:** Very grateful. Can I thank you all for your time this morning? We greatly appreciate the time you've spent with us. We will send you a transcript of the proceedings, so, please look over it and let us know if there's anything that you want to add to that. So, thank you very much again.

12:32

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
Motion under Standing Order 17.42 to Resolve to Exclude the Public**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to

gwahardd y cyhoedd ar gyfer eitem exclude the public from item 6 in agenda 5 yn unol â Rheol Sefydlog accordance with Standing Order 17.42(vi). 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[411] **Russell George:** I now move to item 5 and, under Standing Order 17.42, we'll move to resolve to exclude the public for item 6. Are Members happy with that? In that case, we'll be back in public session at 2 o'clock, when we'll be taking evidence from Richard Evans from the Rail Delivery Group.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 12:32.

The public part of the meeting ended at 12:32.

Ailymgynullodd y pwyllgor yn gyhoeddus am 14:06.

The committee reconvened in public at 14:06.

Rail Delivery Group—Ymchwiliad i Ddarparu Masnachfaint y Rheilffyrdd a'r Metro
Rail Delivery Group—Inquiry into Rail Franchise and Metro Delivery

[412] **Russell George:** Good afternoon and welcome back to the Economy, Infrastructure and Skills Committee. I'd like to welcome Members back, and members of the public that are watching in. It's our last session of today. I'd like to welcome Mr Richard Evans of the Rail Delivery Group. Perhaps I could just ask you to introduce yourself and say a few opening words.

[413] **Mr Evans:** Thank you very much. I'm Richard Evans, head of passenger services policy at the Rail Delivery Group. So, my area of focus is franchising and ensuring we have robust and sustainable contracts for passenger service operation in the GB rail network. Rail Delivery Group is a leadership organisation for the railway, and it has membership from Network Rail on the infrastructure side and also the train operating companies and also freight operating companies. So, it brings all of that together to enable those companies to deliver great services to passengers.

[414] **Russell George:** The Welsh Government and Transport for Wales are doing a lot of work, but these powers and the funding have not yet been devolved. Does that present some kind of risk?

[415] **Mr Evans:** What I'm really pleased to see is that the procurement process is under way, and we have strong participation from the market in that. In terms of the transfer of powers, I think that will just happen when it needs to happen. I think, certainly for our members at the moment, they are focused on making sure that they are supporting the Welsh Government to deliver the procurement on schedule in order to hit the deadlines that the Welsh Government has set out.

[416] **Russell George:** You said in your evidence to us that the franchise should remain part of an integrated GB network. So, I assume on that you're talking about Welsh Government and UK Government working closer together. Can you expand on that comment?

[417] **Mr Evans:** Certainly. The Welsh network is part of that broader, integrated network across the UK, and the whole benefit of railways is joining economic centres together and allowing people to travel for work, for pleasure or to see family and friends. One of the key things is that, whenever we talk around the different governance structures around railways, we need to bring it back to the passenger, and what they need from these services. Therefore, fundamentally, we believe that the Welsh rail network should remain part of that integrated network.

[418] **Russell George:** But there are of course obstacles to that—the fact that you've got two different Governments with different priorities, perhaps, sometimes, as well. Do you foresee that being an issue?

[419] **Mr Evans:** Whenever we deliver rail services, whether it's from an operating point of view or from a governance point of view, there are always going to be cross-boundary issues and things. So, I don't perceive that to be a great barrier to delivering rail services. I think it needs partnership working and close co-operation between all the different entities, and I think it's making sure that there are processes of redress in place for any issues that might arise. But I think, fundamentally, if everybody sets out with the ambition of delivering great rail services, then that should be achievable, and any obstacles should be able to be overcome.

[420] **Russell George:** So, you're not aware of any obstacles that could potentially exist where you feel there could be a problem.

[421] **Mr Evans:** I don't think so. I think people are approaching this in quite a pragmatic way. I know, when the procurement was first set out, there were question marks around how do rail services work at the border between the Welsh network and the UK network, and there were conversations at the time about do we try and constrain the Welsh services to just the Welsh geography. But I'm pleased that all partners seem to have moved beyond that now, and are actually recognising the value—that the Welsh rail network needs to have a wider geographical space than just the Welsh geography.

[422] **Russell George:** Thank you. Hefin David.

