



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Menter a Busnes The Enterprise and Business Committee

**Dydd Mercher, 9 Hydref 2013
Wednesday, 9 October 2013**

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Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Neil Buxton	General Manager, Association of Community Rail Partnerships Rheolwr Cyffredinol, Cymdeithas y Partneriaethau Rheilffordd Cymunedol
Yr Athro/Professor Stuart Cole	Canolfan Ymchwil Trafnidiaeth Cymru, Prifysgol De Cymru Wales Transport Research Centre, University of South Wales
Keith Howard	Cyfarwyddwr Masnachol, Porterbrook Leasing Company Limited Commercial Director, Porterbrook Leasing Company Limited
Kevin Tribbley	Prif Swyddog Gweithredu, Angel Trains Limited Chief Operating Officer, Angel Trains Limited

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

Mike Lewis	Dirprwy Glerc Deputy Clerk
Olga Lewis	Clerc Clerk
Andrew Minnis	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 10:00.
The meeting began at 10:00.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Nick Ramsay:** Good morning, and welcome to this morning's meeting of the Enterprise and Business Committee.

[2] We have three apologies today, from David Rees, Julie James and Mick Antoniwi, and there are no substitutions. I welcome Members and witnesses and thank you for being with us today; I also welcome members of the public. The meeting is bilingual; headphones

can be used for simultaneous translation from Welsh to English on channel 1 on the headsets, or for amplification on channel 0. The meeting is being broadcast and a transcript will be available. Would Members please turn off their mobile phones? There is no need to touch the microphones, as they should operate automatically. In the event of a fire alarm, please follow the directions of the ushers.

10:01

Ymchwiliad i Ddyfodol Masnachfaint Rheilffordd Cymru a'r Gororau (Sesiwn Dystiolaeth Panel)
Inquiry into the Future of the Wales and Borders Rail Franchise (Panel Evidence Session)

[3] **Nick Ramsay:** We are today continuing with our inquiry into the future of the Wales and borders rail franchise. I welcome our witnesses again. Would you like to give your name and position for the Record of Proceedings, please?

[4] **Mr Howard:** Yes, sure. I am Keith Howard. I am the commercial director of Porterbrook Leasing Company Limited.

[5] **Mr Tribley:** I am Kevin Tribley, the chief operating officer of Angel Trains.

[6] **Nick Ramsay:** Great; thank you for being with us. I thank you as well for the written evidence that you have provided, which has been really helpful to the committee and the clerks. We have a number of questions for you, so I propose we go straight into those, and the first question is from Byron Davies.

[7] **Byron Davies:** Good morning. Thank you for the papers. I saw that Angel Trains said that the rolling stock should not be considered in isolation. I wondered whether you could both kick off by giving us an idea of how rolling stock is typically procured here in Great Britain.

[8] **Mr Tribley:** In terms of the procurement of rolling stock, there were various models. The one that I believe has been most successful is where the train operating company or the franchising authority identifies an opportunity and issues a European journal notification seeking expressions of interest from manufacturers and financiers. It would then select a preferred financier to finance the rolling stock and work in conjunction with the financier and the rolling stock company to procure the rolling stock from the shortlisted, and ultimately the preferred, manufacturer. That model has been widely used across the UK and has been demonstrated to be hugely successful. As an example, Angel Trains has invested £3.2 billion in new rolling stock since privatisation, and a large majority of that has been using the model I have just elaborated on.

[9] **Alun Ffred Jones:** What is the role of the financier?

[10] **Mr Tribley:** The financier is typically another name for rolling stock leasing companies like ours. That is essentially the role that we play; we both procure the trains at the start of the process, but then manage the asset throughout its entire life, whether that is modifications, refurbishments, maintenance, enhancements or considering and designing endemic repairs. Procuring trains at the front end is the easy part; it is the asset management of them over the whole life that is the more difficult part. Hence that is why a third of our staff are qualified engineers.

[11] **Byron Davies:** Does the process work well?

[12] **Mr Tribley:** I believe so. I believe that the UK industry has benefited from a huge amount of investment in rolling stock. Unfortunately, I am conscious that Wales has not necessarily been the beneficiary of that to date, but the model has proven to be hugely successful.

[13] **Mr Howard:** The fact that we have replaced 40% of the rolling stock fleet in the 15 years that we have been in existence is probably testament to the fact that it is a successful model. That is the procurement model for new trains, as Kevin has pointed out. Obviously, with existing trains, there is still a procurement process, if you like, in as much as when a franchise is awarded, or the bidding starts for a franchise, we are approached by all the bidders as to what rolling stock we have available from our existing fleets—not necessarily new trains—for that franchise. Obviously, that then starts a competitive process for our bidding to them to place that rolling stock with that franchise when it goes live.

[14] **Byron Davies:** Forgive me for being a little bit naïve here, perhaps, but do you tell them what they are going to have or do they tell you what they want?

[15] **Mr Howard:** They come to us and say, ‘Right, this is the rolling stock that we currently have within this franchise; this is the rolling stock that we think we need going forward. What alternatives do you have? Are you interested in financing new rolling stock? Is it possible that we can cascade rolling stock from one franchise to another?’ Through that process, which takes a number of months, they will define a strategy and decide on the rolling stock that they want. Between us, if they subsequently become the franchisee, that is when we enter into the leases for that rolling stock.

