



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](#)

29/03/2017

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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 <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Hefin David <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Russell George <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Mark Isherwood <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Adam Price <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Plaid Cymru The Party of Wales
David J. Rowlands <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	UKIP Cymru UKIP Wales

**Eraill yn bresennol**  
**Others in attendance**

Olivier Andre	Cyfarwyddwr Masnachol, Porterbrook Leasing Company Commercial Director, Porterbrook Leasing Company
Mick Cash	Ysgrifennydd Cyffredinol, Undeb Cenedlaethol y Gweithwyr Rheilffordd, Morwrol a Thrafnidiaeth (RMT) General Secretary, National Union of Rail, Maritime and Transport Workers (RMT)

Andrew Hudd	Aelod o'r Pwyllgor Gweithredol, Cymru a De-orllewin Lloegr, Cymdeithas Gysylltiedig y Peirianwyr Locomotifau a'r Tanwyr (ASLEF) Executive Committee Member, Wales and the South West of England, Associated Society of Locomotive Engineers and Firemen (ASLEF)
Stephen McGurk	Cyfarwyddwr Cyfreithiol a Chaffael, Porterbrook Leasing Company Legal & Procurement Director, Porterbrook Leasing Company
Geoff Ogden	Rheolwr gyfarwyddwr, Trafnidiaeth Cymru Managing Director, Transport for Wales
James Price	Cadeirydd, Trafnidiaeth Cymru Chair, Transport for Wales

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

Gareth Price	Clerc Clerk
Robert Lloyd-Williams	Dirprwy Glerc Deputy Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 10:03.  
The meeting began at 10:03.*

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

[1] **Russell George:** Croeso, bawb. Good morning, all. I'd like to welcome you to the Economy, Infrastructure and Skills Committee this morning. We've had a good session earlier this morning in regard to our apprenticeship levy. We met with stakeholders and it was good to launch our report this morning amongst those that have contributed to it. So, we now move to item 1. There

are no apologies this morning. Are there any declarations of interest? No, there aren't.

10:04

**Cwmni Prydlesu Cerbydau Rheilffordd—Ymchwiliad i Ddarparu  
Masnachfaint y Rheilffyrdd a'r Metro  
Railway Rolling Stock Leasing Company—Inquiry into Rail Franchise  
and Metro Delivery**

[2] **Russell George:** In that case, I move to item 2. This is in regard to our railway inquiry into the next franchise and metro. This morning, we have witnesses from the rolling stock leasing company. I'd like to welcome our witnesses this morning. I'd be very grateful if you just introduce yourselves and your role for the record.

[3] **Mr Andre:** Morning. I'm Olivier Andre. I'm commercial director at Porterbrook Leasing.

[4] **Mr McGurk:** I'm Stephen McGurk, legal and procurement director for Porterbrook Leasing.

[5] **Russell George:** We're very grateful for you being with us this morning. We've got about seven or eight areas to cover this morning and Members will just take a lead on each different section. So, I move this morning that we go to Hefin David to start with the first question.

[6] **Hefin David:** There's a rolling stock shortage. Can you tell us why that might be the case?

[7] **Mr Andre:** Well, it depends where there is a rolling stock shortage. There are two types of rolling stock: electric and diesel. There is a shortage of diesel trains because there has been no manufacturer really building diesel trains for the last—. Probably, in the last five or six years there's not been a train that you could buy that was diesel.

[8] **Hefin David:** Arriva told me that there's a company in Spain that builds—

[9] **Mr Andre:** In 2015, they started making one and they will deliver some

in 2018 or 2019.

[10] **Hefin David:** Okay. With that in mind, do you think the Welsh Government has done enough to procure diesel stock for the network?

[11] **Mr McGurk:** I think that part of the problem is that the franchise, when it was originally set out, didn't assume any growth and, therefore, there was no expectation or intention to buy or acquire additional rolling stock and no ability to do so. I imagine, like in many other places in the UK where growth has exceeded expectation, that it just wasn't considered at the time that there was going to be this level of growth and therefore a requirement for additional rolling stock.

[12] **Hefin David:** Okay. The north Wales and Mersey–Dee taskforce said that little progress is evident of the Welsh Government addressing the urgency of introducing new rolling stock. Is that fair?

[13] **Mr Andre:** Not from where we're sitting, because I think that we've been trying very hard with both Arriva Trains Wales and Transport for Wales to find a solution. We believe we are very close to finding a solution to provide extra capacity in this franchise before the end of the franchise.

[14] **Hefin David:** That's interesting. What's that?

[15] **Mr Andre:** We've created a train—. So, I was saying that there's a shortage of diesel trains, but there is no shortage of electric trains. We've worked on converting an electric train to something called 'bi-mode'. So, it's diesel and electric. The people running Northern decided to sign up for it, so we've committed to that, and we can apply the same thing and have extra rolling stock to provide a solution for Arriva Trains Wales, and we should be able to do that within the franchise.

[16] **Hefin David:** Okay. We attended a briefing session from the Cabinet Secretary for Economy and Infrastructure and the civil service, and one of the things that came out of that session was the fact that the Cabinet Secretary agreed that the Welsh Government had tried to procure rolling stock in 2011 and had approached the Department for Transport to request permission to get hold of diesel rolling stock. They were told under no circumstances must they, because if they did, given electrification by 2015, there'd be a glut of diesel rolling stock on the lines. Is that a true story?

[17] **Mr Andre:** I wasn't there in 2011. I can't comment on that, but it's not unlikely to be true.

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

[19] **Mr McGurk:** It was certainly the case that, several years ago, the DfT was intending to buy some additional diesel rolling stock and set up a new company to do so. But on the basis that electrification was going to come, and come quickly, the project was cancelled. And we're facing the situation we have at the moment with the delays to electrification.

[20] **Hefin David:** So, really, the Welsh Government's been in a bit of a bind over all of this, given the issues with trying to purchase rolling stock and not being able to?

[21] **Mr McGurk:** We're not up to speed with the arrangements between Welsh Government and the DfT, because we're not party to the franchise agreement.

[22] **Hefin David:** But it's plausible. I think, Olivier, you said it was plausible.

[23] **Mr McGurk:** Possibly.

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

[25] **Russell George:** Thank you, Hefin. Is it possible for Wales to have the disability requirements—the PRM-TSI rolling stock—on the network by 1 January 2020 do you think?

[26] **Mr Andre:** It's a legal requirement, so, yes.

[27] **Russell George:** But is it possible as well?

[28] **Mr McGurk:** It is possible, yes, but a decision needs to be taken very quickly to do so, and this is one of the discussions that we're having at the moment with the current franchisee around releasing rolling stock to be able to do that.

[29] **Russell George:** The way that the franchise is being procured is that the bidders have been asked to come up with that solution. Is that a good

way of doing it?

[30] **Mr McGurk:** I think it's likely to be too late to enable that to be done in sufficient time and to meet the legal requirement for 1 January 2020, because of the timing of the franchise.

[31] **Russell George:** But that sounds like a different answer to the one you've just given when I asked, 'Is it possible?'

[32] **Mr McGurk:** I'm saying it is possible, but I also said if decisions are taken now, rather than if decisions are taken—

[33] **Mr Andre:** There needs to be action now, not wait until the franchise starts. If you start doing any work when the franchise starts, it is too late. The work can start now. Part of the discussion we are having with Arriva Trains Wales is to enable that PRM conversion—that's for the 150s specifically—to take place in time.

[34] **Russell George:** If Arriva Trains Wales is the winning bidder, of course.

[35] **Mr Andre:** No, no—regardless.

[36] **Mr McGurk:** We've worked up a solution with a supplier to allow the main rolling stock that we provide to the franchise, which is the class 150 diesel fleet, to have the work carried out to make it PRM compliant, but the decision to carry out that work needs to be taken sooner rather than later.

[37] **Russell George:** So, I understand what you're saying; you're saying that it is possible but time is pressing and you've got to undertake this now. But who is ultimately responsible?

[38] **Mr Andre:** That's a good question.

[39] **Russell George:** I don't ask as it a trick question. I don't know the answer myself. Adam.

[40] **Adam Price:** You say that a decision needs to be made now, but who is the decision maker?

[41] **Mr Andre:** We've got constraints because the rolling stock market at the moment is a very uncertain market. The risks are quite high. So, we don't



really want to take much risk on converting trains and spending multi-million pounds on a fleet of trains that might go nowhere. So, we need certainty from either the franchisee or Transport for Wales that these trains will be used for a period of time that's sufficient for us to recover the cost of converting the trains.

[42] **Adam Price:** Is there some reluctance, though, on the part of the current franchise holder, to make a decision, given that there's uncertainty, clearly, as to whether they may be the future franchise holder?

[43] **Mr Andre:** I don't think there is. I think it's probably much closer to a solution than you might think. The bi-mode trains I was mentioning just before—the plan is to have enough bi-mode trains to add extra capacity but also to be able to release some diesel trains to be converted to be PRM compliant by December 2019. So, the two go hand in hand, basically.

[44] **Mr McGurk:** It can't happen alone with just the current franchisee, simply because of when the current franchise ends, because the work that will be carried out to the 150 stock that I mentioned earlier will span beyond the end of the current franchise.

[45] **Adam Price:** So, there needs to be, effectively, a joint decision by Transport for Wales and the current franchise holder.

[46] **Mr McGurk:** Yes, that's right.

[47] **Mr Andre:** Absolutely. Sorry, it's not an easy question to respond to.

[48] **Russell George:** We understand. Jeremy Miles.

[49] **Jeremy Miles:** Actually, that's answered my question.

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

[51] **David J. Rowlands:** Can we explore the possibility of rolling stock—will it continue to be available after the current franchise ends? Because you've mentioned as a company that no rolling stock can be reserved. Is that the situation?

[52] **Mr Andre:** That is still the case, yes. We are a commercial entity, so our job is to have rolling stock on lease with whoever takes it first. It just

happens that you've got four concurrent franchises running at the same time, basically. You've got South West Trains, with its diesel trains, west midlands, who have diesel trains, East Midlands Trains, who have diesel trains and will need diesel trains, and Wales and borders, who will also need diesel trains. So, with all four happening exactly at the same time, it is very difficult to predict who will take what. Because each franchise has got multiple bidders, we've got multiple solutions and multiple ideas. So, it's a combination of who will win what to see what will be left. Luckily for the franchise here in Wales, the decision will be able to be made before east midlands, which is the one that it's competing the most with.

[53] **David J. Rowlands:** That's what I was going to come on to, the fact that there are four very large areas that are going to come off their franchise at the same time. Does that give us a good opportunity then, are you saying, for bidding for stock?

10:15

[54] **Mr Andre:** I think that Wales is probably in a better place than the east midlands, from a stock point of view.

[55] **David J. Rowlands:** I'm trying to understand—the stock that Arriva are running now on the cross border—

[56] **Mr Andre:** They will keep it.

[57] **David J. Rowlands:** —that is not good stock and has probably come to the end of its time. Is that right? Most of it anyway.

[58] **Mr McGurk:** Which stock are you referring to? All of the stock that's currently being operated?

[59] **David J. Rowlands:** Some of the stock that's being used by Arriva Trains. They tell us that some of it is 30 or 40 years old.

[60] **Mr Andre:** Some of it is quite old, yes.

[61] **Mr McGurk:** We refer in our response to the Pacer rolling stock—the class 14x rolling stock—that we have no intention of carrying out any further work on. But, on the other hand, on the 150 rolling stock, we would expect that to carry on into the next franchise and for several years beyond the start

of it.

[62] **David J. Rowlands:** Okay, thank you.

[63] **Russell George:** Adam Price.

[64] **Adam Price:** Yes, I want to ask a few questions about the competitive dialogue process that the Welsh Government have adopted for the franchise and just tease out a little bit of the comments that you made in the evidence. You said that you're involved in discussion with the bidders and you can see the different ideas emerging, which is a positive feature, but you do say that it's important and I'm quoting here,

[65] 'not to forego immediate pragmatism for futuristic aspiration'.

[66] I'm just wondering if you could say a little bit about what you meant by that.

[67] **Mr Andre:** What I meant by that was this very question of PRM compliance. The short-term shortage of rolling stock must be addressed because it's all very good to have big ideas of having electrification of the Valleys lines and a tram-train and all of these systems, but, short term, you still need to run a service and keep passengers happy—that's what I mean. It's a long franchise plan—it's 15 years—so it's good to have ideas for years 5 to 15, but for 0 to 5, you still have to look at the pragmatic solution for it. That's what I meant.

[68] **Adam Price:** Okay, so don't lose the focus on some of those short-term problems that we were discussing earlier.

[69] You also said that the adoption of an operator and development-partner approach is likely to attract different types of investors from the typical rolling stock companies. Could you just explain that point? Why and which different types of investors?

[70] **Mr Andre:** Rolling stock companies like us work on operating leases, which means that the trains are possibly displaced at some stage during their lifespan. So, we buy a train with the expectation that it will be taken by franchise for a given time. Maybe the second round of that franchise and possibly the third time, it will be displaced somewhere else for some reason. If you build a bespoke system like a tram system or a train-tram system

that's got the infrastructure and trains all contained in one, it is likely not to be displaced because you can't displace infrastructure and the trains are unlikely to run somewhere else. So, it's a more steady investment. The return for the finances will probably be lower than—. It would reflect the risk of being displaced—that's what I mean. So, different institutions would be interested in that profile.