[423] **Hefin David:** Can I have a look at the procurement approach that's currently being undertaken by the Welsh Government? They've never done it before. What's your opinion?

[424] **Mr Evans:** It's true, for rail franchising, that this is the first time that this particular process has been undertaken. I think what we're seeing is that, actually, the Welsh Government have had strong engagement and support from the UK Government, but also the fact that you've got four very competent bidders in the process. It gives me reassurance that, actually, there's a support network around that in order to help the procurement process along that journey. And I think the focus for everybody involved in that current procurement process should be to keep it on track and keep it to time.

[425] **Hefin David:** You say that Welsh Government's had strong engagement from the UK Government. What form has that taken? What's been the nature of that relationship?

[426] **Mr Evans:** I'm aware that people who have worked on DfT franchises are now seconded or working within the Welsh Government on the Welsh contract, and I know that, at a higher level, there have also been conversations between senior Welsh Government and senior DfT officials on how to undertake this.

[427] **Hefin David:** That's interesting. Okay. What about integrating track and train services? Are there risks associated with that process?

[428] **Mr Evans:** As I said at the beginning, delivering great services to passengers is all about teamwork and the different entities in that. The track and train argument or proposition is different in different areas, but I think one of the things that we're seeing around the ambitions of the Welsh Government is to put track and train closer together and in closer alignment in the metro in the south Wales Valleys area. I think that will be a good test case for potentially greater co-operation between track and train for other parts of the UK network. So, I think there are some real positive advantages out of that.

[429] I think one of the things that we need to do as a rail industry is go into that with very clear ambitions from both sides. So, there needs to be good partnership working between the track side and the train side, to be very clear about what the objectives are that you're trying to develop.

[430] **Hefin David:** You talk about partnership working. I suppose it's a natural human trait to look to someone else to blame, and it could be that that could happen where there are issues with delayed services and things like that. I'm thinking of the kind of thing that happened in the autumn here.

[431] **Mr Evans:** I think, actually, if you push towards closer alignment between track and train, actually that natural partnership hopefully pushes back the behaviours where people blame other parties. If you get more aligned objectives between those who run the track and those who run trains then, actually, you potentially achieve greater outcomes for the passenger.

[432] **Hefin David:** Okay. Moving on to the management model that's proposed for the new franchise—the concession model—can you give us your opinion on whether you think that will work effectively or not?

[433] **Mr Evans:** Our membership currently work in lots of different environments, both in this country and across the globe and so, actually, we're quite agnostic about the different management approaches or the contract types that our membership would work under. I think how far the concession model gets pushed by the Welsh Government is a choice for the Welsh Government. As I said—

14:15

[434] **Hefin David:** What are the key benefits of a concession approach?

[435] **Mr Evans:** So, a concession would allow the—. If I step back for one moment, the concession model would allow for the period of uncertainty, potentially, around the metro, where you're potentially building quite a big infrastructure piece around the Valleys lines. That would allow you to take away some of that risk—that you wouldn't necessarily have to transfer to the private sector. So, that concession model would help you through that transition period, if you pursued that.

[436] **Hefin David:** Okay. So, the apportionment of risk is more evenly balanced, or more balanced towards the public sector.

[437] **Mr Evans:** Yes. In a concession model, the Government is taking more of the risk, and we've seen that model work in different areas across the UK.

[438] **Hefin David:** And in that model, how do you ensure that the operator is performing?

[439] **Mr Evans:** So, in a concession model, you need to make sure that you're very clear about the outputs that you require from the operator. So, we need very clear specified customer experience outputs and performance outputs. And I think those are things that would incentivise the concessionee to continue to deliver services.

[440] **Hefin David:** Okay. So the franchise period is key. The first stage is key.

[441] **Mr Evans:** Sorry, the—

[442] **Hefin David:** The awarding of the franchise at that point is the key moment that you agree those objectives.

[443] **Mr Evans:** Yes, when you're setting that franchise up. And I think all the way through this procurement exercise, the Welsh Government needs to be very clear about what it wants to buy.

[444] **Hefin David:** Is it easy to build in different performance objectives later?

[445] **Mr Evans:** It can be challenging, depending on the contract type. So, I think one of the other key things that I think we should be aiming for from this contract is to have quite a flexible contract in place between the

operator—the ODP—and the Welsh Government. And that would allow for, potentially, as things change—. I know the Welsh Government are thinking about this being a 15-year franchise. I think that's quite a significant amount of time, and therefore, flexibility is a key part.