[16] **Byron Davies:** It seems quite complicated.

[17] **Mr Howard:** Trains are complicated pieces of equipment. It is a model that works. As I say, you can see it, just look at the passenger numbers.

[18] **Nick Ramsay:** I think that we are recognising the complexity of it in the inquiry. Joyce, did you want to come in here with a supplementary question?

[19] **Joyce Watson:** On passenger numbers, I have to tell you that I do not disagree with what you have just said, but just because you procure and upgrade your trains, do they automatically increase the passenger numbers? I have been looking at lots of research in this area and it is the case that GDP also increases or decreases passenger numbers. It is also the case that the cost of motoring or the chaos involved in trying to get to and from where you are going also increase or decrease passenger numbers. So, I have to challenge what you have just said as being a pure fact, which it is not.

[20] **Mr Howard:** It is also the case that more reliable, more efficient, modern, clean trains increase passenger numbers.

[21] **Joyce Watson:** It is your fact, but I am going to just say that it is somewhat plucked from a particular train of thought.

[22] **Alun Ffred Jones:** Byddaf yn gofyn fy nghwestiynau yn Gymraeg. Gan gyfeirio’n benodol at Gymru, mae’n amlwg bod angen gwella’r cerbydau diesel sydd yma a hefyd mae angen uwchraddio ar gyfer cydymffurfio â’r gofynion sydd wedi’u gosod ar gyfer 2020. A yw Llywodraeth Cymru neu Drenau **Alun Ffred Jones:** I will ask my questions in Welsh. Making specific reference to Wales here, there is obviously a need to upgrade the existing diesel rolling stock and there is also a need to upgrade to comply with the requirements set out for 2020. Has the Welsh Government or Arriva Trains Wales been

Arriva Cymru wedi gwneud penderfyniadau making timely decisions on those issues?
amserol ynglŷn â'r anghenion hynny?

[23] **Mr Howard:** I think that this is your major challenge. There are a number of trains—73% of the Arriva Trains Wales fleet—that are not compliant with the regulations that come into force on 1 January 2020. You have a franchise that runs until October 2018. During this franchise, there is no obligation on the franchisee to make that rolling stock compliant. In fact, if he—he being the franchisee—was to make that rolling stock available to us, the leasing companies, to do that work, it would be detrimental to the service, because trains would be removed from the system. At this moment in time, you are trying to compress all of that work into a 14-month period. I can tell you now that you will not do it. You will not be able to make all of these trains compliant in that 14-month period. So, a decision needs to be made. The decision is to start now and make those trains compliant or replace those trains with new ones or a combination of both. I would suggest to you that you need to make that decision and make it now.

[24] **Mr Tribbley:** I would like to add a supplement to that. With other franchises that are coming up for release earlier, we are already specifying in the contracts that we have with the new franchisees the ability to take the trains out of service to upgrade them, to ensure that they comply with the regulations. Obviously, with existing contracts, at the time they were signed, this was never contemplated. Therefore, we have a situation where Arriva Trains Wales is under no obligation to give those trains up to ensure that they comply with the regulations that, as Keith said, come into effect on 1 January 2020.

[25] **Alun Ffred Jones:** A gaf i ofyn cwestiwn sy'n deillio o hynny? Rydych yn dweud y gallwch uwchraddio'r stoc presennol neu fe allwch brynu trenau newydd, ond os ydych yn sôn am brynu trenau newydd, gan nad yw trydaneiddio wedi digwydd, byddai'n rhaid ichi brynu trenau diesel newydd. Fodd bynnag, os wyf yn ei deall hi'n iawn—a chewch fy nghywiro os wyf yn anghywir—nid oes unrhyw un yn mynd i greu trenau diesel o'r newydd gan fod pawb yn disgwyl y bydd pob man wedi'i thrydaneiddio. A yw hynny'n rhan o'r broblem?

Alun Ffred Jones: May I ask a question that follows on from that? You say that you could upgrade the existing stock or that you could purchase new rolling stock, but if you are talking about buying new trains, as electrification is yet to happen, you would have to buy new diesel rolling stock. However, if I understand it correctly—and correct me if I am wrong—nobody will be producing new diesel trains because everyone is expecting everything to be electrified. Is that part of the problem?

[26] **Mr Howard:** It is certainly a fact, at this moment in time, that there are no manufacturers that are currently producing diesel rolling stock for the UK market—they are for the European market, but not for the UK market, and we do not see that changing. That is part of the overall planning and decision-making process. You are right: electrification needs electric trains, but it is possible to run diesel trains on electrified services even though you cannot do vice versa. One of the problems that you have is that this electrification is right at the time when we come up against the deadline regarding the technical standards for passengers of reduced mobility—the deadline for doing this work. The decision may have to be that the current rolling stock will have to be made compliant at the same time as new electric rolling stock is being purchased, which is unfortunately going to mean almost a double cost. Doing the work necessary to make it compliant for the forthcoming regulations sooner will reduce the cost because doing it earlier will be cheaper as it will be spread over a longer period. The second thing is that you will be giving the benefits to those who want them—the passengers of reduced mobility—that much sooner. It is all down to planning. You need to plan this because if you wait, as I said earlier, you are not going to do it.