[71] **Adam Price:** So, more traditional infrastructure, investment funds, happy with low returns, but based on fairly safe investments.

[72] **Mr Andre:** Correct.

[73] **Adam Price:** Finally, this is a complex process, as we know. We're grappling with it as a committee. Do you get the impression, in your dealings so far, that Transport for Wales—the new body that's being set up—has the requisite skills and expertise to be able to manage the current franchising process, but also going forwards?

[74] **Mr Andre:** I think they've got the enthusiasm. We are not dealing with them directly in this process because the people who we are dealing with are the bidders. So, Transport for Wales has been very strict in keeping the supply chain—and we are part of the supply chain—at arm's length after the process has started, so I can't really comment on how well they have developed. I used to deal with them before the process started, and it's mostly people we knew from their previous roles in managing the existing franchise who migrated to Transport for Wales, but that team, I understand, has grown and developed, but I can't comment on that.

[75] **Adam Price:** You can't comment on that. Okay.

[76] **Mr McGurk:** I think the additional point you can add to that is that it is an innovative process, it's not one that's been run by the Department for Transport, and therefore, there's not a huge amount of precedent to fall back on from their point of view. So, whilst it will likely generate some exciting new ideas from the bidders, it's new, and therefore it's going to be more complex, potentially, than a standard franchise let by the DfT.

[77] **Adam Price:** So, we'll know in a few years whether it's worked or not.

[78] **Mr McGurk:** Yes.

[79] **Mr Andre:** I think the intention is very good from my point of view. I think it's very good and I've been with suppliers in different industries where we have done that with the Highways Agency in England, for example, and that worked really well. So, you get innovative solutions and you get something that the supply chain is happy with. So, the principle is good; it's how well it will apply to a rail franchise, and that I don't know.

[80] **Adam Price:** Thank you very much.

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

[82] **Vikki Howells:** Thank you. I'd like to focus on rolling stock, particularly the benefits of new and cascaded rolling stock, and to ask you about the lead times with regard to ordering any new stock as well.

[83] **Mr Andre:** So, the lead time depends on what you buy.

[84] **Vikki Howells:** But the difference with the diesel compared to—

[85] **Mr Andre:** To make it simple, if you buy some rolling stock that is very similar to something else that's already been built, there is a very short development time. So, it's just turning the handle to produce a few more. And you could imagine that they could build a train in two years or less, possibly, if the timing is right with the other build. If you start designing something that is a bit more complicated, never made before—a hybrid tram-train, for example, or something like that—you're looking at more significant development time, and the lead time, in my view, would be probably three, three and a half years, to get the first one built.

[86] **Vikki Howells:** And, in your view, is it more likely that we're going to be needing that kind of new train to deliver on the south Wales metro?

[87] **Mr Andre:** It depends on what the bidders will choose, but from what I know, it is quite likely that it's going to be a very specific design. So, the likely lead time is going to be quite long.

[88] **Vikki Howells:** And going back to the issue of cascaded stock, I know you touched upon the requirements for all trains to be fully accessible by 2020, is it really feasible for cascaded stock to be upgraded to meet those new requirements?

[89] **Mr Andre:** Yes. All the trains—I'm speaking from our point of view—that we have, and that we will offer, will be compliant by December 2019, yes.

[90] **Mr McGurk:** There are good examples that are already out there—the class 150 rolling stock, for instance, that's operated by the current franchise. It's operated elsewhere by the franchisees who have already started the work to make it PRM compliant. So, there are good examples of trains out there that do now comply with the requirements for disability.

[91] **Vikki Howells:** It's a bit of a catch-22 situation though for people looking towards the new set-up of the metro. If you have older stock that is then upgraded to meet the new requirements under the disabilities criteria, is that going to be a worth-while investment when you look at the long-term scenario of electrification?

[92] **Mr McGurk:** I think, in our view, it needs to be a combination of both. As a rolling stock company, it's important from our point of view that a train that we buy stays in operation for the life that we would expect to put on it, because, otherwise, there is a potential that if trains are taken out service early, the whole rolling stock market becomes more expensive. But, obviously, trains come to the end of their lives and should and can be displaced by newer trains, such as the Pacer trains that were referred to earlier on, for instance. So, it does need to be right for both, but from the travelling public's point of view, it is very possible to make an old train look like a new train; there are very good examples out there at the moment of that.

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

[94] **Hefin David:** Not on the Valleys lines.

[95] **Russell George:** Jeremy.

[96] **Jeremy Miles:** Just on that question of the development and production time for new stock, take, for example, the two-year time frame that you indicated. As a rough rule of thumb, what is the ratio of development time to production time within that?

[97] **Mr Andre:** For the two years? Well, if you take something that is off the shelf—

[98] **Jeremy Miles:** Yes. Very little development time, presumably.

[99] **Mr Andre:** Very little, yes—you're looking at less than six months, I would expect.

[100] **Jeremy Miles:** And that is the bit that is the extra time, effectively, not the production.

[101] **Mr Andre:** Well, it's the design time and the validation time, once it's been built.

[102] **Jeremy Miles:** Okay. One of the issues that you described earlier in the context of upgrading the stock for compliance with disability legislation is effectively because you have a franchisee who doesn't know if they're going to have the franchise, and a ROSCO that doesn't know if they're going to supply the kit. You know, there are all sorts of perverse incentives in there to pull the parties apart, aren't there, in a sense? So, is it possible to tackle that by having the supply and upgrading of stock as a totally separate process, if you like, from the franchise process itself? Would that not be a more rational way of doing it?

[103] **Mr Andre:** This is what we are talking about at the moment. So, we are doing the—. The negotiation is led by the franchisee because it's been commissioned by Transport for Wales to talk to us, so it's fine, but because the franchisee cannot commit to anything further than the end of its franchise, obviously, that's where Transport for Wales comes in. And Transport for Wales decided that, on the basis of what all the four bidders were saying in the ongoing dialogue, it was a reasonable assumption to say that the trains will be used past the PRM deadline. So, that's why they are quite happy to commit to telling us that the trains will be on lease past that date, and we are talking about a date at the moment past 2020 where we will have some sort of guarantee to be the funder of what it will be, but the enabler is Transport for Wales, yes.

[104] **Jeremy Miles:** So, in evidence that we've taken already, Merseyrail said to us that they have a model—I think I'm recollecting this correctly—where they own the stock.

[105] **Mr McGurk:** Correct. Yes.

[106] **Mr Andre:** The new one, not the existing one; that's leased.

[107] **Jeremy Miles:** Right, okay. And there are all sorts of implications to that, obviously, which we'll come on to in a second, but that structure would enable the process of stock upgrade and renewal to be separate from the franchise process.

[108] **Mr Andre:** Absolutely, yes.

[109] **Jeremy Miles:** Okay. So, they also said to us that owning the stock, in their view, meant a 30-year discount on the cost over the lifetime of that stock to them, as against leasing it. Does that feel about right from your point of view?

[110] **Mr McGurk:** Sorry, what do you mean by a 30-year discount?

[111] **Jeremy Miles:** It's cheaper over the lifetime of the stock for them to own it rather than lease it.

[112] **Mr McGurk:** It depends on their own cost of borrowing to buy it as well. Obviously, from their point of view, the risk, though, is that they own stock that they have to use for 30 years, whereas with a rolling stock company, you can take it and lease it for five, 10, 15 years and then decide you don't want it, and you buy something different and new. So, there are pros and cons.

[113] **Jeremy Miles:** So, there's flexibility in the leasing model. The question I had was whether it's cheaper to own it, if you're prepared to sacrifice that flexibility.

[114] **Mr Andre:** It depends on your borrowing cost.

[115] **Jeremy Miles:** Okay. Do you have a sense—perhaps you don't—of what the capital requirement for Welsh Government would be to own the stock itself?

[116] **Mr McGurk:** It depends on what you're buying, to be perfectly honest. For a diesel train and for a single car, it can be up to £2 million a car. An electric train is slightly cheaper, but it very much depends on what you're buying.



[117] **Jeremy Miles:** And how many cars are in use at the moment in the franchise?

[118] **Mr Andre:** I can't remember overall.

[119] **Jeremy Miles:** It would be a factor of £2 million multiplied by the number of projected—

[120] **Mr Andre:** Well, I know ours: we've got 95 vehicles here. I don't know what others supply. But if you say it's about 200, 200 times £2 million, you're talking £400 million.

10:30

[121] **Jeremy Miles:** Just as a rough idea.

[122] **Mr Andre:** Yes.

[123] **Jeremy Miles:** Okay. Evidence we've received from some parties has suggested we should be looking at moving beyond the diesel and even electric trains to a hydrogen train, because the current infrastructure would not require an upgrade for that to be feasible, and that the costs saved in upgrading infrastructure would perhaps offset the presumably higher costs of hydrogen stock. What are your thoughts on that?

[124] **Mr Andre:** I'm quite interested in it. I think, when we develop this DEMU train—diesel-electric—there is always a risk of diesel going out of fashion and becoming unwanted sometime in the future. I think hydrogen is probably a good solution. I know that Alstom, a train manufacturer, is running a prototype in Germany, because it happens that, on that line in Germany, at the two extremities of the line there are chemical plants that are producing hydrogen as a waste product. So they use that and they power the trains and it works.

[125] So, I think it works. I have asked the technical team to do some more work on the capacity and the performance of hydrogen, because apparently you need quite a lot of volume to carry the hydrogen on board, and the range and the power are quite limited. So, I'm not quite up to speed on what the performance would be, but I think in principle it is a very, very good idea. With Wales being at the end of the national grid, any renewable energy that's producing electricity at night or off-peak hours could be used to produce

hydrogen and power the trains for free, basically. So, there is stuff to explore on that one, yes.

[126] **Jeremy Miles:** I'm assuming that it sits in the futuristic aspiration part rather than the current demand part. But do you feel that it will be feasible, insofar as you can tell, in the course of the next franchise, if that's a 15-year franchise, for this to become a live option?

[127] **Mr Andre:** I think so.

[128] **Mr McGurk:** Yes.

[129] **Mr Andre:** You say 'yes', I'll say 'I think so'.

[130] **Russell George:** He's confident. We like that on committees, and we like alternative views. Hannah Blythyn.

[131] **Hannah Blythyn:** Thanks, Chair. I think in one of your earlier answers you touched on the fact that the existing franchise, when it was set out, didn't include any requirements with regard to how it would address passenger growth. In terms of looking at the lifetime of the new franchise, how can this be reflected in terms of the management of the contract itself, but also how do we deal with the fact that we know that we have some of the oldest rolling stock in Europe currently. Members round this table will be familiar with complaints about the standard of the rolling stock, so with a 15-year franchise, even if we were to get new rolling stock at the outset, they will age during the course of that franchise. So, how should refurbishment be addressed and managed as part of that franchise as well?

[132] **Mr Andre:** I can't really speak for the bidders—that's for them to say. But there are things that can be done, and if they were to ask me what we could do to our trains to keep them running for 15 years, well, we could offer a seven-year refresh on the trains, or refurbishment, that we can plan from today, to have it done so that the trains are kept in good condition. But it's got to be planned at the outset, and that's for the bidders to see, and for Transport for Wales to assess the quality of the bids, because there will be a cost going with it. It's the balance of cost versus quality that they will have to address. But it is feasible. Some bidders—I won't say who—are already talking about having a plan for the first 10 years, and a plan for the last five years of the franchise, which are two different plans with a transition in between. One question that came up was: if you plan to buy new trains in 10

years' time, how do you cost it today? Because it's almost impossible. If you talk about doing a refurbishment, I think the prices are a lot easier to pin down than buying new trains. So, there are ways of doing it.

[133] **Hannah Blythyn:** What about the idea of ensuring that additional rolling stock is available in order to address passenger growth over the course of the franchise as well?

[134] **Mr McGurk:** There are examples of that already in England. There are franchises that have built in growth assumed and new rolling stock assumed, so the Essex Thameside c2c lines, for instance—there was an assumption of growth throughout the franchise and requirements at different points in the franchise for additional stock to be brought into the franchise. So, I think you need to look at what the expected growth is over the course of the franchise and factor in—the bidders will do that, obviously—the rolling stock requirements.

[135] **Mr Andre:** One trap not to fall into, like they have done on Essex Thameside, is to have growth staggered. So, they decided to buy, I think, from memory, it was 17 or 19—

[136] **Mr McGurk:** About that, yes.

[137] **Mr Andre:** Seventeen trains—but bought in 2019, 2021 and 2023, I think. Seventeen is not a huge number, and if you start to split down into three different lots, it's very, very difficult to buy something at a decent value. So, it needs to be thought through—how the growth is addressed. So, it's probably easier to buy a larger batch at some stage than small batches drip-fed in the franchise.

[138] **Russell George:** Who do you consider to be the franchising authority? Is it the Department for Transport, or is it the Welsh Government and Transport for Wales?

[139] **Mr Andre:** For which franchise?

[140] **Russell George:** For the current Welsh franchise, the—

[141] **Mr Andre:** That's a trick question.

[142] **Mr McGurk:** I think we see it as a combination of the DfT and

Transport for Wales.

[143] **Russell George:** I asked the question because the powers here have not been devolved, so I'm just asking your views on who you consider is the franchising authority.