[446] **Hefin David:** Okay. Thank you.

[447] **Russell George:** Vikki Howells.

[448] **Vikki Howells:** Thank you. Looking at the notion of value for money around the franchise procurement and operation, how do you think the franchise operator should work with Network Rail?

[449] **Mr Evans:** There needs to be a really close working relationship between Network Rail and the operator, particularly on the more traditional franchise area. So, whilst I think there will be a lot of focus on the metro area, and all the changing of the infrastructure provider from Network Rail to potentially the operator development partner, I think the rest of Wales needs to be the focus of that relationship. It goes back to my point about aligning incentives, so it's making sure that the targets that Network Rail have been set are the same as have been set for the operator, and that again comes back to the Welsh Government being very clear about what it wants to specify, and what targets it wants to attain, but also having regular dialogue with the Office of Rail and Road, who regulate Network Rail, and being very clear about that.

[450] **Vikki Howells:** And should the Welsh Government be clear about that in the tender and in the contract? Is that what you'd be saying there, then?

[451] **Mr Evans:** I think what we would like to see from the Welsh Government is that they're very clear on the outcomes that they want to achieve. I think, actually, how you drive the value for money point that you raise is not being too prescriptive about how you get there. So, the benefit, if you like, of having private companies involved in rail operations, and the benefits that Network Rail bring as well, is about how they innovate to achieve those outcomes. So, I think the Welsh Government needs to be very clear about what it wants to achieve, but not necessarily be prescriptive in how you get there.

[452] **Vikki Howells:** And turning back to value for money explicitly then, how do you think value for money in franchise operations can be improved?

[453] **Mr Evans:** So, I think it does come back to this outcome-based approach, and that is really key to it. I think also the other elements that will deliver value for money are potentially allowing the flexibility point that I raised—so, allowing the contract to be effectively flexed over time, as you have different external factors like passenger growth. So, we want to ensure that everybody is getting a great passenger service and we want that on day one and we want that 15-years-plus as well.

[454] **Vikki Howells:** Finally, looking at the auditor general's recommendation, he said that the Welsh Government should develop a means of demonstrating the value for money of the franchise component of the new contract, when compared with the current and other franchises. But how practical is that? What are the practicalities involved?

[455] **Mr Evans:** It's always quite challenging to compare different contracts and given that you'll be comparing something that's occurring in the 2020s with something that occurred earlier in the century, that is quite a challenge as well. Obviously, you've heard this morning from Transport Focus, and I think they do great work around the fact that they have consistently now a measure of passenger satisfaction and we see that moving forward as well. So, I think there are certain metrics that you could use that will carry forward into this franchise. So, you've got that as the passenger satisfaction. You've also got other economic metrics, like average cost per passenger mile and things like that that you could almost create a scorecard, if you like. There are enough data from the previous franchise that you could make comparisons, if that was desired.

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

[457] **Russell George:** What would you like to see specifically in the contract to alleviate the concern about passenger growth? What needs to be specifically in the contract, do you think?

[458] **Mr Evans:** I think, again, it comes back to incentivising the operator in such a way that they will grow the market. So, actually, what we would advocate is that the contract remains quite flexible and that the outcomes are clear around, 'This is the area of Wales that we want to grow', and I think that would allow, then, the operator to do its bit in terms of making those journeys better for passengers.

[459] **Russell George:** How can you factor that flexibility into the contract, just to help me understand?

[460] **Mr Evans:** So, in terms of—. It goes back to my point about being very clear on the outputs rather than about the inputs. So, rather than necessarily saying that we want to be clear about—. If I take an example, say, passenger connectivity—we'll take that as an example—you could specify that all trains should have Wi-Fi, which is fine for the here and now, but, actually, perhaps what we should be focusing on is saying, 'We want better connectivity, in a technology sense, for customers.' That would allow, then, the operators to be able to rise to that challenge and be able to flex over time, so that, in 15 years' time, when technology has changed and Wi-Fi has been surpassed by something else, the operator can then respond to that challenge.

[461] **Russell George:** But if the contract wasn't 15 years, then you'd be able to address that. I know that you support the 15-year time frame, but to me, there's perhaps an issue there or perhaps, if it was less than 15 years, then you'd be able to address some of the issues and the changing patterns before the 15 years are up, if you like. I've not put that in a very good way, but you know what I'm saying.