[27] **Mr Tribley:** That is why the timescales for understanding when the Valleys lines are to be electrified are critical in relation to planning for rolling stock. It is no good saying that it is going to be 2019 and 2021: that cross-over from beyond 2020 is a critical date. We even need to encourage the acceleration of the electrification to happen prior to the 2020 drop-dead date, or we recognise that if it occurs afterwards, there will be an incremental cost of making trains compliant with the new regulations for a period when they are only operating a service, potentially, for a very short period of time thereafter.

[28] **Nick Ramsay:** That is why it was necessary to have the announcement on the Valleys electrification at the point that it was made.

[29] **Mr Howard:** It is okay with regard to the announcement, but we are all human. You may announce that you are going to electrify the Valleys lines on a certain day, but can you guarantee that that is going to happen? You are not going to plan to fail, but there has to be a contingency. If you plan to complete the electrification by the end of or in the middle of 2019, if you get a slight delay—which I am afraid we get in the railway industry, and not only of the trains—the chances are, if you flip over that date, you will not have a contingency plan in place.

[30] **Nick Ramsay:** Could that jeopardise the electrification of the Valleys lines?

[31] **Mr Howard:** I do not think that it jeopardises it, it just means that you either have to make sure that it is completed before that date or have it in your mind that it may be completed after that date and put that plan in place. The alternative—which I think I put in my submission—is if you accept that it is very difficult to complete it by that date, perhaps you should be thinking to yourself, let us have a little bit more time; we are going to have to make these trains compliant anyway, so let us give ourselves a little bit more time to make sure that we get what we want in the way that we want it, as opposed to rushing at it to get it done. You could utilise the investment that you have made in the trains to keep them operating for another two or three years after the 2020 date. That is just a suggestion.

[32] **Keith Davies:** Yn dilyn ymlaen o hynny, mewn ffordd, heb sôn am drydaneiddio, rydym yn sôn am fasnachfaint newydd yn awr yn 2018. Os ydym ni eisiau trenau newydd yn 2018, beth yw'r amserlen sydd ei hangen er mwyn i ni gael y trenau newydd hyn erbyn 2018? Pryd fydddech chi'n dechrau?

Keith Davies: Following on from that, in a way, not to mention electrification, we are now talking about a new franchise in 2018. If we want new rolling stock in 2018, what timetable do we need to ensure that we have the new rolling stock by 2018? When would you start that process?

10:15

[33] **Mr Tribley:** In terms of moving from contract to the delivery of trains, it is typically a two-year period for a proven design and a proven product that is already in manufacture, or for something that is more bespoke and new, it could be up to three years. That is from contract signature to delivery of the trains. Prior to contract signature, I would suggest that you need to give yourself probably a two-year period to start thinking about how the specification of the train fits with the wider macro-economic or micro-political agenda that you might have. What do I mean by that? You have to decide in Wales how the transport policy fits with your wider economic policy and social policy. In terms of the micro level, what service levels do you want? What service quality do you want? In terms of the crowding metric, do you want everybody to have a seat? Is that practical or economically viable? If it is not, for what period is it politically acceptable to have people standing—how long a duration should that be?

[34] All of those things need to be considered, both on a political and macro-economic level, so that you can then specify the train that you want for the longer term. Do not forget, you are procuring this train for potentially a long time if you are having a long-term franchise and you need to be confident that the specification that you set out will meet the requirements of the National Assembly for Wales and the passengers in Wales for a long time. Getting that wrong, or not investing enough time on that at the start could be costly downstream, both in terms of subsequently having to refurbish the trains to meet those requirements, or simply not meeting your passengers' aspirations and expectations.

[35] **Keith Davies:** A allaf ofyn am yr hyn rydych wedi dweud i weld a wyf wedi deall yn iawn? Os ydym eisiau trenau newydd yn 2018, dylem arwyddo cytundeb tair blynedd cyn hynny, sef yn 2015, ac i baratoi erbyn 2015, bydd yn cymryd dwy flynedd. Beth yw'r sgiliau a'r wybodaeth sydd eu hangen ar rywun sy'n mynd i baratoi, ac a yw'r sgiliau a'r wybodaeth hynny gan Lywodraeth Cymru?

Keith Davies: Could I ask about what you have said to see whether I have understood it correctly? If we want new trains in 2018, we should be signing a contract three years before that, which is 2015, and to prepare for 2015, it will take two years. What are the skills and knowledge that are needed for someone who will be doing this preparation work, and are the skills and knowledge here in Wales with the Welsh Government?

[36] **Mr Tribley:** That is difficult for me to answer, because I am not quite sure what skills you do have here. Certainly, as professionals who have procured a large volume of rolling stock, we would be more than happy to support the Welsh Government in terms of a road map to move to where it needs to be. However, what you have highlighted today is that you need to start—

[37] **Keith Davies:** Now? [*Laughter.*] It is five years—that means starting now.

[38] **Nick Ramsay:** Keith, you are going to fill up the whole hour of questioning at this rate.

[39] **Mr Howard:** The skill set exists. I am not saying that it would be in the Assembly, because I am guessing that you are not railway specialists, but there are railway specialists. You have a very good franchisee here that has a lot of skill. You have the skill set within the rest of the industry; we are all used to delivering new trains. We all know when to start to get to the end game, but, as Kevin rightly said, you have to decide on the end game. There is no point saying, 'We'll have the same as that, because that seems to work there', because it might not work here. So, let us decide what you need and when you want it and plan backwards from that.