[144] **Mr Andre:** We do speak to Transport for Wales because the topics are cross, pre and post-franchise award. But I also do speak to the DfT, which is keeping a keen eye on what is being done in this current franchise. So, I am speaking to both. But, clearly, anything that's to do with post-award of the new franchise, the DfT doesn't really want to know.

[145] **Russell George:** Okay, thank you. I think we've covered all the areas that we want to as a committee, but we will be putting together our report and making recommendations on the procurement process. Is there anything that you want to add that would be helpful to us as a committee?

[146] **Mr Andre:** No, I think we've covered pretty much everything we had put in the paper.

[147] **Russell George:** That's fine. In that case, can I thank you very much for your time this morning? We're very grateful, and we'll keep you informed. Thank you very much.

10:40

**Undebau Llafur ym Maes Trafnidiaeth—Ymchwiliad i Ddarparu  
Masnachfaint y Rheilffyrdd a'r Metro  
Transport Trade Unions—Inquiry into Rail Franchise and Metro Delivery**

[148] **Russell George:** I move to item 3 with regard to our inquiry into the rail franchise and metro delivery. For item 3, we have witnesses representing transport trade unions. I'd be grateful if you could just introduce yourselves and your roles for the Record.

[149] **Mr Cash:** I'm Mick Cash. I'm general secretary for the National Union of Rail, Maritime and Transport Workers.

[150] **Mr Hudd:** I'm Andrew Hudd. I'm on the national executive committee of the Associated Society of Locomotive Engineers and Firemen.

[151] **Russell George:** Lovely. Thank you for taking the time to attend our meeting this morning. Are you familiar with the translation equipment?

[152] **Mr Hudd:** Yes.

[153] **Mr Cash:** Briefed.

[154] **Russell George:** Okay, fantastic.

[155] **Mr Cash:** In Welsh.

[156] **Russell George:** Lovely. There will be a copy of the transcript of the proceedings afterwards for you to review as well. I'll move, first, to Jeremy Miles to ask the first set of questions.

[157] **Jeremy Miles:** Good morning. Has either the RMT or ASLEF been involved in any way in the procurement process in discussions with Transport for Wales, the Welsh Government or with bidders?

[158] **Mr Hudd:** The short answer is 'no'. We have received an invitation from Ken Skates to meet with the bidders, but that, as far as I know, hasn't happened yet.

[159] **Jeremy Miles:** Okay. But you're planning to do that in due course.

[160] **Mr Hudd:** Yes.

[161] **Mr Cash:** I'd say the same, although, we've had discussions with officials around the franchise per se, but in terms of the procurement of specific pieces of trains and such like, we still have to have that debate and I think the offer of meeting the bidders is the same.

[162] **Jeremy Miles:** Okay, right. Thanks for that. I just wanted to talk to you a little bit about the plans to vertically integrate the part of the Valleys network. Do you have any issues or concerns around that? Do you have any thoughts about that? The successful bidder operating, obviously, the track and the service.

[163] **Mr Hudd:** We find that a positive—ASLEF—that we have that. Obviously, to have a bit of joined-up thinking in that way does bring about economic benefits.

[164] **Jeremy Miles:** So, you'd broadly welcome that, effectively.

[165] **Mr Cash:** We'd be a bit concerned about the implications of vertical integration per se. We want one rail network completely integrated—

[166] **Jeremy Miles:** We're going to come on to that.

[167] **Mr Cash:** —and the situation at the moment is that the wheel and the rail are separated. The trains are operated by the private sector and the infrastructure is operated by the public sector in the form of Network Rail. There are two issues that would concern us around the ideas being put forward, one of which being that we could see that, if we had vertical integration in Wales, with the franchise operators being private sector, effectively, you're giving control of the infrastructure over to the private sector. You're privatising that infrastructure, which was a disaster last time and would be a disaster this time, as far as I'm concerned. The other aspect of that, I think, which causes concern, is that you end up breaking up—to start the role of breaking up Network Rail.

[168] There's a difference between devolution and fragmentation. There's not a big difference between it if you're not careful, but it would be, perhaps, a model that the Government in London might want to look elsewhere if they wanted to. So, for example, if you had the franchisee operating the infrastructure in Wales, why not in Wessex? Why not in Sussex? Why not in Kent? Why not elsewhere? And therefore, you'd see the break-up of Network Rail, which is a public sector body and the de facto privatisation break-up of it. So, there are some real deep-rooted concerns that we'd have and we'd be completely and utterly opposed to.

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

[170] **Mr Hudd:** Just to clarify, when I say we'd support it, it's under a publicly owned railway, which was our stance all along.

[171] **Jeremy Miles:** Okay. So, on that, others are going to ask you questions about how that could work. I just want to look at this point, I guess, at a kind of broader level, at the question of not-for-profit provision, and do you feel that, within the constraints of what you've both said about an integrated publicly-owned railway, which we'll come on to, the not-for-profit aspect of it is met by what the Government's proposing in this concession model—it's

not really a franchise, it's concession, isn't it? Do you feel that the not-for-profit aspect of it is met by that?

10:45

[172] **Mr Cash:** Well, I would think, if I can just pick up on your words, the issue is not-for-dividend, not—. Profit is a surplus that you can make that you could then re-invest in one shape or form. I remember when the debate was going on around Network Rail, one of the examples given about how to operate a not-for-dividend company that would be putting all its money back into the operations and investment was Welsh Water. So, that's what, from my understanding, Network Rail was based on, and as an arm's-length company, if you look at it as a national company, as it is as a whole, it has a guarantee—. There are three or four things that are really important: it gets income, it can create debt, and it got a guarantee of that income, and it has assets, which it can borrow against. It has these five-year investment periods—'control periods', we call them. We're on control period 5 at the moment; it ends in 2019. I've been in the railway since 1978. I joined in 1978, a member of British Rail, and I remember the feast and famine of the investment cycle and the grants to British Rail. Network Rail, in the three control periods up to 2019, CP3, CP4, and CP5, would have spent somewhere in the region of £90 billion—£90 billion—just on maintaining, operating, and renewing the railway. By 2019—. It's a figure that's in my head that I've had for a period of time now, that they would have paid back about £40 billion of that, but there's still about £50 billion-worth of debt that's on the company. All that investment has been done by a company that can do all those things.

[173] **Jeremy Miles:** Okay, so that's Network Rail. So, I'm looking here, really, effectively at what the Government's—you know, in terms of the operation of the service, effectively. So, you've got Transport for Wales, which is a not-for-profit, not-for-dividend entity, and then you've got private providers who are bidding for the operations but are doing it on a, as we understand it, capped-profit basis of some sort. The question is: does that model satisfy the not-for-profit bit of your ask, if you like?

[174] **Mr Cash:** Well, you have a profitisation premium, don't you? We've provided some figures where the amount of money that has been spent since this franchise came into play means that somewhere in the region of £11 million a year has been paid out in premiums.

[175] **Jeremy Miles:** Yes. But looking forward into the next franchise—

[176] **Mr Cash:** Well, I'm talking about actually how you do that. The issue of Network Rail as a structure was about actually being not-for-dividend, but having assets, having income, being able to borrow against that, and being able to re-invest, but all the money got put back into the services.

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

[178] **Mr Hudd:** Again, we feel that it's something that is missed, and, in the ASLEF statement, just to clarify, we acknowledge that you've asked to have it publicly run and I think that's the ultimate, really. Because whilst you even have a not-for-profit franchise, money still leaks out of the business.

[179] **Jeremy Miles:** Okay. So, your point is, because there's a private provider involved at some point in the chain, it doesn't meet that test.

[180] **Mr Hudd:** No.

[181] **Jeremy Miles:** Okay. What are your thoughts about the Welsh Government's plan that as much as possible of the other aspects of the service, apart from the core operations, should be provided on a not-for-profit basis? Do you feel that is a positive, or would you expect for all related services also to be provided publicly?

[182] **Mr Cash:** When you say not-for-profit, are you saying that it can't make money that it can re-invest, or are you saying that—?

[183] **Jeremy Miles:** No, it just isn't—. There won't be shareholders who get dividends.

[184] **Mr Cash:** There's no dividend. Because the issue of ensuring that you have a properly financed network means that you can then use all the finances to re-invest in different forms, pay people decent wages, ensure you've got decent paid jobs, also decent levels of fares, decent services on stations, ticket offices, on trains, in terms of catering services and paying people. So, you have a whole round of things. So, what you do with the money is not giving it to some shareholder; you'd be able to utilise it.

[185] **Jeremy Miles:** Well, to be clear, that isn't the plan. The plan is that Transport for Wales will provide as much as possible of the ancillary services on a not-for-dividend basis. The question is: does that feel to you like the



right thing?

[186] **Mr Cash:** It feels a lot better than just paying somebody to make a profit, and then—. Because whatever comes out, someone's got to pay for it somewhere along the line, haven't they?

[187] **Jeremy Miles:** Okay. All right.

[188] **Mr Hudd:** Yes, it's a step forward. Yes, absolutely.

[189] **Jeremy Miles:** Okay. Thank you, both.

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

[191] **Mark Isherwood:** As someone who previously worked in the mutual sector, I welcome your distinction and explanation of the difference. We've taken evidence previously from a number of witnesses, including Merseytravel, that the concession model that Jeremy referred to—and you referred to it could be used to effectively cap profits—must enable or incentivise the winning bidder to innovate and grow passenger numbers and, as you suggest, reinvest any surplus in service provision and stock. How do you feel the concession should be structured to facilitate that?

[192] **Mr Cash:** Well, in terms of concessions, I don't see the difference between concessions and franchises. At the end of the day, you're in a situation where you're paying someone a dividend—a premium—to operate the service, when, if you do it yourself, all that money gets reinvested. You then have to be very clear about the contract specifications, the level of service and suchlike, and all you're doing is maintaining the private sector operating your railway. We would argue that it's better to have it completely under the control of the Welsh Government, and actually all the money that is spent and earned is reinvested in the network. Concessions mean that you're paying somebody to do something for you.

[193] **Mark Isherwood:** The option that's been explained—or the choice that's been explained to us—would be between the winning bidder operating as an independent commercial entity, or the financial receipts from the operation going to Transport for Wales and they then pay the winning bidder. It's a question of—

[194] **Mr Cash:** So, how are the private sector doing it, then? They're going

to do it for nothing, are they?

[195] **Mark Isherwood:** Well, no, the point's been raised with us: how do we incentivise them to grow passenger numbers and innovate, and, as you indicate, if they make a surplus, invest that surplus appropriately?

[196] **Mr Cash:** Yes. I make the point, though, that they're not doing it for nothing. They will want their take. Some money will come out of their costs to help cover their profit margin. What they'll build into it is a profit margin and then they can pay their shareholders. So, you're still getting money leaking out of the system in a concession, as you are in a franchise, however you specify it. The same with a franchise: you can specify as much as you want—you know, you can't specify everything. You can turn around and say, 'share the pain' or 'share the gain', and all that sort of stuff, but, if you're in a situation where they have someone else to pay, which is what the private sector do—they have the shareholders to pay—then someone's paying for that.

[197] **Mr Hudd:** I think, as I say, to incentivise, because you're talking something, you know, that, in our heads, is illogical. To incentivise a private company: how would you do that? Well, when you look at the current franchise owner and what's been developed over the years, we're still running around with 30-year-old rolling stock that runs over capacity, the Valleys lines are still single tracks, despite the numbers in the travelling public doubling within Wales, and predicted grow even further—you know, there's been a private incentive already. They can make a profit, and they still—we think, we believe, they haven't invested properly and developed the transport the way it should be done. So, to be honest, we think the model is flawed. Wales has got a brilliant opportunity now. When you look at the infrastructure you've got with industry, you can develop a railway here by double-tracking a lot of the network, keeping it heavy gauge, as opposed to light rail, to actually reinvigorate not only industry, but the economy centred around south Wales and the Valleys, at least. There's a great opportunity there. When you're looking at incentivising a private company, there won't really be any incentive, because they run on a contract, they deliver that contract, and that's all they're fixed to. They won't go above and beyond that and what you specify.

[198] **Mark Isherwood:** Well, it's how the contract incentivises not the dividend payment but incentivises what we've taken evidence on from rail user groups, from Merseytravel and others—the need to (a) innovate and (b)

grow passenger numbers as demand hopefully increases in the future. Okay. Thank you.

[199] **Mr Cash:** Can I just pick up on Merseyrail, by the way? I had a little wry smile when you mentioned Merseyrail, bearing in mind that we've got a little local difficulty with them at the moment in time. That particular contract, I think it goes to 2025 or 2028. It's Serco and Abellio who run it, and yet they're guaranteed, year on year, a wad of money for running the service, and we're in a situation where we're trying to get a guard retained on the train service, and it costs £5 billion a year and they're getting three times that in profits each year, and yet they don't want to give it back. So, it's a bit of a sore subject, Merseyrail, because it's not a great example, in our view, about what happens, because they've had to be in the situation because of that contract. Merseytravel say to us the reason why they're putting the brand-new trains in without the guard on it is because they can't get out of the contract to be able to get brand-new trains. So, to do that, they're financing it by getting rid of the guard off the train. So, it's not a great example, in our view.

[200] **Mark Isherwood:** Merseytravel have told us that it's not Merseyrail.

[201] **Mr Cash:** Well, Merseytravel are the body that oversees the franchise, who signed the contract with the franchise as well.

[202] **Russell George:** I'll move to Adam Price.