[462] **Mr Evans:** Yes.

[463] **Russell George:** I think what I'm getting at is: why do you support the 15 years, because if it's a shorter period of time, you can have more flexibility, can't you, in a new contract?

[464] **Mr Evans:** Indeed. So, the length of a franchise is always going to be a trade-off. Whilst we support, in this case, the 15-year period, that isn't necessarily right for every franchise that exists. So, is it working out? It's getting that balance between, okay, we want this transformation, effectively, in Wales that Welsh Government is seeking, particularly around the metro, and that's why I think the 15 years is appropriate. That does lead to further issues around actually trying to predict passenger growth over that period—it's challenge, and that comes back to the point about flexibility. So, I think how we would get round that is, essentially, you could put a contract in place that had kind of, if you like, chunked it up into five-year periods. I'm not aware of the detail of what the Welsh Government is currently seeking, but you could almost see a case where, for the—. An example is the Chiltern Railways franchise that was set in 2000 and which has been running for about 20 years now. That has been sort of chunked up into five-year parts.

[465] **Russell George:** So, effectively, break clauses.

[466] **Mr Evans:** Effectively break clauses, but it's for the benefit of both sides, really, to help them.

[467] **Russell George:** Yes, so do you think that—? Is that something that the Government should consider, having break clauses in the contract?

[468] **Mr Evans:** I think, again, it's a choice about what the Welsh Government wants to achieve. It may be appropriate to put break clauses in place. As I said, I'm not close enough to the detail of the aspirations that the Welsh Government want around how they're going to get value for money out of it, because there are some disbenefits in having break clauses around value for money.

[469] **Russell George:** Thank you. Mark Isherwood.

[470] **Mark Isherwood:** Thank you. It's my understanding that the term 'community rail' is a generic term to describe those who support rail lines and stations. Given your belief that community rail should be included in the franchise, can you tell us a little bit more about how you believe community rail improves services and supports passenger growth?

[471] **Mr Evans:** Absolutely. So, community rail, as we've set out in our evidence, plays a really key role for rail lines across the UK. In particular, in the case of Wales, we've seen big success with the community rail partnerships that are in place with our colleagues from ACoRP, who I know you've received evidence from. And I think what we would certainly advocate for the next franchise is that what's been built up already is used as a good foundation to take that forward. Community rail and its kind of aspirations is actually trying to put railways back into the heart of communities, and, actually, it's recognising that, as well as railways being the key kind of, if you like, economic arteries of this country, it's also recognising that they have a social and wider community benefit as well. So, I think what we would like to see from this franchise is, again, the aspirations of the Welsh Government being very clear at the start around what is the level of ambition around community rail that the Welsh Government would like to see. And then it will be up to the operators to either match that or, indeed, exceed it.

[472] **Mark Isherwood:** Well, given the Welsh Government's statement that it

will require the operator to work with community rail partnerships, how do you believe the next franchise operator should engage with community rail, and do you agree with the Association of Community Rail Partnerships that this should go beyond simply 'working with' and that the operators should be obliged to support community rail through funding and collaborative working?

[473] **Mr Evans:** So, I think, on the first point, in terms of the level of engagement, engagement with community rail would be different for different areas of Wales. So, the right intervention on the Heart of Wales line would be different to other community rail partnerships in other parts of Wales. In terms of—. We would say that we certainly do agree with ACoRP around having a very clear funding mechanism for community rail as part of the franchise, but, ultimately, that is a decision for Government around what level of funding it wants to put through the franchise system for community rail. At the end of the day, there's, if you like, further taxpayer money supporting that. We would support community rail but there needs to be a balance. When dealing with railways, it does come back to that balance.

14:30

[474] **Mark Isherwood:** Would it be more money or, when the operator is selected, based upon their offer and ultimate agreed contract, should it not be more broadly considered as an invest-to-save—the operator looking at how they can work collaboratively with community rail to deliver shared outcomes from the resources available?

[475] **Mr Evans:** Absolutely. That's certainly something we would like to see. If we look back over the last 10 years at community rail and what they've brought to the railways, we see a 3 per cent uplift in revenue on the lines that they are a part of. So, yes, I absolutely agree that they can certainly add economic value in that respect.