[40] **Nick Ramsay:** On that point, we will move on. Rhun, did you want to come in?

[41] **Rhun ap Iorwerth:** It is important then that there is a Welsh Government strategy. Do you see the shoots of a strategy at all, or is it a clean sheet that we are working on in terms of the Welsh Government?

[42] **Mr Howard:** I only speak for Porterbrook—we have had dialogue with consultants who are working on behalf of, I believe, the Welsh Government, as opposed to the franchisee, on a strategy for the electrification of the Valleys lines. We have given them information as far as what rolling stock currently exists that may well be available should somebody decide that there should be a cascade rather than new trains. We have given them a view on what we think the options are for new trains and what could be available. If there is another order being placed somewhere else in the UK—and in this particular case, I think you could probably look at something like Crossrail, because the Crossrail trains will be built at the same time—it is worthwhile considering whether you can piggyback on that, or whether you

can piggyback on one or two of the other productions that are on at the same time—Transport Scotland will be procuring trains very shortly. So, look there, but do not necessarily immediately say, ‘Well, that is their solution—this is my solution’.

[43] **Rhun ap Iorwerth:** How important is it to you that the Welsh Government has a Welsh rolling stock strategy—that it knows exactly what it wants moving forward?

[44] **Mr Tribley:** I think that it would be incredibly helpful for the industry if the Welsh Government has aspirations to become the franchising authority. Having a long-term rolling stock strategy would help investors like us to work with you towards delivering that strategy; it will provide confidence for investment into Wales. On the company risk registers that we have, our biggest risk is political risk because of the changes in strategy in Government. In 2006, Westminster produced a White Paper and electrification was not even mentioned; in fact, it was considered that electrification was off the agenda. A business like ours could have gone out at that time and procured lots of diesel trains that would potentially be redundant very shortly now that the electrification plan is moving forward. I think that it is really important to give investor confidence that you have a long-term strategy that enables the industry to work towards that and support you in delivering it.

[45] **Rhun ap Iorwerth:** Crucially, as we look for the extra mile out of the public pound, if you like, would a coherent Welsh rolling stock strategy bring long-term costs down for taxpayers and passengers?

[46] **Mr Tribley:** Absolutely; I think that that is one of the key benefits of having a long-term strategy. We spoke earlier about the disability regulations, compliance and all of those things. It avoids people making short-term investment decisions that still have to be paid for; ultimately, if you change course part of the way through, that is a waste of investment. I think that what you would see from a longer-term strategy is the more efficient procurement of trains, a better cost in terms of refurbishing existing rolling stock and, generally, a lower cost that can only benefit the Welsh Government and, ultimately, the paying passenger.

[47] **Rhun ap Iorwerth:** What are your thoughts on that point, Mr Howard?

[48] **Mr Howard:** If we know that our rolling stock is going to be coming back at a certain time, for instance because the plan is already in place to deliver new rolling stock, we will plan to reduce the cost of that rolling stock—the existing equipment—throughout that period so that it is, if you like, at the end of its life at the right point in time that it is being replaced. That will save costs. If you do not know when it is going to be replaced, you are effectively planning to keep it almost forever, until you know what that point in time is. There is no point spending money when you do not need to; we are certainly not advocating that. As I said earlier on—yes, please, let us have a strategy plan.

[49] **Nick Ramsay:** Byron, did you have further questions on electrification?

[50] **Byron Davies:** We have very much touched on the electrification thing, and it is all about this kind of 2020 wall, is it not? Within that, I would like to ask whether new rolling stock can provide better value for money than refurbished stock.

[51] **Mr Tribley:** I can fully understand the aspiration for new rolling stock; it is a very emotive thought process. I advocate—we have done it in various areas—the refurbishment of an existing train and, as far as the paying passenger is concerned, it looks and feels like a new train. In our evidence, we have highlighted a process that we are currently undertaking with Bombardier on some existing electric stock, whereby we are upgrading the traction underneath the propulsion of the train so that it has modern traction equipment. We are totally reconfiguring the interior. It is a trial at the moment, and we will be able to roll that out and

get customer feedback as to what they like and dislike about the feel of the train. We have intentionally done it as a metro-style layout, purely because I do not think that a railway other than Transport for London has truly looked at metro layouts on rolling stock, and passenger feedback is therefore limited. There is an awful lot that you can do with refurbished trains to give them the feel of a new train. Based on our calculations of the fleet that I am talking about, we could lease that train for half the cost of a new train. So, that is quite a significant saving. It is particularly relevant in relation to the Valleys lines. You are electrifying today and, potentially, if you wished to procure new rolling stock yourselves, you recognise that you will be saddled with that rolling stock for the long term. The advantages of dealing with a rolling stock leasing company is that you can enter into contracts for a certain point in time, and after that point in time we run the risk of whether you wish to continue to use that rolling stock or wish to procure something else.

[52] In terms of the Valleys lines, I cannot help thinking that, in relation to the Cardiff metro and all of those other things that are going to take 10 years to plan, in terms of going through planning and everything else, if you have a wider aspiration to look at something different that integrates the Valleys with that system, you would want the opportunity to be able to procure something today—maybe a refurbished train—that, in 10 years' time, you can hand back and procure something else, either new technology or something to support a different service need that you have developed in the interim period.