[203] **Adam Price:** I'd like to see a wholly publicly-owned and operated railway as well. Part of the issue is whether we have the powers in Wales, currently, to realise that ambition. ASLEF, in your evidence to this inquiry, you said you regret that the Welsh Government hasn't asked for those powers, and I think, RMT, in your evidence to the House of Commons parallel inquiry, you said that the Welsh Government should argue for the necessary legislation—so, specifically, I think, removing the prohibition under section 25 of the 1993 Railways Act, which has happened in Scotland. Just to be clear, the Welsh Government say that they have asked for those powers. Would you both accept that now?

[204] **Mr Hudd:** We accept that, yes.

[205] **Adam Price:** Do you still think there's still time? I mean, with the clock ticking, could they mount a dynamic campaign now and insist that those

powers come, and would that enable them to look again at the public sector operator option, or has that train left the station? Sorry for the pun.

[206] **Mr Hudd:** I was going to say the ship's sailed, but, yes, the train—. I think it may have, because I know that particular lobbying process has finished now, but, for us, it's a missed opportunity. A personal point: you do see the differences between a London-centric railway that receives almost double the amount of money per passenger than Wales does, and, actually, Wales needs it a lot more. Part of the district I look after, as well—with the south-west of England, it's a similar picture. It's just unfortunate, but there's no reason why you still can't press for that.

[207] **Adam Price:** Is there an argument that they should have gone, maybe, for a shorter franchise length, to allow—presuming that those powers will eventually come—us to revisit the public sector option so we don't have to wait 15 years?

[208] **Mr Cash:** Well, it's interesting, because one of the things about the Brexit, dare I say it, debate is about the reason why we're into the situation around the model of privatisation, going back to 1993, and the fact that we've got the fourth railway package that's been agreed, which actually mandates that you have to privatise your rail services. The Brexit debate allows us to have a broader debate about what sort of model you want. Having a shorter franchise means you can have a fresh look at that, but, again, it still means legislative changes. I just find it ironic, by the way: you mentioned Scotland—run by the Dutch state railway. Wales—run by the German state railway. It's any state except for the British state who can run our train services, as I said the other day. It sounds like a cheap point, that, but it's a real fundamental point to the way things are. And can I make the point about Scotland and the concerns about the 1993 Act? In Scotland, it was about getting exemptions from it, the Smith Commission stuff, and I think here, Wales tried the exact same, but there it was all about being able to bid for a franchise rather than actually not having to go into a franchising process at all. And there's a big difference, because, if you're in a bid, you can put a public sector bid in, but you're then bidding against the private sector. I mean, when the average bid costs somewhere in the region of £5 million to £10 million, the public sector, when you're looking to turn around and save jobs and the NHS and social services, then have to put money in to turn around a bid on something that you already own, as far as we're concerned. So, the issue of the 1993 Act is a real problem, because it actually talks about public sector bids versus actually not having to bid in the

first place.

[209] **Adam Price:** So you might want to repeal the entire framework.

[210] **Mr Cash:** Well, we would have wanted—. When we put stuff into the—. When we said about what was going on in Scotland with the Smith Commission, we were arguing that actually we should see a repeal of the specific bits of the 1993 Act. So, it gives more flexibility to do that and then you'd have the legislation to deal with that.

[211] **Adam Price:** Finally, if I may, Mick, in your union's evidence to the House of Commons inquiry that I referred to earlier, you did raise an intriguing possibility, even if the legislation wasn't changed, that there could be a not-for-dividend bid from Network Rail to run the Wales and borders franchise. Could you just say a little bit about that alternative?

[212] **Mr Cash:** Well, it's a not-for-dividend company today. Our argument would be: we've already got an organisation set up that has a lot of expertise and knowledge, and a structure in place, then it would make sense to use that organisation—Network Rail, British Rail, National Rail, whatever you want to call it—to actually reunite the wheel and the rail. It just made sense to us to try and do that, rather than recreate. I think one of the problems you'll have in Wales, and I think they have the same debate in Scotland, but also because of the way the devolved powers have been here in Wales, is that you also have to have the capacity to be able to run franchises and your networks. You have to have the skills and the capacity and experience of those overseeing that. Network Rail give you a good start to that.

[213] **Adam Price:** So, in the same way that Network Rail is a partner with Abellio in the ScotRail alliance, Network Rail could be a partner with the Welsh Government in delivering the franchise directly. Does it have the power to do that?

[214] **Mr Cash:** Well, whether it has the power, I'm not an expert on it, but I would have thought that where there's a will there's a way. Certainly, if there's a move to try to—. It's a national organisation. I know there's some frustration in Wales around how it's perceived that Network Rail operates and works, but it would seem to me having a closer working relationship with them—they've got their own route and whatnot—would be a way of dealing with that. And actually giving them some powers where there can be more work done and an ability to get more proactively into the operations would

be a way of helping that devolved power move forward.

[215] **Hefin David:** Andrew, I'm going pick up the Network Rail thing in a minute, but I just wanted to come back to something you said. I was punching the air with agreement when I was reading your evidence, by the way. I think it was spot on. The only issue that I would have dispute with is where you said that

[216] 'ASLEF regrets that the Welsh government has not asked for the powers to keep rail services in the public sector.'

[217] You've conceded that.

[218] **Mr Hudd:** Yes, I'll just clarify that. We know you've done that. In fact, you've involved us as part of the lobbying process.

[219] **Hefin David:** I appreciate that. Just for clarity, I've just had a text from Eluned Morgan, who is in the House of Lords piloting the Wales Bill for the opposition. And she said, 'We pushed to the vote and lost the right for the Welsh Government to run the franchise; they want us to own the railways'. Let's be absolutely clear.

[220] **Mr Hudd:** Yes, absolutely.

[221] **Hefin David:** Therefore, I can 100 per cent agree with the evidence you gave. The issue I'd like to pursue is this Network Rail issue, and the fact that Network Rail would become the public operator. There seems to be a division between RMT and ASLEF a little bit, though; the fact that you suggest that, if Wales has the opportunity—hypothetically now, we've agreed—for a publicly owned rail service we should go for it and have that. But wouldn't that then fly in the face of what you said about not having, Mick, a fragmented service across the UK, or would you accept that, if that was possible, it would be a welcome thing? Is there a division between RMT and ASLEF?

[222] **Mr Cash:** [*Inaudible.*—RMT and ASLEF.

[223] **Mr Hudd:** No, never. [*Laughter.*]

[224] **Hefin David:** I want comrades to be united here.

[225] **Mr Hudd:** We would like to see a publicly owned railway across the

whole of the UK. It would make absolute sense. The process of tendering for work and contracts is just haemorrhaging money. The fragmentation of the franchises system just haemorrhages money. The fact that you've got pension schemes set up when there could be just one big one. Stuff like that, it just haemorrhages money. With regard to Wales, we understand that a vertically integrated railway where, actually, a publicly owned body is in charge of maintaining the track as well as operating the franchises—

[226] **Hefin David:** And you'd be happy if that was just in Wales and the rest of the UK was—. Because we've got a UK Government with a different outlook. You'd accept that.

[227] **Mr Hudd:** I would need to know a little bit more about how that would work. But, certainly in principle, it would seem the right thing to do.

[228] **Hefin David:** Mick, would you agree with that?

[229] **Mr Cash:** I think the key principle is whether vertical integration, which is one railway under one control, is best for not only Wales but GB rail. And we are completely and utterly on the same page now. We all believe that. There is—I don't know if you call it realpolitik—or perhaps a sense about how we get to that. And we're now creating more problems. And our perception is—and I'm sure Andrew would agree—that there is a danger, in that if you do one thing—. Because we have the same debate going on in Scotland at this moment in time. And we've made the position that we're quite happy for Network Rail, for example, to run Scotland's railways, but we don't want to be in the situation where that means that Abellio runs Scotland's railway, which also includes running Network Rail, because that starts a process of breaking up Network Rail—breaking up of the unified and going to a fragmented rail network. Because I suppose that's where your politics are; because there are people in London, in Government, as we speak, who want to maintain—certainly this currently Secretary of State believes in this—a privatised rail network. And if you present them here and in Scotland with a model that says we can do that, we'll see it happen. We'll get back to the pre-1948 days when we had the routes and the regions. It'll be completely and utterly fragmented. That's the concern we have. It's not so much what the end goal is—it's about one system, one network, one unified rail network. It's about the fact that getting back—. There is a politic that goes with that; but there's a danger in all of that, particularly the way politics are in this country, that that actually will work against you.

[230] **Hefin David:** Well, let's imagine we have a Labour Government in 2020, and the first thing they do is devolve those powers to the—

[231] **Mr Cash:** Will it be any different from the one in 1997, or 2001?

[232] **Hefin David:** I suspect it might.

[233] **Mr Cash:** By the way, I'm a Labour Party member so—[*Inaudible.*]

[234] **Hefin David:** Hypothetically then, if you could have, in Wales only—. If there was a Wales Bill presented that allowed the devolution of powers to create a publicly owned rail service in Wales, which you could have in Wales only, and that would happen, would you support that, even if meant that it was a different system to in England?

[235] **Mr Cash:** No. We wouldn't want a fragmented rail network.

[236] **Hefin David:** Okay, thank you. But I think ASLEF would.

[237] **Mr Hudd:** I think with caution. We'd support it with caution.

[238] **Hefin David:** Which is where the division is.

[239] **Mr Hudd:** I think if the Labour Party did get elected, for the first time, we would actually get a publicly owned railway.

[240] **Hefin David:** I appreciate that.

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

[242] **Vikki Howells:** Driver-only operated trains; that's what I'd like to focus on. They are not popular with the public because of safety concerns; the public feel much safer having a conductor, a visible presence up and down the carriage. But I understand that for both of your unions, your concerns run far deeper than that. And I'll come to the safety aspect in a moment. But if I can just start by asking you both how you think that driver-only operated trains actually affect service delivery.

[243] **Mr Hudd:** It's interesting. We talked about privatisation and how the franchising system would work in relation to Wales. And I do understand that, as part of the bidding process, it wasn't specified that DOO would be a



requirement and it would be interesting what the bidders actually return. But let's be honest about it. The only reason why private companies want to take the guard off the train is to save money: there is no other reason. They call it modernisation, but it's not. What it does do—. Wales has an opportunity here. It could have had a better one if it was publicly owned, but there is another opportunity here. You can deliver proper passenger facilities. You can have a guard on the train that will look after people who are disabled, hard of hearing, with loss of sight or partially sighted. You can have a guard on the train that will collect additional revenue that may have been missed out through stations that don't have ticketing facilities. You would also have a visual presence on the train to ensure security. You'd also have protection for the driver, which is obviously what we'd like—because generally, in incidents, a driver is normally doing something else if they're not injured. They're normally doing other stuff relating to the safety of the train during an incident. The guard on the train, if there is one, can look after the passengers, and if they're trained, can do first aid, can evacuate the train, deal with a fire. So, all those things are on top of that.

[244] A lot of the arguments you're hearing in the media at the moment is that it's modernisation—actually, it's about operating the doors and going in and out of stations. While the technology is there—and they argue that the technology is there for the driver to ensure a speedy departure and a speedy arrival at stations—well, if the technology's there for a driver, then it can also be there for a guard. It just means, you know, modifying the carriages in some respects. But in a lot of respects it's already there, and the station despatcher will be there. With regard to frequency of service and the speed of service, that can be done by traction technology—you know, when you have modern traction, hopefully electric, they can stop a lot more quickly and depart a lot more quickly. That then takes away the argument that driver-only is about efficiency; it's not, it's about money.

[245] **Mr Cash:** Andrew has very ably—if you don't mind me saying so, without sounding patronising—put the message across about it. But it also underlines a key issue that both train drivers and guards—the train crew, as we call them, the one at the front and the one at the back who are on the train—have got deep-rooted concerns around driver-only operation. They've changed the name from driver-only operation to driver-controlled operation. The only difference is one's a 'c' and one's an 'o'. It is all about driving down costs, and it is a concern that we have that—. I mean, we argue for a safe, secure and accessible railway. We believe, on safety, there's a good case for keeping safety. We have had a number of what are called—I mean, Andrew

will tell you about trap and drag incidents, where a train passenger's been caught. Forty per cent of trains as we speak—in the last report—are overcrowded; platforms are overcrowded, stations are overcrowded. And 1.7 billion passengers actually use the railway, in the last known figures; 31 million passengers in Wales alone. So, an increasing amount of passengers want to use a railway that is safe. We've got concerns about the safety. In terms of security, it's about making sure from the start of the train service to the end of the train service that there's somebody there to look after passengers. And there's a big issue about accessibility for disabled and vulnerable people. So, there is a good case for it. It is all about money.

[246] I made the point earlier on about Merseyrail—£5 million to keep the guard on the train and they're not prepared to pay for it. If you look at the amount of money that you're giving to Arriva year on year, it's £11 million on average each year. Is it better that that money is given to the shareholder or to making sure you have a safe, secure and accessible railway? That's the question.

[247] **Vikki Howells:** Yes. Can I just—? Can you both—? On the issue of safety, then, the Office of Rail and Road, the safety regulator, has stated that

[248] 'Trains with doors operated by drivers...have been in operation in Great Britain for more than 30 years'

[249] and that

[250] 'With suitable equipment, proper procedures and competent staff in place, it is a safe method of working'.

[251] Whereas both of your unions have said that you strongly refute the suggestion that the approach is safe. I wonder if I could ask you both to outline to us as a committee the national and international evidence behind your view that this type of train is unsafe.