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

[477] **Russell George:** David Rowlands.

[478] **David J. Rowlands:** One of the key issues raised throughout our inquiry and, indeed, echoed by the panels this morning is that of rolling stock, a very tricky issue, of course. Given the comments by Professor Cole this morning—that even cascaded stock won't come on market until 2019—can you give us

your thoughts on how, perhaps, that stock should be purchased? Should it be outright purchased? Should it be leased? Who should do the acquiring? Should it be the Wales Government, Transport for Wales or the franchisee?

[479] **Mr Evans:** We would advocate that there's a franchise-led process. We would advocate to use the traditional rolling stock company, the ROSCO, and have it procurement led by the franchisee. We've set that out in our long-term rolling stock plan prospectus, which was published earlier this month. I agree with you that there is a real challenge around rolling stock, particularly for this particular franchise, given that, actually, rolling stock's one of those slightly challenging areas where you need some rolling stock here but actually it's being used elsewhere for other things.

[480] Again, the Welsh Government will need to set out very clearly what it's expecting from the bidders around rolling stock and what its requirements are. Once bidders are very clear about what the ambition is, we can then work out a pragmatic solution, thinking about the limited resource that we have in current rolling stock and working out whether that will match the level of ambition from the Welsh Government. Or the bidders may choose to actually go down the route of, as I say, going to market, in the traditional way of bringing new rolling stock into the contract.

[481] **David J. Rowlands:** I'm interested to hear you say that perhaps the franchisee should actually acquire the stock because, of course, there's an inherent weakness in that, in that stock often lasts a lot longer than the period of time that franchisees actually have that—15 years—but stock can last something like 25 years. How do you see that working out if it's the franchisee?

[482] **Mr Evans:** If I can just step back a moment? Let me be clear, when I said 'franchisee led'—I wouldn't necessarily advocate that the franchisee owned that rolling stock, but that it leased it from a rolling stock company. So, the model would be similar to what is effectively the model used in many of the franchises across the country.

[483] **David J. Rowlands:** What would your thoughts be if the Welsh Government acted as the ROSCO?

[484] **Mr Evans:** As the ROSCO—I think that's an option that the Welsh Government could take. I would advocate that, if that was the approach the Welsh Government wanted to take, we need to think about what the world's

going to look like in 15 or 20 years' time, when the Welsh Government has an asset that it's bought that potentially could last 30 years. And suddenly, it may not be so easy to, if you like, remove that rolling stock and get new rolling stock, so we've almost got to think about the next generation ahead, whereas if you're leasing it from a rolling stock owner, the churn rate, if you like, between old and new rolling stock could be a little bit quicker.

[485] **David J. Rowlands:** And cascade that stock.

[486] **Mr Evans:** Absolutely, cascade it and use it in other areas.

[487] **David J. Rowlands:** Fine, okay. Just one other point: given the fact that disability access regulations come into force 15 months after the franchise comes into place, where do you think the liability for compliance should lie with regard to that?

[488] **Mr Evans:** Obviously, it's a challenge for the whole rail industry around the accessibility deadline. In terms of liability, I think that should rest with the Government, or the Governments as it currently is. And it will be up to the Governments to set out very clearly what they want from the rail industry in order to meet that derogation. Again, it will involve a lot of players being quite pragmatic, working in partnership to achieve that. I think what's clear is that what we certainly want is to make our railways more accessible; we want to ensure that our railways are available to everyone; and with an aging population as well across the UK, it's ever more important that we make sure that this mode of transport remains accessible for everyone.

[489] **David J. Rowlands:** Of course, the franchise is not actually devolved at the moment. You mentioned earlier on that you're confident that that will be devolved eventually, but of course it leaves them in a little bit of a difficult situation with regard to what they ought to do with regard to this, doesn't it?

[490] **Mr Evans:** Yes, absolutely. And I think that's why I've been clear that the liability should remain with Governments. So, I think it's certainly something that needs to be worked through.

[491] **David J. Rowlands:** Thank you.

[492] **Russell George:** Following on from what David Rowlands has said, Merseyrail have said to us that 30 per cent could be saved over the asset lifetime with regard to purchasing stock. That sounds quite a saving to me.

Can you help just to explain your views on that?

[493] **Mr Evans:** I'm not aware of that figure, but—

[494] **Russell George:** That's just an opinion, I suppose.