[53] **Nick Ramsay:** If you go for the refurbished rolling stock, is there any difference in the day-to-day costs of running that, compared with running new rolling stock?

[54] **Mr Tribley:** In relation to what we have tried to do with the class 317, which I have mentioned, one of the key drivers for changing the traction motors is to reduce the whole-life cost and operation of that train, so that the power draw that it takes from the electricity is lower. It also has regenerative braking, so it puts electricity back into the system. It reduces all of the costs and hits some of the key environmental considerations that people are thinking about today. So, I think that we can make refurbished rolling stock as efficient as new rolling stock.

[55] **Mr Howard:** I would like to pick up on that and take you a little further. We are doing the same thing in terms of retraction, but we are doing a complete fleet for South West Trains—91 trains. Given the traction equipment that we are putting on, as Kevin said, not only do we get the environmental benefits of reduced power draw and regenerative braking, we are able to extend the servicing period from 10,000 miles to 15,000 miles. That, again, is a saving. The other saving is that, because the trains therefore do not have to go back to the depot quite so often, more depot space is freed up to allow a batch of new trains to be built. That removes the need to build a new depot, at £60 million, £70 million, £80 million, or whatever the cost would be. There are some knock-ons here.

[56] I would like to pick up on something that was mentioned. We are not advocating—at least, I do not think that we are advocating—that refurbished trains are the answer or that new trains are the answer. It is a combination of both. It depends on the services that you are providing and the service patterns that you are operating. The Welsh Government has an opportunity, as the controller of its own destiny, to almost have its own internal cascade plan. Therefore, you can introduce new trains and cascade down to other services. The older ones at the bottom are then either scrapped or go off somewhere else in the country. You have the opportunity to do that. That is what should be looked at: the plan over the next 30 years. As an industry, we have just written our own 30-year rolling stock plan, which you may have seen. It is on the Network Rail and Association of Train Operating Companies websites. That identifies where we think new trains will be required over the next 30 years. You could do a similar thing here, I think.

[57] **Byron Davies:** That is a strong message. Thank you.

[58] **Nick Ramsay:** I now bring in Eluned Parrott.

[59] **Eluned Parrott:** I want to ask about the life-cycle of these trains. I understand that, in the cascade options that we are looking at, we are looking at a fleet of fast 315s from the south-east of England. Angel Trains, in your paper you suggest that the life-cycle of rolling stock is approximately 40 years. How old are those class 315 trains in the cascade plan?

10:30

[60] **Mr Tribley:** I do not know because I do not own them. To hazard a guess, they are probably around—

[61] **Mr Howard:** They were introduced in approximately 1980, I think, or just before then. So, they are over 30 years old. They are not owned by either of us, by the way.

[62] **Eluned Parrott:** I am just trying to work out, as I say, in terms of the cascading, whether this will work. You do not own those particular trains, but how much would you be prepared to invest in upgrading to new standards a fleet of rolling stock with an operational life of three or four years?

[63] **Mr Tribley:** How can I describe it? It is a bit like Trigger's broom—if you get a broom and you change the brushes and the handle, it is still the same broom, but everything on it is new. It is the same with the rolling stock. If you change the equipment and the sub-systems on it, asset life is a sort of artificial thing. Engineers can make things last as long as they potentially can. What happens is that it then becomes more costly, over time, to continue to maintain it, and, equally, obsolescence risk starts to creep in. So, I would not be fixated around a specific drop-dead date of an age of a train. Through the work that the rolling stock leasing companies have been doing, there is a capability of extending the continued service of trains for lengthy periods by making key investments in critical systems and making enhancements. Naturally, if it were for only four years, I think that it would be difficult to create the level of investment that you would require to give that new-train feel. Therefore, to make that level of investment, I suspect that you would be looking at a horizon of seven to 10 years.

[64] **Eluned Parrott:** They are not currently even compliant with the disability legislation, are they?

[65] **Mr Tribley:** As part of that upgrade—certainly in terms of the fleet that we are looking to do—and as part of that process, they will be made compliant.

[66] **Eluned Parrott:** You talked about how much cheaper it is for a lease cost in terms of using older rolling stock and going for the refurbished option, but, if you are looking at cascading rolling stock that is approaching the end of its life-cycle, we are looking at a significant amount of time invested in maintenance and increasing maintenance costs, are we not? As you say, if there are parts, for example, that are obsolete, sourcing parts would be more expensive. There will be the time implications of having that rolling stock out of use, and there will be the cost implications of the staffing to maintain that rolling stock.

[67] **Mr Tribley:** Again, not if it is down to planning. If, as part of the deal to cascade trains into Wales, they need to have an extensive refurbishment to mitigate all of those things that you have just highlighted, that is exactly what you would plan to do. That is exactly what we are planning to do on certain fleets. We recognise that there are risks. That is why a third of our staff are engineers—to manage and monitor those risks. If the intention was to enter

into a 10-year deal or longer, you would have to deal with those issues at the outset.

[68] **Mr Howard:** You are quite right; you deal with any potential obsolescence issues at the same time as you do a major refurbishment, but it is completely wrong to assume that an older train costs more to maintain than a new train. It is maintained differently. When we came into this world of rolling stock operating companies in the mid-1990s there was a belief that, by buying a new train, you would substantially reduce the maintenance costs of the whole industry. That has proven to be totally wrong, because new trains bring with them a different maintenance regime. They are somewhat more complex. So, whereas an engineer might be able to repair an old train with a hammer and a chisel, now he needs a laptop. So, it is different, but it is wrong to say that it is more expensive. In fact, it can quite often be substantially cheaper to maintain an old train than, let us say, an equivalent new train.