[252] **Mr Hudd:** Well, personally, with the ORR report, if you read it carefully, it does say that with the appropriate technology in place it could be safe, but there also is an RSSB report—I forget the name—that does say that there is a slight increase with DDO, over the norm. Because actually, what you're doing is—thinking of it logically—you're removing a guard that would normally be involved in the despatch process. So, for those who may not understand, you have the driver on the front of the train, who may or may not be in control of

some aspect of the door's operation, but even so, with a guard on the train, there is communication between the driver and the guard and the guard and platform staff. There's three sets of eyes. The railway of the future, as proposed through the modernisation, is that the driver will be responsible for all that as well as looking forward and looking for signals and all the other stuff that's going to come in future.

11:15

[253] This is probably a bit poignant as well and you should be aware of it. The railway of the future with ERTMS, which is the in-cab signalling system, with developments in technology around traction, a driver of the future will pretty much be playing a game of high-speed whack-a-mole, in that there will be train-management systems within the cab that have a touch screen that they have to interact with whilst driving.

[254] You'll have a new generation of radios where the signaller can speak to you on the move. You can interact with that. You'll have ERTMS, which again is a signalling system that's in-cab. You'll be interacting with that part of the equipment. So, you'll have all these different types of equipment, as well as the stuff that's on board already—for example, the automatic warning system, the driver safety device, and all the rest of it.

[255] We would then be expected, with the onset of all this technology, to safely arrive at, open the doors, check for no passengers stuck in between, obviously, the doors, or what's called the platform-train interface—that corridor where we know that a train is safe to depart,

[256] The driver will be responsible for that, and monitoring in-cab cameras if they have to, and monitoring signals either in the cab or out of the cab when departing the train, and we're supposed to do that all at once and do that safely, millions of times a day, throughout the whole network. Now, I would argue logically that that second person on the back with a trained member of staff on the platform will do that a lot more safely.

[257] **Russell George:** I'm just conscious we're running out of time and three more people have got questions. So, can we just be very brief and pointed in our questions and answers? Vikki, you've finished yours. Hannah.

[258] **Hannah Blythyn:** Thanks, Chair. You said that you're aware that, as part of the bidding process, driver-only operated trains would not be

required. I'm just wondering what, if any, conversations the unions have had with the Welsh Government or Transport for Wales on this.

[259] **Mr Hudd:** We had a brief meeting with the Cabinet Minister, Ken Skates. He outlined very broadly what the process might be and he wanted to have us involved in that, which we welcomed, of course. But, as we understand it, the DOO was not made a specific requirement of the process. In fact, it was for the bidders to offer that as an alternative if needed, or if they felt it was suitable. We obviously don't think it's suitable.

[260] **Mr Cash:** We've had some conversations with officials where we've outlined our concerns not only about the devolution and the Network Rail situation, but also driver-only operation concerns, which, you know, are deep rooted around what the impact is, and what our position as a union is, which is well known. You would know because, on 26 April, we'll have had the longest running strike in our union's history, and we've been around since 1871, over driver-only operation. We've got it on Merseyrail and Arriva Rail North. I wouldn't want to see that campaign come to Wales because we feel so deeply rooted about it.

[261] The other issue that I think is important is the specification for rolling stock, if you're getting new rolling stock. One of the questions we constantly ask both the bidders and Government, or whoever's specifying, is, 'Are you going to ensure that the rolling stock that you buy, which has got a payback period of 30 or 40 years, is specified so you can have it for conventional running, which is to keep a guard on the train?' So, we were arguing that as well. That's the sort of stuff we're talking about—futureproofing.

[262] **Hannah Blythyn:** I don't know whether I'm giving away Assembly secrets now, but each Member was provided with a note from the team here, and it just made me smile because one of the prompts I've got here is, 'How the unions would respond if DOO trains, this approach, was implemented as part of the rail franchise'. I think we don't really need to ask that question.

[263] **Mr Cash:** Not really, no. There's lots of concerns. I'll leave these—I didn't bring a bundle of them. This one's out of print, I've got to get a fresh one. But it just gives you a sense of the platform-train interface and driver-only operation and some stuff around Southern and a leaflet we're putting out. It might be useful for you, if you want to have a look at that.

[264] **Russell George:** If you leave it on the end of the table, that'll be great.

[265] **Hannah Blythyn:** Just one final question, Chair, relating to the conversations that you've had with Welsh Government officials. It's not really been raised as part of the questions that we've been asking in terms of focusing on rolling stock and things like that, but the impact on the workforce in terms of the change in franchise. I'm assuming that your conversations involve making sure that the terms and conditions of the workforce will be protected in terms of any change of franchise in the future.

[266] **Mr Cash:** Indeed, both on the engineering side and the operation side. One of the areas that we have got a lot of concerns about is that where franchises—and it's across the piece, by the way—tend to outsource a lot of work is in catering and cleaning. Those are low-paid, really difficult areas to organise and they do a crucial job and yet they're paid pittance and work in bad conditions. If we want to see that ended, we're going to have to get it back into that public-ownership model.

[267] **Hannah Blythyn:** Thank you.

[268] **Russell George:** So, if driver-only operation was introduced in the next franchise, what would that lead to?

[269] **Mr Cash:** Pardon?

[270] **Russell George:** If driver-only operation—

[271] **Mr Cash:** I might say, 'Pardon' again, actually. [*Laughter.*]

[272] **Russell George:** —were introduced, what would that mean for you? Would you strike?

[273] **Mr Cash:** It would mean that our members in Wales would have to make a decision about whether or not they want to accept driver-only operation or wanted to do something about it.

[274] **Russell George:** What do you think your members would do?

[275] **Mr Cash:** I think I know what the answer will be because it's a deep-rooted concern. We've got 7,000 guard members in the RMT. By the way, 70 per cent of the rail network runs with a guard on the train. Last year, we did deals in four key franchises, including ScotRail, for brand-new modern trains

to keep a guard on the train. Actually, it isn't modernisation versus—. One's not to the detriment of the other. Having a modern train and asking the guard to do more provides a better service because it's more productive.

[276] **Russell George:** So, if driver-only operation was introduced in the next franchise, I think it's—*[Inaudible.]*

[277] **Mr Cash:** *[Inaudible.]*

[278] **Mr Hudd:** At successive ASLEF conferences, the membership have told us time and time again that they don't want driver-only operation. Again, it would be the membership's choice, but I'm pretty sure that the answer will be the same.

[279] **Russell George:** Right, thank you. We're out of time. Have you got very brief questions, Mark, that need very brief answers?

[280] **Mark Isherwood:** Yes. How should RMT's call for properly staffed stations be incorporated or reflected in the contract? And who do you believe in future should be funding the development of stations under the franchise?

[281] **Mr Cash:** Again, it comes down to making sure that we've got a properly funded railway and making sure that every bit of money that you've got is reinvested into it, and that you're not siphoning it off and paying a premium to private operators and shareholders. So, we want to see properly staffed stations; we want to see a proper service. I think passengers want to see that and local communities want to see that. We've got to work through how we can best deliver that. But if you're not throwing £11 million, on average, a year away to the shareholders, perhaps you can look at how we do that as well.

[282] **Mark Isherwood:** We're asking how this should be reflected in the contract as they are today.

[283] **Mr Cash:** It's not down to me to write a contract, at the end of the day, but I would have thought you'd want to specify the amount of staff employed, where you want to employ them and on what basis. Again, I'd rather you not have contracts; I'd rather you put it into public ownership and make your own decisions on that, as you'd make the decisions and not the private sector. I'm sure you want to be in that position, don't you?

[284] **Mark Isherwood:** How, finally, should the contract reflect freight considerations?

[285] **Mr Cash:** That's a good question.

[286] **Mr Hudd:** That is. I'm glad you raised it. Again, I'll refer back to my earlier statement. It's a personal belief that you can—. There is an opportunity—if it isn't now, but in the future—to look at developing freight. We've seen a decline in freight in Wales: the loss of coal; the loss of steel. Those types of industries, which were the backbone of Wales, are slowly being eroded. What would further continue that erosion was if we did go down a light-rail option; that would have an impact on freight. We'd like to see double-tracking freight to have a properly joined-up plan with the rest of the UK to maintain the lines and spurs and yards and sidings, where you've got them, and, in fact, increase them and integrate that with a bigger business model, so that you can actually subsidise rail freight to increase that, because you can take a lot of the road traffic away and put it onto rail—that would serve you better—and use HGVs for the last-mile-type deliveries. But you can carry an awful lot of goods through the railway and, again, it will be part of the industrial revitalisation, I guess, of Wales. But that's down to you guys.

[287] **Mr Cash:** Andrew's spot on about the light-rail debate. If you do light rail on the Valleys lines in particular, and you're in that situation where you'll be setting forward what type of transport mode going forward in the future you're expecting—is it just going to be commuter belt? What industrial strategy would you have in that area, if you're not able to have a rail network that connects that part of the Welsh economy to the main rail network? You'll be cutting it off. So, there is danger because, personally speaking, I know some people might say it, and I've heard it being said that you can mix light and heavy rail, but I'm not certain that's a viable option. But you will be, by choosing light rail in certain places, predetermining what can or cannot happen in those locations in your industrial strategy going forward.

[288] **Russell George:** I'll have to draw our session to an end because we're digging into our time with Transport for Wales otherwise. So, Mick, Andrew, can I thank you for your time this morning? It's greatly appreciated. We'll take a short five-minute break so we can turn the room around. Back in five minutes. Thank you.

*Gohiriwyd y cyfarfod rhwng 11:26 a 11:36.*

*The meeting adjourned between 11:26 and 11:36.*

**Trafnidiaeth Cymru—Ymchwiliad i Ddarparu Masnachfaint y  
Rheilffyrdd a'r Metro  
Transport for Wales—Inquiry into Rail Franchise and Metro Delivery**

[289] **Russell George:** Good morning. Welcome back to the Economy, Infrastructure and Skills Committee. I move to item 4 in regards to our inquiry into the rail franchise and metro, and we have representatives from Transport for Wales with us for this next session. I'd be very grateful if you could just introduce yourselves for the record and your role.

[290] **Mr J. Price:** Okay. I'm James Price and I'm here today in my capacity as chair of Transport for Wales.

[291] **Mr Ogden:** Bore da. Good morning. I'm Geoff Ogden, and I'm here in my capacity as interim managing director of Transport for Wales.

[292] **Russell George:** We're very grateful for you being with us this morning. We have about eight subject areas we'd like to cover, and I'll ask Vikki Howells to ask the first set of questions.

[293] **Vikki Howells:** Thank you, Chair. I'd like to understand a little more about the governance arrangements for Transport for Wales. Could you briefly summarise for us the structure and the governance arrangements?

[294] **Mr J. Price:** So, Geoff and I will handle all of these questions, if that's okay, between the two of us. Can I just clarify whether there's any particular part of the governance arrangements you're interested in? Is it the governance between Welsh Government and Transport for Wales, or Transport for Wales and how we're running the projects, or all of it, I guess?

[295] **Vikki Howells:** Well, all of it, but where I would be heading would be to ask us whether you think, ultimately, it should be an independent statutory body.

[296] **Mr J. Price:** Okay. So, if I give a high-level overview of what we've set up, and then Geoff might go into the detail of how we've done some of the projects, but we'll be quick. And then we'll touch on the final points.

[297] So, we have set up Transport for Wales in a lot of ways to mimic



Transport for London, with the powers that the Welsh Government has, and with Transport for Wales as a subsidiary company in this stage of its existence, advising the Welsh Government. So, all of its activities are relying on the Welsh Government to do something with that advice. And there will come a few decision points in the future where that might change, one of which will be the award of contract, which should be in July of this year.

[298] As a wholly owned subsidiary company of the Welsh Government, we're ultimately accountable to Welsh Ministers and hence to committees such as yourself, and we'll be also accountable to the Public Accounts Committee. I get, as chair of the company, a separate delegation from the Permanent Secretary, separate to my delegation as Deputy Permanent Secretary, and then that delegation runs through into a board, which, at the minute, is still made up of civil servants, but we're about to appoint some specialist non-execs, particularly with finance experience. And then there's an executive team below that which Geoff runs, which is currently a team of about 35 people. There's a series of sub-committees, including procurement, safety, engineering and others—environment—which are set up to run the project. But, Geoff, if you talk about the—

[299] **Mr Ogden:** Okay. So, just to build on what James has said, we've got a team of our own employees, we've got a team of secondees, and we've got consultants. So, everything I'm talking about goes across that wider team across the company. I'm the senior responsible officer for the programme that we're delivering in terms of the procurement, et cetera, for Welsh Government. As James said, we've got 10 projects that make up the programme. They are on things like the procurement itself through to engineering matters, et cetera. Each of those has a project executive from the leadership team and a project manager, and I'm supported by a programme management office as well, and indeed a programme manager. So, we do that. We meet with the Welsh Government formally twice a month with a formal agenda. Actually, at the moment, because we are in the middle of the competitive dialogue, we are meeting weekly for a three-hour session, mainly about feedback at a higher level about the sort of things that are coming out for guidance, and clarity of how those matters should be addressed within the competitive dialogue.

[300] **Vikki Howells:** Thank you. And how has Transport for Wales sought to ensure that it has the right skills and resources to deliver at the right time on each of the phases of procurement, mobilisation and management?