[495] **Mr Evans:** Yes, and I think the Merseyrail case is slightly different in the fact that they have quite a self-contained network. They have quite specific rolling stock needs in that area. It's a slightly different electrified network, being a third-rail network. So, I could see perhaps a stronger case for that authority to have quite specific rolling stock that will be used for the length and duration of the life of that rolling stock. And that's why I come back to, whilst that looks attractive—if I was the Welsh Government, that would look attractive to me—I think, given that the Welsh franchise has a wider geography, has different markets, different needs and changing needs, I would advocate that you would want slightly more flexibility in the rolling stock that's procured.

[496] **Russell George:** Hannah Blythyn.

[497] **Hannah Blythyn:** In some of the sessions we've had in here, and in some of the stakeholder events you've done, and actually anecdotally from speaking to constituents, the issue of complexity and discrepancy between ticketing and rail prices, I know, is something that you've looked into. Can you give us a brief overview of how that complexity—what the issues are behind it? And also I think that you're doing a pilot test option for improvements—

[498] **Mr Evans:** That's right.

[499] **Hannah Blythyn:** I'd be interested to hear more about that.

[500] **Mr Evans:** Yes, certainly. To focus on fares first, and then I'll come to the ticketing, if that's okay. Fares in the UK—I know this when my family complain to me about buying fares and tickets—they are complex, and the reason that there is complexity is that, at the moment, our fares regime is baked into kind of where it was in 1995, just after privatisation. It's controlled by something called the ticketing settlement agreement, and that sits slightly outside of the franchising system. So, there's a baked-in kind of fares structure that is quite hard to change, and I think why there hasn't been change over that period is because, actually, when you start talking

about fares and changing them, there are winners and losers. One of the things that we've set about is to say, 'Well, actually, should we start to challenge the fact that we've got lots of fares and lots of fare flows baked in from 1995?' We want to see a reduction in the number of fares that are available for certain routes. That should take away some of that complexity. So, for example, if you've been to a ticket vending machine and seen a long list, a menu, of different fare types, then that's coming from that issue. So, that would be the first thing.

[501] Once you've started to, if you like, take away some of those fare options, you can then start to make more reforms around fares. But as I said, there are winners and losers. So, as you mentioned, we are starting some trials, which I'm pleased have been endorsed by the Department for Transport. So, we're going to have a look at reforming those fares over three different flows, so the London to Scotland flow and the London into Nottingham flow. Once we've done that, we'll look at the impact and then be able to work out whether that's something we can roll out for other areas. So, I think it would be wise for the Welsh Government to keep abreast of trials in that area, and work out whether that's something that they would seek to do. If I—

[502] **Hannah Blythyn:** So, it could be—. Go on, sorry, carry on.

[503] **Mr Evans:** If I can turn to ticketing—if we park fares for one moment—ticketing is really important, that we get that right in this next franchise, and the Rail Delivery Group has committed, with its members, to enabling smart ticketing by the end of 2018. Again, that, I hope, would be reflected in the franchise commitment that the Welsh Government sets out, and that will allow us to then flow down some extra benefits around automatic compensation and things like that, which could be an option once you've got that smart ticketing, smart-enabled ticketing.

[504] **Hannah Blythyn:** On the smart ticketing, I know one of the proposals by the Cabinet Secretary, as part of this whole integrated transport system in Wales, with the new metro idea, is to develop something similar to an Oyster card as well. Would you be in favour of something like that?

[505] **Mr Evans:** Yes, absolutely. As I said, once we've got the foundations in place by the end of next year around smart-enabled ticketing, that will allow for local regions to add on extra products, if you like—it's much easier to do local smartcard initiatives and things like that. But I think we shouldn't kill

ourselves there, and actually there's quite a lot of investment that goes into creating a smartcard kind of environment. So, whilst we've committed to smart ticketing and smart-enabled ticketing, there will be additional costs that need to be thought about and factored in for smartcards and things, if that's an aspiration.

[506] **Russell George:** The Welsh Government wants Transport for Wales to manage stations and as many commercial contracts as possible on a not-for-profit basis. Are commercial operators concerned about that?

[507] **Mr Evans:** I think, in terms of where the level of risk transfer happens and how much of commercial contracts gets transferred to the private operators, we're quite agnostic where that level is. I mean, clearly, there needs to be enough commercial incentive in the scheme or enough flow back in order to make it worth while being attracted to that proposition.