[69] **Eluned Parrott:** Okay. I will move on to the amount of rolling stock that is required. Is there, in the system, enough electric rolling stock to be cascaded to serve the Wales and borders franchise?

[70] **Mr Howard:** If you are, as you have suggested, considering the class 315s as a cascaded fleet, I could not think, currently, of any other cascade opportunity for that fleet. So, by definition, the answer is 'yes'.

[71] **Eluned Parrott:** I am sorry, there are enough to service the franchise, are there?

[72] **Mr Howard:** There are enough. You mentioned the class 315s. They are not ours, so we are just picking up on what you are saying.

[73] **Eluned Parrott:** No, indeed, but I am just asking whether, in the lease system, there will be enough free electric rolling stock to be cascaded at the time of electrification of the Valleys lines. Is there enough rolling stock to service the franchise?

[74] **Mr Howard:** Yes.

[75] **Nick Ramsay:** I do not think that our witnesses can be any clearer in their answers.

[76] **Mr Tribbley:** With the introduction of Thameslink, which is introducing 1,200 new vehicles, and with the introduction of Crossrail, which is introducing 600 vehicles, that will free up capacity within the industry for cascades of electric rolling stock around the country.

[77] **Mr Howard:** Also, the Department for Transport has just authorised Southern to place an order for 116 new Electrostars, which it has done. They are not for Southern, they are going somewhere else, and we do not know where. On the back of that, there is an opportunity for a further 140, which it specifically said in the information memorandum that we have are not even going to go to Southern; they are definitely going to go somewhere else. We do not know where that is. However, if you add all of that together, as Kevin said—1,200, 600 and another 240 there—that frees up rolling stock. We both have substantial fleets coming off Thameslink when the new trains are delivered. At this moment in time, we do not know where they are going to go. So, I can speak for 344 pieces of equipment and Kevin can speak for a lot. The 315s are coming from Crossrail; I cannot remember the exact number. There is a substantial amount of rolling stock available, if that is what you decide.

[78] **Mr Tribbley:** I have nine units that I would be delighted to lease if somebody would take them.

[79] **Eluned Parrott:** Fantastic, so we can look to you for a very good deal when we come to electrification.

- [80] **Mr Tribley:** Absolutely.
- [81] **Mr Howard:** Did you bring your order pad with you?
- [82] **Mr Tribley:** Absolutely.
- [83] **Nick Ramsay:** Joyce Watson, did you have a question on this point?
- [84] **Joyce Watson:** I did, yes. We have talked a lot about the maintenance of new and old trains, and all the rest of it. I am not clear—and it is perhaps just me—who pays the maintenance cost. Is that included in the agreement with you upfront and, if it is, how do you load it, because you must have a system that tells you—because the risk is not going to be yours, is it, it is going to be ours?
- [85] **Mr Howard:** It can be ours. To explain, when the railway was privatised—
- [86] **Joyce Watson:** Oh, I know about that.
- [87] **Mr Howard:** The maintenance was divided between the owners, which are us, and the operators, which are the train operating companies. They undertook the day-to-day running maintenance, as it is known, or the general servicing, if you like—checking the oil and water. We undertook the major overhauls, and they were when bogies, engines or electrical equipment needed replacing. That was the way it was split. Over time, that has changed, and it has changed because the operators believed that they were better placed to do the work as opposed to us—by the way, we do not physically do it, we contract it out—and perhaps they could do it cheaper or better. So, fine, we moved across and they undertook all the maintenance. In one or two cases, we entered into agreements where we did all the maintenance and contracted that back—
- [88] **Joyce Watson:** What about our franchise, with respect, because we are going to run out of time—
- [89] **Mr Howard:** Okay, your franchise—
- [90] **Joyce Watson:** So, what about this franchise?
- [91] **Mr Howard:** As far as the Porterbrook fleet is concerned here—I am not sure, but I think that Angel is the same—it is on that same model. We undertake the major overhauls, the operator undertakes the day-to-day running maintenance. That is the division.
- [92] **Mr Tribley:** We have one exception to that, and that is the class 175 fleet that operates in north and mid Wales. That is maintained by the original equipment manufacturer Alstom, so it undertakes the whole of the maintenance. Arriva Trains Wales delivers the train to the depot and, at that point, Alstom undertakes all of the maintenance and then, in the morning, it hands the train back to Arriva Trains Wales to operate the service again. That is the only other exception. However, in terms of the cost of the maintenance, it is worth highlighting that there are peaks and troughs in maintenance profiles over time. What we do is price the maintenance on a whole-life cost basis, so we smooth the costs so that no one operator is paying a disproportionate amount compared with what a subsequent or preceding operator would.
- [93] **Keith Davies:** Fe wnaif i ofyn fy **Keith Davies:** I will ask the question in
nghwestiwn yn Gymraeg eto. Drwy ddilyn Welsh again. To more or less follow on from
fwy neu lai yr hyn yr oedd Eluned yn sôn what Eluned asked—but Eluned was going

amdano—ond roedd Eluned yn symud o’r mlaen i wrth sôn am drydaneiddio—ond mae rhannau o Gymru na fydd yn cael eu trydaneiddio. Mae Porterbrook yn dweud yn ei adroddiad na fydd yn adeiladu trenau disel newydd. I ni yn y gorllewin, ac efallai yn y gogledd hefyd, a fydd digon o drenau disel yn y dyfodol?

ahead of me in talking about electrification—there are parts of Wales that are not going to be electrified, and Porterbrook says in its evidence that no new diesel trains will be built. So, for us in west Wales, and maybe in north Wales as well, will there be sufficient diesel trains in the future?