[301] **Mr J. Price:** Okay. So, I think that's at the heart of the creation of Transport for Wales, really. So, for those of us with long memories, people will remember Transport Wales, which was really just a brand name of the transport directorate at the Welsh Government, and there was a chief executive of Transport Wales in the first term of the Assembly. But that was simply a presentational issue. Transport Scotland was the same at the time. They ran within the civil service, controlled by the same rules and regulations that control the civil service in terms of hiring, scaling up and scaling down. When the opportunity to procure the next rail franchise came along, it looked at different options and came to the conclusion that, within the confines of the civil service, and particularly the confines of HR rules within the civil service, it was not possible to run an effective procurement process. Hence the initial rationale for the creation of Transport for Wales.

[302] What we have sought to do—and there are a number of different phases involved in this—is to staff up the team in such a way that we are being efficient and effective. About 80 per cent of the team, I would say, have got direct rail experience, either with infrastructure or of operations or procurement, and we've gone after all of those aspects. The balance that isn't is equally on purpose, because we want to ensure that we inject expertise from other transport areas and other business areas so we're not simply replicating what people have done before. Geoff has equally got a plan now to move quite a lot of posts that are currently being filled on a consultancy or on a temporary basis into a long-term basis as we move into the next phase.

[303] **Vikki Howells:** Yes, that leads me to my next question, really, which is that it has just been announced that Transport for Wales will be headquartered in Pontypridd. To what extent will that be bringing in existing jobs versus creating new jobs?

[304] **Mr J. Price:** Okay. So, I think part of my answer here wants to say, 'Who knows?' but I suspect—my gut reaction to that is probably going to be half and half. So, there are quite a few people that we currently have on the books who will disappear back to their consultant places and go on to different projects. Equally, we'll need to change the mix of staff for the next stage, and we will have an opportunity to recruit locally. I guess even where we're not recruiting locally, people have the opportunity to live in close proximity to where they're going to work, because they know that's going to be the headquarters function. That's not a temporary thing. That will be there for the duration, so that hopefully, in terms of wider economic benefit, it will

have a benefit for Ponty over and above people simply putting footfall and spending money in the town.

[305] **Vikki Howells:** And that's several hundred jobs, am I right in thinking?

[306] **Mr J. Price:** The figures that I have seen—and it depends how far you take this—at a minimum, I think, it's several hundred jobs. If we bring others with us, which we plan to, it could be just shy of 1,000, I think. Is that about right, Geoff?

11:45

[307] **Mr Ogden:** I've not managed to listen to all of the other evidence, but I did manage to listen to the city region talking, and, certainly, it was encouraging to hear, and in terms of our discussions, it's encouraging to work with them in terms of collaboration and joined-up thinking with other stakeholders. So, I think they were talking about how they can play a part in that at Pontypridd, and beyond, as well.

[308] **Vikki Howells:** Thank you. For my final question, we recently took some evidence in Shrewsbury, where we were looking at cross-border provision, and one of the issues that were raised strongly there by stakeholders was the notion that there should be a representative from the English regions on the Transport for Wales board. What would be your feelings about that as a suggestion?

[309] **Mr J. Price:** So, I think I would say that's a matter for Welsh Government, rather than Transport for Wales. That's technically true as well as being an easy out. I think my answer would be, if you were to push me further—the board of Transport for Wales is not a representative body. It is there to govern the company and to govern the procurement and, potentially, govern the activities. What we are doing, however, is to have discussions with Welsh Government and with DfT about what is the appropriate mechanism for English passengers to be able to hold Transport for Wales and any operator to account in the future in terms of services that start and end in England.

[310] **Vikki Howells:** Are you at liberty to tell us where that conversation is heading at the moment?

[311] **Mr J. Price:** They're live conversations at the minute, and there are

various different options on the table. I don't think there's any particular favoured option. Geoff.

[312] **Mr Ogden:** No, I don't think so.

[313] **Mr J. Price:** We could use Passenger Focus, which is something that England use. There's a railways and a highways regulator, now, in England—that could be part of the mix. I think it's primarily a matter for DfT in England, currently, to come back to us and say what they would expect.

[314] **Vikki Howells:** Thank you. But, in principle, you would agree that it's important to get the advice to represent the cross-border provision.

[315] **Mr J. Price:** Transport for Wales will need to be accountable to the people who use its services. Predominantly, that's going to be in Wales, and the company will be only run for the people of Wales, but we need to be running good services for people in England, as well.

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

[317] **Mr Ogden:** Sorry, just to build on that. I think it's about the passenger. We're absolutely clear that this is about focus on the passenger, so that's wherever they are. So, yes, we will put suitable, appropriate arrangements in place to allow that to happen.

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

[319] **Russell George:** How do you separate your two roles as chair for Transport for Wales and being the Permanent Secretary? How do you separate your two roles?

[320] **Mr J. Price:** So, that was why I started—the first question: why have we done it this way and why have I put myself through the pain, I guess, of doing it this way? We did discuss this, quite a bit, and I could have appointed someone else to do this. My honest view—I may be proved wrong at the end of all of this—was that if I was sat in front of Public Accounts Committee in nine months' time and this had all gone wrong, which we're not planning [*Laughter.*] And if one of my defences was, 'Well, the chair of Transport for Wales was responsible for that,' I think people would say, 'Actually, you're responsible for that, James. It's the biggest thing Welsh Government has ever done, and you chose to hive it off to someone else.' I think I would be as

culpable as they were, and, in reality, for this stage in the process—the procurement stage of the process, the only reason why we have created the vehicle—there are many other reasons, not for profit and delivery, but they come later. For this stage, if we were running it within the Welsh Government, my role would be synonymous with the role of chair, which is why I’m choosing to do both, certainly for this stage.

[321] **Russell George:** I understand that, but I’m just conscious that some of the answers—

[322] **Mr J. Price:** So, if I go on to the next bit—

[323] **Russell George:** What I’m saying is—

[324] **Mr J. Price:** So, how do I separate my duties—

[325] **Russell George:** Yes.

[326] **Mr J. Price:** So, I am not involved in agreeing the remit letter for Transport for Wales with Ministers. That’s done by the transport director and done by the Cabinet Secretary, for example. I am not involved in the detail of procurement, no more than is Geoff, actually. We’re not involved in the day-to-day assessment process. So, there’s a sort of—it’s not a rule book, but a series of processes and procedures that have been set up to protect Welsh Government and Transport for Wales and me from acting improperly in any way. There aren’t many places where that would occur, because the objectives of Transport for Wales and Welsh Government are, in essence, exactly the same, particularly for this stage of the process.

[327] **Russell George:** So, when you refer to, ‘Well, that’s a matter for Welsh Government,’ you’re referring to the Minister and your colleagues who are outside your—

[328] **Mr J. Price:** Whom I know you’re taking evidence from. I’m saying I think it’s more appropriate for you to talk to them in that session on that matter. If I was in that session, I’d be more happy to answer the question, but today’s about Transport for Wales, so Geoff and I, in preparing, concluded that it was best to give answers that are appropriate to Transport for Wales, not for the Welsh Government.

[329] **Russell George:** Understood. Adam Price.

[330] **Adam Price:** I don't want to go down the road of nightmare scenarios, but since you've already taken us there anyway, in a situation where things have gone horribly wrong, one would expect, in terms of accountability, the chair to be sacked. How would that work in relation to a civil servant? You could be removed from the chair, but, presumably, you couldn't be sacked as a civil servant. That's not how the system works. So, how does accountability work, then?

[331] **Mr J. Price:** I think accountability there would work in the same way that it would work if we hadn't created Transport for Wales, where I would be held personally accountable by the Public Accounts Committee for what had happened and I would have to defend my actions, and culpability would be examined by the civil service, as well.

[332] **Adam Price:** That doesn't sound like a very hard form of accountability and certainly, in relation to a company or an arm's-length body, you would expect, ultimately, the chair to take responsibility and resign rather than just come and give evidence. So, I don't know how that works with—

[333] **Mr J. Price:** Okay. That might be something we go away and have a look at. I certainly feel very accountable for what we are doing, and I think I've chosen to put myself more in harm's way than I needed to, because I think people would expect me to be accountable for this. And I completely understand what you're saying, but I think, in a way, me putting someone between me and what might go wrong would be me distancing myself from it rather than saying, 'I am accountable for it, therefore, I'm going to take a day-to-day interest in it'.

[334] **Russell George:** Perhaps these are questions we can take up with the Minister as well. Mark Isherwood.

[335] **Mark Isherwood:** If I could pick that up, and then go straight into mine, very briefly, I endorse Adam's concerns, because, whilst this committee would properly seek to hold executive and non-executive officers accountable, protocol properly prevents us from doing that with civil servants. So, it would cause an accountability issue for the parliamentary body, if not for Government itself.

[336] In terms of your reference to being accountable to passengers in England, I think it went beyond that. How would you propose to respond to

the need to have local knowledge and expertise from the other side of the border that falls within the franchise shared? When we took evidence in Shrewsbury from local authority representatives, rail user groups, and others, we learned things about the operation and experience on their side of the border that we would not otherwise have known.

[337] **Mr J. Price:** We're going through a series of consultations ourselves at the minute, talking to people and trying to understand what the travelling public want, and all of that is being built into the discussions that we're having with potential bidders, currently. In the longer run, we're discussing those matters with the Department for Transport, as well, to look at accountability and at what they expect to see in the services. Geoff, I don't know if you want to—.

[338] **Mr Ogden:** I can talk about the wider consultation, if you'd like me to, at this stage.

[339] **Mark Isherwood:** I think—possibly, because there is interconnectivity with other franchises that you would then border with in England and also engagement, particularly with local government in England, where two local authorities were represented, each, understandably, with an active interest in this.

[340] **Mr Ogden:** So, in terms of passenger transport, exec-type organisations, et cetera, and stakeholders in England, Welsh Government and ourselves are working with DfT in terms of that exact engagement mechanism associated with the procurement that we're doing at the moment. Because, clearly, the English regions are a matter for the UK Government in that respect, so we need to, and we're continuing to, work very closely with the DfT on all fronts. So, it's still an emerging agenda, but one that we are trying to deal with.

[341] **Mark Isherwood:** Okay. I'll move on to my designated questions now, as time is short. What contingency plans are in place should agreement on transfer of powers with the DfT not be reached?

[342] **Mr J. Price:** We have a series of agency agreements with the Department for Transport—that's the term we're using—that allow Welsh Ministers to deliver using Secretary of State for Transport powers in Wales. That's not an acceptable long-term solution. I think we're—. Are we on the second agency agreement now?

[343] **Mr Ogden:** Yes. It's in preparation at the moment, which will take us through to the ability to award the contract.

[344] **Mr J. Price:** So, that's the answer. If that didn't happen, then we do have a way around it, but I would not see that as a satisfactory long-term solution and there's no need for that to occur either.

[345] **Mark Isherwood:** Okay. Given the DfT contribution of £125 million agreed in 2014, why do you refer in your paper to the need to agree suitable financial arrangements for the Valley lines infrastructure?

[346] **Mr J. Price:** Okay. That is simply it. DfT and UK Government need to stick to the agreement that was reached with the then Prime Minister.

[347] **Mark Isherwood:** Is there a question mark over that?

[348] **Mr J. Price:** In my view, working within Government, until something is done, it's never done. And I would say that getting the powers transferred effectively and dealing with the asset transfer from Network Rail are the two biggest issues facing the procurement—well, not facing the procurement; facing the delivery of the system in the long run.

[349] **Mark Isherwood:** So, are you're saying that the agreement is not an agreement because there's been a change of Government, effectively, at UK level, or that agreements, effectively, aren't agreements until they happen?

[350] **Mr J. Price:** I'm saying that we need to—. I'm saying no more than we need to see what was agreed delivered. A lot of time has passed; the original timeline for transferring powers has passed. Much of this could be described as officials not working fast enough, but that's not good enough. We're approaching D-day, and it needs to be sorted out.

[351] **Mark Isherwood:** But if they deliver on the £125 million, that would meet your requirement.

[352] **Mr J. Price:** There's a whole series of requirements in the original agreement: £125 million, block grant unaffected, would be the two key ones, and certain protections from DfT policy changes that would otherwise impact on Welsh Government and hence Transport for Wales budgets.



[353] **Mark Isherwood:** Okay, thank you. Given your statement to us, it's unclear if a suitable revenue package has been agreed to accompany devolution of franchising powers. Is sufficient revenue funding available for service improvement?

[354] **Mr J. Price:** So, again, I think that's probably a matter more for Welsh Government. But just a couple of issues on that: the services that are currently delivered by Welsh Government come at a price tag that is roughly £30 million above the amount that was originally transferred into the block, so the Welsh Government has itself strengthened what is currently a DfT franchise. The block remaining unaltered won't see that additional £30 million coming into things, but the amount of money that we're currently paying for the franchise we believe is sufficient to deliver a significantly enhanced service for the whole of Wales in the future.

[355] **Mark Isherwood:** Okay. Moving to the south Wales metro infrastructure, what contingency is being provided for or planned for in the event of cost overruns and EU funding impacts with EU exit?