14:45

[508] But it's pleasing to see that there are four very competent bidders in that process. So, I think we've kind of got past that point. In terms of how Welsh Government wants to manage stations and how much of that it wants to retain control of, then, I think, again, it's a choice for the Welsh Government. I don't see that being an issue.

[509] **Russell George:** But will it mean, though, that we in Wales end up paying more in subsidy if Transport for Wales has taken up more of the commercial contracts—the more favourable parts of the contract, if you like?

[510] **Mr Evans:** Well, I think in terms of, I mean, they will certainly have—you could argue—greater levers over those commercial contracts, so, you could argue that whilst it might expose you to more subsidy, equally, it might—

[511] **Russell George:** Because Transport for Wales would be taking more of the profits, so that's—. Therefore, you would expect, would you not, that their subsidy would be greater?

[512] **Mr Evans:** I think, again, it depends where you draw the line as to—. And how you want to fund this. I don't know the details of whether it would be more subsidy or not, but I think, again, it's a choice about what the outcomes are that the Welsh Government are trying to achieve out of this. I

go back to that principle around actually making sure that the Welsh Government are focused on those outcomes and making sure that the operator is focused on the operation part, and focused on that.

[513] **Russell George:** Can I ask if Members have got any additional questions at all? No. I've got one myself if no other Members have got questions. What about your views on whether driver only operation of trains should be included in the franchise?

[514] **Mr Evans:** So, driver-controlled operation—or DCO—has been around in the rail industry for about 30 years. It's a different way of operating rolling stock. And you know, again, I think this comes back to, 'What does the Welsh Government want to achieve out of the rail services?' So, you can make aspirations about what you want to achieve, but then it would be up to operators to work out how best to fulfil that. Where you deploy staff and how best to resource that, I think, again, is a decision for operators and also then for the Welsh Government to decide how they want to do that.

[515] **Russell George:** Is it a safe approach?

[516] **Mr Evans:** It is a safe approach. I mean, it's been in operation for 30 years. Our members wouldn't operate it if it wasn't safe. We've also had the Office of Rail and Road, so the independent regulator, deem it safe. And, as I said, it's in widespread use across GB rail and also across the globe.

[517] **Russell George:** Okay. David Rowlands.

[518] **David J. Rowlands:** Obviously it does bring up the issue of passengers paying, doesn't it? Because it's all right to have just the driver of the train, but if you've got a number of stations that are not checked when passengers come off, or even when they go on, then there's huge potential, and particularly if this is a concession system that they'll use for procurement, there's no real incentive then for the franchisee to make sure that all the funds are collected, is there?

[519] **Mr Evans:** Okay. So, protecting the revenue that's there from customers.

[520] **David J. Rowlands:** Yes.

[521] **Mr Evans:** So, I think when I set out that—. I think you can still go

down a driver-controlled operation if that—. Again, it's a choice for Welsh Government, but you could still have members of staff on board trains doing revenue protection and that. So I think, as we've seen in other places across GB, moving to driver-controlled operation simply puts the control with the driver rather than necessarily moving from two-man operation down to one-man operation.

[522] **David J. Rowlands:** Okay. So where's the great advantage in that?

[523] **Mr Evans:** It's about redeploying the staff and the resource that you have tied up in rail operations and making that more focused on the customer. So, if you like, one of the key things is about, actually, we need to all work together to improve the customer experience, and it might be appropriate to move staff—to redeploy staff in that area.

[524] **Russell George:** Thank you. Is there anything else that you would like to impart to us to help us with our inquiry, Richard?

[525] **Mr Evans:** No. I'd like to thank the committee again for inviting me here today. I think, as I said, one of the key things that we would like to see is this collaborative approach from the Welsh Government, and from the different entities in Wales, continuing. Actually, it's really important that the partnership approach that's being promoted around Wales is continued and that, actually, we all look to maximise the opportunities for Welsh railways in the future. Thank you very much.

[526] **Russell George:** Thank you, Richard. We're very grateful for your time with us this afternoon.

[527] **Mr Evans:** Thank you.

[528] **Russell George:** On that note, that draws our public meeting to an end this afternoon. Thank you.

Daeth y cyfarfod i ben am 14:51.

The meeting ended at 14:51.