[94] **Mr Howard:** When I say no new trains are built, there is certainly no indication that any new trains are being built at the moment. That, theoretically, could change, but, as a personal view, I do not think it will. Going back to a question I answered earlier, you have the opportunity to plan, as you electrify the Valley lines, to actually cascade that rolling stock onto the non-electrified lines. There are other areas of the UK that are currently planning or being electrified. Probably the biggest electrification programme is the one that runs around the west country and into Swansea. We know that there will be some diesel rolling stock available from that—there will be an excess of diesel rolling stock. You should be putting your feelers out now to find out what is available, because there is some quite modern rolling stock down there that would certainly be more modern than some of the things you are operating with at the moment. So, you could look at that. There is also an electrification programme in the north, around Manchester way, and another running through Scotland. All of these potentially will throw up diesel rolling stock, so, if you plan, you will be able to look at the other operations in the country and say to the owners—in this case us, or the third rolling stock operating company—‘Can we have that rolling stock at that point in time?’ Then we would obviously lease it accordingly. We at Porterbrook certainly move rolling stock into Wales—we did so from the west midlands, for instance, a few years ago, because there was a need here, and there was not such a need there. So, that can be done.

[95] **Mr Tribbley:** To supplement that, Angel Trains’s analysis highlights that there will be surplus diesel multiple units post the electrification strategy that the Government is implementing. Therefore, it does provide the opportunity for cascaded rolling stock. There is modern diesel rolling stock that will be freed up and that potentially could be used in Wales to supplement or replace the existing rolling stock that you have available to you.

[96] **Keith Davies:** Ond mae dyddiad y trydaneiddio ar draws yr wlad yn wahanol i ddyddiad y masnachfaint yn 2018. Bydd y naill yn dod cyn y llall.

Keith Davies: But the date of electrification across the country is different to the date of the franchise in 2018. So, one will come before the other.

[97] **Mr Howard:** Unfortunately, that is always the case, and it may well be that rolling stock does not become available at just the right time. But again, that is where you need to be talking to the likes of us, as the owners, and planning with us—for instance, as I say, from down in the Devon and Cornwall area, or trains that were operating on the Great Western, rather. If you talk to the owners, us, we will say to you, ‘Well, that can become available there, and that there’, and if we own rolling stock already in Wales, I am sure there is the opportunity to do some internal cascades, to swap the rolling stock one for another.

[98] **Nick Ramsay:** Aside from this inquiry, have you had any initial preliminary discussions with the Welsh Government, or the UK Government, about the procurement of the rolling stock and the strategy that you are talking about? It needs to be co-ordinated, obviously.

[99] **Mr Howard:** For south Wales, no.

[100] **Nick Ramsay:** That is a good recommendation for our report, then, is it not?

[*Laughter.*] It is a good way to start. Are you done on that, Keith? You are. Rhun, did you have any further questions on the specification of rolling stock?

[101] **Rhun ap Iorwerth:** It is interesting—you learn a lot—that you can specify whether people have to stand on trains or not. It is interesting that that kind of thing plays into decisions. We talk about the importance of a strategy and of developing a strategy in Wales on rolling stock rather quickly. So, how important is it that specification of trains is part of that strategy—that we know exactly what we want in terms of facilities on the trains?

[102] **Mr Howard:** You need to think of two things. First of all, you need to look at your current requirement, because you know your passenger loadings at the moment, you know what facilities those passengers require—things such as Wi-Fi, toilets—and all of this can be specified. You then need to do a bit of blue-sky thinking and look into the future and ask yourself, ‘If I specify my trains like this now, am I confident that, as I go into the future, they will either operate for a good period of time or they can be easily modified?’ Trains manufactured today tend to be very easily modified on the interiors. In other words, you may decide you do not want many seats, but a lot of people standing, but in the future that might change. It is easy enough to specify trains whereby the internal configuration can be changed very quickly, and simply become one with more seats or fewer seats, more toilets or fewer toilets.

10:45

[103] **Rhun ap Iorwerth:** Relatively cheaply?

[104] **Mr Howard:** Yes, compared with replacing with new or anything like that, definitely so.

[105] **Mr Tribbley:** Costs in the railway industry always seem to be noticeably higher than in any other sector; that is a conundrum that we face. To supplement Keith’s point, thinking around the future, with regard to real-time passenger information systems where somebody sitting on a train can get up on the screen the connectivity at the station that they are approaching and information on the connectivity on to alternative services, we are implementing those things today on other fleets. That will become second nature in the next generation of trains. We talk about Wi-Fi connectivity and all those kinds of things; those things are happening now today, and it is about utilising that technology and thinking about what you want for Wales going forward.

[106] **Rhun ap Iorwerth:** Should building in flexibility form a part of the strategy, and the next franchise in a way?