12:00

[356] **Mr J. Price:** Okay, so if we take both of those, and Geoff will probably come onto the detail of some of this, in terms of the EU funding, there are two issues. I guess the first one is the one you've just raised, which is the EU funding. We do have a guarantee from the UK Government saying that, if the EU, for some reason—if that funding were to evaporate, the UK Government would make that good. But I think I'd come back to my original point: we need to see that delivered. We're currently working with the EU. In principle, there are no issues with drawing down the money at all. They're very keen on the project. However, we need to get powers transferred. We need to get asset transfer agreements in place, et cetera, et cetera, as contingent parts of drawing down that money, because large amounts of that money will be used for physical infrastructure upgrades on the core Valleys lines network, which will require us to have control or ownership of the asset to do that. When I say 'us', I think that's Welsh Government rather than Transport for Wales having control—Transport for Wales being in the advisory role still, currently.

[357] **Mr Ogden:** We're being very clear with all of the bidders about the funding envelope that's available as a whole for the metro, for the core Valleys lines infrastructure, et cetera, and we are carrying out appropriate due diligence as we go through the process on their proposals. Clearly, there

are still a lot of unknowns around asset condition, both in terms of its current condition and if you're putting a new design or new system onto it. We have used optimism bias within our risk allocation on the funding, and we'll be going through a process with each of the bidders to manage that risk down through that process. So, I think that there are a number of mechanisms that we've got in place to allow it to happen—or to allow it to be managed—without us going near to anything around de-scoping. So, we're working through the process with the bidders. It's too early to say exactly, but they are absolutely clear of our funding envelope, and that is what we are working to. We've been completely open with them about that.

[358] **Mark Isherwood:** Does that mean you're saying you would expect that they would cover cost overruns, or would there still be an expected liability for the Welsh Government?

[359] **Mr Ogden:** No, I think—. So, it depends on the particular risk that emerges, and, clearly, we're still going through the process of who is most appropriate to hold particular risks. That will vary from solution to solution. So, we've got to make sure that's comparable across the different bidders. But there would potentially be—. If there were an issue in terms of an infrastructure overrun that was an employer's risk, then we're clear that, actually, that would mean, potentially—and we don't want to go there—a de-scoping of some element of the solution. That, potentially, would harm the operator, as much as it would anybody else, in terms of their ability to deliver a service. But that's right at—. What we're doing, I think—and what I'm trying to get over to you—is that we are being open with them, trying to set that expectation so they know that this is all we've got, this is what you've got to deliver this project to within the realms of the risk that you allocate, and, if risk came our way, how we would have to manage that.

[360] **Mark Isherwood:** And my final question—next week, we'll be taking evidence from DfT: are there any issues we've not mentioned that you feel we should be raising with them?

[361] **Mr J. Price:** The transfer of powers.

[362] **Mr Ogden:** Well, the transfer of powers—we're working really closely on that. I'm sure, in further questioning, we'll talk about the competitive dialogue and how this is a different process, but, actually, what I would like to say, in terms of the DfT's role in that, is they've been really supportive. They've supported us as a team in terms of understanding some of the

issues they've had in the past that some of the other reviews have come up with—helped us to understand those, helped us to make sure and manage it, but also being very receptive of a different approach that we're doing and keen to learn from it.

[363] **Russell George:** James, what was the original timetable for the transfer of powers?

[364] **Mr J. Price:** January 2017.

[365] **Russell George:** Okay.

[366] **Mr J. Price:** In fact—sorry—the original original timeline was within the lifetime of the previous Parliament. So, we're some way off of that. Obviously, other things have happened—Brexit being one—but that doesn't mean that sorting out rail services for the people of Wales is not important.

[367] Can I just come back to the—just very briefly, because there's a point I didn't make that I should have made on the discussion around chair and my role—? This comes back to the phasing of what Transport for Wales is doing at different points and I think it's important for Geoff and I to stress at the minute that Transport for Wales is providing advice to the Welsh Government. It will be the Welsh Government who signs the contract with the bidder and it will be a Welsh Government contract, not a Transport for Wales contract. That might be novated in the future, but it will be me, as an additional accounting officer, signing that off, and I'm signing off all the advice anyway. That's my rationale. We don't have something that is doing this in and of its own right currently. That will be for a future phase.

[368] **Russell George:** Okay, thank you. Jeremy Miles.

[369] **Jeremy Miles:** Can I just develop that point? I think you said in your evidence earlier that neither of you were involved in the evaluation of the bids themselves—

[370] **Mr J. Price:** Not the detailed evaluation or the competitive dialogue, no.

[371] **Jeremy Miles:** And is that a constraint you would have felt had this been procured not through Transport for Wales, but through the Welsh Government direct, in terms of what you just said?

[372] **Mr J. Price:** No, I think that would be an appropriate constraint, certainly for me. I think it's probably appropriate for Geoff as well. Once you get involved in a competitive dialogue, what you can say to anyone, including a committee like yourselves, or in a meeting with DfT or Network Rail, is so heavily constrained to make you almost—I apologise to the people who are doing it—but almost useless in a professional sense, outside of the dialogue area.

[373] **Jeremy Miles:** So, it's the competitive dialogue aspect, not the Transport for Wales aspect that—*[Inaudible.]*

[374] **Mr J. Price:** Yes.

[375] **Jerry Miles:** I understand. Okay.

[376] **Mr Ogden:** I think also, just to build on that, from my point of view, it's useful to have that objective outside view as well to be able to support the teams. Clearly, there's a huge amount of work going on, but it's actually to almost be a sounding board for some of the things and helping to translate them back into Welsh Government.

[377] **Jeremy Miles:** Okay, thank you. So, if this is a technology contract, competitive dialogue will be a very well-established means of procuring it. It's not a well-established means of procuring a rail contract and although it's had support from a lot of the witnesses, it hasn't been without criticism, as you will be aware. One of the issues that has been raised, despite its advantages, is that because of the constrained time frame that you're working to, the process—the dialogue process, I guess—builds in more time than is available, if you like. So, when it comes to evaluating those potential bids, you'll be under significant time pressure. Is that a fair point?

[378] **Mr J. Price:** I don't think so. I can understand why people are saying it but we have given the process—both the process in terms of procurement and the wider policy objectives and the wider processes—significant scrutiny, both within the Welsh Government, both within Transport for Wales, but also outside of the strategic advisory board we have, and DfT have been involved in scrutinising our work as well.

[379] **Mr Ogden:** They're certainly acting as a sounding board and it's helpful.

[380] **Jeremy Miles:** I'm thinking more about getting to the right result rather than the accountability of it; I understand that—

[381] **Mr J. Price:** Yes, so we have set up a process that we believe will drive us to the right result. We think you've got the right amount of time and we think we've got the right number of people to do that. Yes, Geoff—

[382] **Mr Ogden:** Could I just clarify a few things? I am aware that you've heard other evidence behind the programme and the timescales. I was looking at the date of various things that we've done. We actually went out—. So, before this all started in terms of the formal process, we did a huge—it was the team before I was involved and with me involved as well—did a massive amount of market engagement with the potential bidders et cetera, got the understanding of how they might be prepared to work on this, we talked about the competitive dialogue, and they talked about some of their concerns over it—some of their concerns about time input and effort required, some of their concerns about actually stealing the best ideas from one bid and transposing it et cetera, et cetera. So, we've been completely open with them as a team. As bidding teams on the market—we we're going to be receptive to their innovation, we're going to be respectful of their innovation in terms of their particular bids, and we would also continue to listen to them about their concerns about bigger input, because they are spending big amounts of money on this.

[383] **Jeremy Miles:** We'll come on to that in a second.

[384] **Mr Ogden:** So, back in July of last year—that's when we actually put out a prequalification document. We had the responses back in September to that. So, that was the prequalifications coming in. We evaluated those, and then we went into the invitation to participate in dialogue. That's when we set out the requirements, or the template, for them to be able to play back what their outlined solutions were. That ran from October through into November. It was a really short timescale. It was like that for reasons. We talked with the bidders about that, so that they actually distilled out their key things, their key innovations, and they didn't spend massive amounts on it. They came back in November. We assessed them, and then we took everybody forward into January. On 5 January, we did an event with them, where we talked about the next stage of the competitive dialogue, and one of things we realised over that period was, actually, they put forward these solutions: when we gave them some feedback on their bids, we probably needed to give them a little bit of time to go away and sort of soak that up,

and understand actually what that meant for their bid. So, a couple of weeks later, they then came back. I think the real, in-earnest dialogue, face-to-face dialogue, started on 30 January, and that's what we're going through now. The—. Sorry, go on.

[385] **Jeremy Miles:** I just want to understand a little bit—that's very helpful, thank you. In terms of the bids that are coming through, and obviously you're constrained in what you'll be able to say, obviously, but as a matter of approach, would you expect to be looking at accepting one of the bids that comes through, or are you ideally looking to, as Stuart Cole called it, 'cherry-pick' elements?

[386] **Mr Ogden:** Sorry, we cannot cherry-pick. We choose one of the bidders. If we were seen to be doing that, the whole thing would fall apart. We're being really open with them that, 'This is how we're going to do it. You come along with your best solution for your offer', and that's what we've said.

[387] **Jeremy Miles:** So, you will have been, obviously, evaluating as you go, so by the time you get the final bid, it's obviously something with which you're very familiar anyway, presumably.

[388] **Mr Ogden:** Yes, and the other thing around the competitive dialogue is, actually, in terms of the things—I'll use the phrase 'aren't worth dialoguing'—the things that might be more matter of fact, they don't spend huge amounts of time on them. They're focusing their efforts on the areas to make a difference.

[389] **Jeremy Miles:** On the innovation stuff.

[390] **Mr Ogden:** On the innovation. But that innovation is not just about the metro and the core Valleys lines; it is about the whole of Wales. They are coming up with ideas about performance management, about incentive regimes et cetera, across the whole thing, about how they could tailor the train service specification more appropriately across, so I think that's helpful there, too.

[391] **Jeremy Miles:** It is helpful, thank you. On that last point, the other point that, I think it was, again, Stuart Cole, made, was that because the metro is a less quantifiable project at this point, because of the nature of it, the border franchise is obviously better understood, obviously. Could it not

have been possible to contain the competitive dialogue aspect, which is the bit that may involve the delays and so on, to the metro aspect, and have a more conventional procurement process for the border franchise? What would you say to that?

[392] **Mr Ogden:** That's what I was trying to get over earlier: that, actually, the innovation in terms of the whole service—and I think there was talk in some of the evidence around performance management et cetera—it's almost like the question came out from the other evidence that there were good reasons for doing it in a competitive dialogue, because, actually, everything out there in terms of the way it runs at the moment isn't great, in terms of the way the metrics run, around right time of trains et cetera, et cetera. It still can be better, so, actually, bringing that into the dialogue is helpful.

[393] **Jeremy Miles:** Okay. Just one final question in terms of getting to the specification, if you like, at the end of the dialogue process. It is envisaged—as I understand it, but perhaps you can confirm—that there obviously will be a settled specification at the point the contract is entered into. It won't be a sort of agile process where there's ongoing negotiation; there will be a defined specification, which will capture the service, effectively.

[394] **Mr J. Price:** Yes, and then you will go out to a normal tender exercise at that point, for however many people are left in the running.

[395] **Mr Ogden:** So, all the way through the process at the moment, that specification is being built as we speak, and that's what the dialogue is about. So, rather than starting with a thick set of documents at the start of what our assumptions are, we start with quite a low set of documents, and we build it up over that time. That framework needs to be sufficient that it can sit over the top of all of the four bidders, but gives them the opportunity to gain on quality, or whatever, across it, so that there's some working out to do to actually get that level playing field.

12:15

[396] **Jeremy Miles:** Okay, thank you very much.

[397] **Russell George:** James, Geoffrey, we've got more subject areas to cover than we've got time allocated, so would you mind if Members interrupt if they don't feel that they're drawing out—?

[398] **Mr Ogden:** No, that's fine.

[399] **Russell George:** Very grateful for that. David Rowlands. David?

[400] **David J. Rowlands:** Yes, I want to specifically talk about electrification of the Valleys lines now, and the assessments of the risks that are involved in the vertical integration system of track and train, particularly the ability of the operator and Transport for Wales to deliver and manage the network, given the fact, obviously, that there are liabilities with regard to structures et cetera. Who do you feel should be responsible for maintenance, including emergency remedial work? And the costs: have they been assessed to ensure affordability?

[401] **Mr J. Price:** Okay. So, it's probably helpful just to restate why we're trying to get some vertical integration into the network, starting with the core Valleys lines, but we're in discussion with Network Rail about how we can get wider vertical integration by way of a deep alliance, or however you might describe it, more generally across all of the network as well. And that is because the way that the rail industry has traditionally run has been, I think, and I think many people believe, very inefficient, with different parts of the rail industry that's meant to be serving the public in effect suing each other for lost minutes, and rooms of people just billing each other and challenging each other. What we're trying to do is to put both of that together to be managed in one place, such that—. For the customer, it's unimportant as to whether it was the track or the train that went wrong: it's the fact that it went wrong is the issue. So, my perception is that we will not have a skills issue. Lots of people, if we were to take it on, would be TUPEd in. All of the bidders that we're talking to have got people on board who are well-experienced in these matters.

[402] In terms of who would be holding different risks, there are two sets of conversations there. There's one about what is it right for Transport for Wales or the Welsh Government to take on from Network Rail, and that's currently being discussed, so I don't think we should discuss that today, but we're aware of the risks and trying to get the right answer. The other question is: what risk should Transport for Wales or the Welsh Government own and what risks should the bidder own?

[403] **David J. Rowlands:** Do you think the fact that Network Rail has not been devolved makes it more difficult?



[404] **Mr J. Price:** Yes, I absolutely do. Yes.

[405] **Mr Ogden:** Having said that, the devolution agenda with the Wales route and the arrangements we've got—. We've got a really good working relationship in Wales in terms of developing the sort of thing that James has said about that wider alliance agenda, actually bringing the track and the train together to be more effective for the passenger.

[406] If I could just pick up—I think you were referring to asset risk around electrification. We're really encouraging our bidders to think innovatively around what electrification means, and there are different ways of dealing with asset risk around overhead structures et cetera that could play out.

[407] The other thing around the asset risk is, clearly, there are a lot of smaller assets that need to be dealt with. We're carrying out surveys. We're putting information into the data room to help bidders and ourselves understand about the asset, and indeed at Christmas we took the opportunity of the re-signalling that was going on, and we had our team all over Caerphilly tunnel to look at that in terms of the risk, and some of the bidders attended as well.

[408] **David J. Rowlands:** Okay, lastly, Andrew Hudd of ASLEF questioned the fact of having light rail involved in this. What are your views on that?

[409] **Mr J. Price:** Okay. So, I think it's helpful just to say that we've tried to adopt an outcome-based specification all the way through and have tried to encourage innovation, and tried to avoid locking anything in or locking anything out. So, we have said to the industry, 'What do you think is the most appropriate way to deliver all of our policy asks?' The primary aim is the customer, but includes protecting freight paths, protecting staff. And we will see what comes out of that, and then we will score it based on that.

[410] **David J. Rowlands:** Because he was worried about the fact that using light rail might impact upon the ability to carry freight.

[411] **Mr J. Price:** Okay. The procurement process that we're running won't allow it to, because the procurement says you have to protect the ability for freight to run on the lines. And there are examples currently where freight does run where light rail is operated. They do it in different ways in different parts of the UK, but it's done.

[412] **David J. Rowlands:** Okay. Thank you.

[413] **Russell George:** I've got Adam, Hefin and Hannah left, and 10 minutes, so there's about three minutes for each subject area. Adam Price.

[414] **Adam Price:** Okay. I'll try and be focused. The Cabinet Secretary has indicated that he wants Transport for Wales to take direct responsibility for as much of the commercial revenue-generating activity as is possible, given the other constraints that we've heard about. Have you got a figure in mind about the amount of revenue that you're targeting, and also how that would be reinvested in the transport industry?

[415] **Mr J. Price:** Geoff, have you seen a figure on that?

[416] **Mr Ogden:** I don't have a figure to hand, but we do have a profile of revenue over the term of the agreement and we're working through it with the bidders. Actually, if they think they could generate more than that through their solutions, or different to that, how we would assess that. So we're taking that into account in the procurement.

[417] **Mr J. Price:** The specific question was things outside of that profile that we were looking at last time—so, car parking, retail provision, sales of integrated ticketing to someone else. We could come back to you with, maybe, a rough range of figures that that might be. I've got a figure in my mind that I saw last week, but I don't want to quote it because it might be wrong.

[418] **Adam Price:** And you'll differentiate between ticketing revenue and then the—

[419] **Mr J. Price:** Yes. We could certainly try and tell you what it looks like now. We expect to see significant growth in the future, however—really significant growth potentially. So the opportunities in this, I think, are massive. We've talked about Transport for Wales running it, but it could equally look like mutuals or not-for-profits, who have a contractual relationship with Transport for Wales, running quite a lot of this. That's all in the same mantra of trying to get as much of this as close to the community as possible, and in as much of a not-for-profit way as possible.

[420] **Adam Price:** Just on the ticketing revenue side, how do we ensure the

financial sustainability of this kind of model, given the fact that then Welsh Government will be carrying much of the downside risk?

[421] **Mr J. Price:** Okay. I have talked before about wanting to see a model that is much closer to a concession, and much less like a franchise. What we're currently in the process of doing is trying to come up with a model that works, which is based on a concession model, which provides protections to the public sector, and incentivises the private sector to get growth, in areas potentially where they might be putting on additional services, in wider Wales, for example—we want them get people on those trains, we want them to work, but we don't want them to make supernormal profits. Equally, we don't want them to sit back, have no-one on the trains and come to us for a bill at the end of a year. And we've got a couple of models we've worked on that seem to do that.

[422] **Adam Price:** I'm conscious of time. But could you just give us a few examples of the way in which you can protect the public sector in the kind of concession model that you propose?

[423] **Mr J. Price:** Okay. Very simply, a standard concession would simply assume—if we just talk about £100—that if the revenue was £100, it would guarantee the concession holder that they would get paid £100, regardless of what they did, provided they hit the quality standards. We would be looking at something that would say, 'Well, we'll guarantee £80 of that, but you're at risk for £20', and we would set that part of the contract, potentially, at such. Whereas if they lost the £20, they would be making a loss as a company, therefore, they couldn't do that. That would be the downside risk as it were. The upside risk would be above a certain point, ensuring that operators were incentivised enough to bring people onto the train, but the majority of that money came back into the Welsh Government. I think, again, the figure is probably about 20 per cent.

[424] **Adam Price:** So, more of a mixed model—[*Inaudible.*]

[425] **Mr Ogden:** Sorry, just overarching that, I'd perhaps refer back to my previous answer, which was about us having confidence in what that projection of revenue is for each of the bidders and testing that. So, actually, we're not seeing super growth targets that will never be achieved.

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

[427] **Hefin David:** The procurement of rolling stock is a nightmare, isn't it? [*Laughter.*]

[428] **Mr J. Price:** All of rail, to be honest, would seem to be a bit of a nightmare in terms of the way it's been set up. Everywhere you go, you're constrained.

[429] **Hefin David:** And there's a national shortage of diesel stock.

[430] **Mr J. Price:** Yes.

[431] **Hefin David:** Can I just pursue one question that came out of earlier evidence? Did the Welsh Government approach the Department for Transport in 2011 to procure diesel stock and was told not to?

[432] **Mr J. Price:** Okay. So, I can personally speak to this because I was involved in doing it. The Welsh Government, at that point, approached a number of—all of them, in fact—train-building companies, including ROSCOs, and the answer from everyone, including from the DfT at official level, was, 'Don't be silly, no-one will be buying any more diesel trains in the UK ever again because of the electrification programme.' That—and I'm sure people will give you evidence to back this up—has created an industry, at the time, that wouldn't make any diesel trains, because why would they make something that no-one was going to buy? That has caused the situation that we're in now, as a consequence of the rolling back of the electrification as a result of price rises.

[433] **Hefin David:** Well, it's nice to have that finally on the record. That's really good to know.

[434] **Mr Ogden:** Can I—

[435] **Hefin David:** Sorry, yes.

[436] **Mr Ogden:** Just in terms of, I think you've heard some previous evidence about how the rolling stock matters are being addressed, and I think it was mentioned that Transport for Wales has been engaged in that. Transport for Wales is not engaged in that, in that Welsh Government is dealing with that because it is outside our current procurement.

[437] **Hefin David:** So, if we're going to have appropriate rolling stock for

2020, how can that be done, given the huge shortages?

[438] **Mr J. Price:** Okay, so, at the high level, I think there are two issues: there's PRM compliance, which is an immediate issue, and that is something that Welsh Government is looking at different options for, but, equally, being very clear to Department for Transport that they are equally on the hook for delivering this. The current franchise is one that is being run, if you like, on behalf of the UK Government by the Welsh Government, and DfT can't simply wash their hands of this problem. It's, in my view, their rolling stock; they need to be part of that solution. Separate to that, however, every bidder has to demonstrate that their rolling stock solution will be PRM compliant and will be as good as it possibly can be, as modern as it possibly can be.

[439] **Hefin David:** But if the stock simply doesn't exist—.

[440] **Mr J. Price:** Well, I don't believe it's as bad as that, and all of the bidders are telling us that they believe that they can hit the standards needed on the dates that are needed, and they'll be at commercial risk if they don't, so I don't believe they'd be saying this if they couldn't do it. Welsh Government, if you like, is looking at a bit of a back-up plan that will help that.

[441] **Hefin David:** What kind of actions would they have to take and what is that back-up plan? What kind of actions would the operators have to take to meet it in the short term?

[442] **Mr Ogden:** On the PRM compliance, it will vary from train to train in terms of whether it's a minor change to the rolling stock or whether it's a more significant change, or actually if the rolling stock is just, you know, not worth investing in, is a write-off—

[443] **Mr J. Price:** And Welsh Government or DfT could take the decision now, potentially, to do some of that work early. That would be outwith the procurement and the successful bidder would then simply receive whatever that rolling stock was.

[444] **Hefin David:** So, it can be reserved at the end of the contract, the stock.

[445] **Mr J. Price:** We believe there are ways that it can be done. Section 54 is a problem. As I've said, everything with the rail industry appears to be a

problem, but we think there are workarounds for that.

[446] **Hefin David:** Okay. And, finally, what about driver-only operation, would that be a suitable way of running the stock?

12:30

[447] **Mr J. Price:** So, we are in discussions with all of the unions. I've met with all the people that you've met. I think they were constructive and positive discussions. I think I would go back to say, at the minute, we're in a mode-agnostic position, when we're saying we just want bids coming in. But the Welsh Government's natural position is to work very closely with unions to arrive at a situation that is acceptable to all.

[448] **Hefin David:** It was pretty clear from the unions this morning that driver-only operation wouldn't be acceptable.

[449] **Mr J. Price:** I think they probably would have also said there are iterations of driver-controlled doors.

[450] **Hefin David:** I'm not convinced they said that.

[451] **Mr J. Price:** Did they not talk about guards maybe doing more than they currently do if you get a driver to do—

[452] **Hefin David:** Yes, they did say that.

[453] **Mr J. Price:** There's all sorts of—. It's not hard and fast, I don't think.

[454] **Hefin David:** Right, okay.

[455] **Mr J. Price:** I don't think it would be appropriate for us to go into—

[456] **Hefin David:** But it does seem, from your answers, you're working with the grain of the unions there.

[457] **Mr J. Price:** Yes.

[458] **Mr Ogden:** A couple of things on that. The current consultation is out there asking the passengers for their views on the second member of staff on a train and how they contribute to the efficiency. In some of your other

evidence that I've looked at, in terms of the RNIB, et cetera, having somebody there to support those sorts of things is clearly beneficial.

[459] **Hefin David:** And ticketing.

[460] **Mr J. Price:** Yes.

[461] **Mr Ogden:** We're planning—. We've invited the four main unions to a meeting, I think on 25 April, with bidders, but also at that meeting, we're planning to go through some of the wider things about the procurement, the codes of practice around fair pay in the supply chain, the Welsh Government's procurement objectives around fair pay, and the sustainability agenda, to deal with some of those other things around the service as well.

[462] **Mr J. Price:** We have and we want to continue a constructive engagement with the unions. My reticence to say anything firm on any of these matters is that I don't want to stop that constructive engagement.

[463] **Hefin David:** I appreciate that.

[464] **Mr J. Price:** If there's something they ask for that is a bit different but can work, then we'll—

[465] **Russell George:** Understood. Hannah Blythyn.

[466] **Hannah Blythyn:** Thank you, Chair. I'm conscious of the time so I'll keep it as concise as possible. I'm going to turn to Transport for Wales's priorities for the new franchise's specification. The thing that's come up a bit today, and in earlier sessions, is that we're looking at a 15-year-long franchise. So, there are things that can happen within those 15 years and there is that difficulty in planning for them. I'm just wondering how, in terms of the long-term modelling, you'll mitigate for that kind of uncertainty, specifically in terms of things like passenger growth and potential infrastructure enhancement as well.

[467] **Mr J. Price:** I think there are two things to say here. First, I'd come back to the not-for-dividend and not-for-profit model, which I think certainly implies that Welsh Government and/or Transport for Wales need to be more involved and more directive about some of those wider infrastructure enhancements. We're not simply handing something over to someone else to do with what they want for 25 years and expecting them to

make a return on that. We've talked about maybe station enhancements, interchange enhancements, car parking and bus rapid transit coming into some of this, and potentially being done outwith the next franchise—as in, technically outwith it, but fully integrated with it. So, that's the first thing.

[468] The second thing is the franchise will be let in such a way to allow additional pieces of infrastructure to be brought into the mix. I think that's really important if you look at things like the city deal. People may want to be adding additional stops. They may want to be adding extensions to the network. Of course, that's a core part of what we're trying to procure—something that can be extended.

[469] Then, when you come back to the time, why we have picked 15 years rather than five or 25 years, we think that that is the best time period to award for given the series of things that we're trying to buy.

[470] **Mr Ogden:** I think longer term planning, absolutely, right at the outset. Trying to get as much as we know about in there at the moment. Trying to forecast as much as possible, within being reasonable about it. Trying to have mechanisms in the contract that will allow for change and be flexible and agile. Having said that, in a service that is reliant on infrastructure and rolling stock, there are challenges around that. Clearly, it can only be so agile.

[471] The final point, just to build on what James said about working with Network Rail in an alliancing model, actually, there's some really joined-up thinking about the business case for making infrastructure interventions and how those will benefit the passenger.

[472] **Russell George:** Can I thank you both for your evidence this morning? It was greatly appreciated. Thank you. That's our session over now. Thank you.

*Daeth y cyfarfod i ben am 12:35.*

*The meeting ended at 12:35.*