[107] **Mr Howard:** Yes. The other reason we should build in the flexibility is that if you decide to go for an operating lease model, which is what a ROSCO provides, residual value is everything to us. Therefore, if we can look at a train and convince ourselves that the train that we are purchasing has the ability to operate for a good deal longer and perhaps with other operators, because that flexibility is built in, by definition, our risk is lower and the cost should be lower.

[108] **Rhun ap Iorwerth:** Are new trains intrinsically more flexible, or does that not make a huge amount of difference—in case that makes a difference as to whether they are new or not?

[109] **Mr Tribbley:** One of the things that we have been keen to do, particularly on electric rolling stock, is to standardise products as far as possible. In a perfect market, that should naturally come, and, in fact, that has happened in the electric rolling stock. We have two main

manufacturers in Siemens with its Desiro product and Bombardier with its Electrostar product. The market has almost standardised by virtue of the procurement, because the more that you procure of a product, the cheaper it becomes. We advocate the standardisation of products as far as practically possible. Of course, inside the tube, which is the passenger environment, you need to provide flexibility as far as possible, to make it appropriate for the services that it operates, but we would advocate that you standardise underneath the sole bar—underneath the platform height—as far as practically possible, because that will give you better value in terms of procurement going forward.

[110] **Rhun ap Iorwerth:** This is the last question from me on specification in the passenger zone. One thing that I am guessing that there will be more pressure on in future in Wales will be to allow more bicycles on trains. I am guessing that that carries with it an element of expense, in that it takes up space that could have people who are paying for tickets sitting down in it. How does the bicycle aspect, in particular, play into future train specification, and the balances with costs and so on?

[111] **Mr Howard:** Regarding the trains that we currently purchase, depending on where they are going to operate, some already have bicycle spaces fitted. Certainly, the diesel trains that we have bought in the past do, because they are working on more rural routes. Those trains that tend to be working in the heavy commuter areas—south of London, and those sorts of areas—tend not to have bicycle spaces for obvious reasons. In fact, at peak times, they ban bikes because they want a lot more people on the train. It is your decision. We have no issue with putting bicycle spaces on; it is a matter of whether that suits your operation. However, consider seats, bicycle spaces, how many toilets, what toilets and just work out what you want. It can all be done. We always use the Boeing 737 analogy: a 737 is a bog standard piece of equipment, but you can have exactly what you want in the interior. Trains are very much like that.

[112] **Nick Ramsay:** Except space for bicycles.

[113] **Mr Howard:** Except space for bicycles. [*Laughter.*]

[114] **Mr Tribbley:** In terms of bicycles, one of the development areas is to make that space flexible, so that it can carry bikes when it needs to, but when there are no bikes on, whether you have perch seats, tip-up seats or whatever else, it can become a multifunctional area to meet the changing demands over the course of a day.

[115] **Byron Davies:** I was just going to say that it is a priority, really, this cycling thing, given that here in Wales we have a thing called the Active Travel (Wales) Bill now, where people are going to be encouraged to cycle to work and what have you. People who live outside these limits would look, perhaps, to catch a train—like myself from down west in the Swansea area—then to get on a bike and cycle from the railway station to here. Do you think that it is a priority?

[116] **Mr Tribbley:** In terms of the specification of the train, as Keith has said, we have today trains with bicycle spaces that work well. Particularly when we get to undertake the disability regulations, it will mean that we will have to include a huge toilet in an area, which is going to reduce capacity, but around that area it will give a dead space, almost, which would lend itself naturally to looking at ways to introduce bike spaces in that area. It is readily doable now. It is a political decision as to whether you have space for bicycles or whether you have seats for people to sit on.

[117] **Byron Davies:** Have you never been asked before to provide trains with cycle spaces?

[118] **Mr Tribley:** Yes, and we do today.

[119] **Mr Howard:** One thing that I would like to finish on is what you will find if you specify a lot of bicycle spaces on your trains, which, let us say, are going to operate on the Valleys lines. The Valleys lines trains are going to have high acceleration, very fast deceleration and very short stops between stations. You want to get people—what they call the dwell time of people—on and off a train very quickly. You will know that bicycles will slow that down, and that is the reason why they stop it south of London.

[120] **Byron Davies:** The great unwashed—

[121] **Mr Howard:** I am not suggesting that you should not have bicycles, but it all needs to be taken into consideration. We are in a position, as are the manufacturers of trains, to supply exactly what you want.

[122] **Rhun ap Iorwerth:** So, we are looking for a radical alternative answer to getting bikes on and off quickly.

[123] **Mr Howard:** That would be interesting, would it not? We could have a separate coach for people with bicycles.

[124] **Keith Davies:** A guard's van.

[125] **Mr Howard:** Exactly that—you go in the guard's van. You are quite right. Let us convert that.

[126] **Nick Ramsay:** Convertible carriages—soft top. [*Laughter.*]

[127] **Rhun ap Iorwerth:** Buses, for example, have them on the outside. I am guessing that that is completely different with a train, but—

[128] **Mr Howard:** It is, I go to work by train every morning, and as I get into Nottingham, there are always bikes at one end. It is a fairly old train and, where the bikes are, people who bring bikes on tend to stand by them, for obvious reasons—they do not want people to steal their bikes. They tend to be the first off the train, so as they are trying get three or four bikes, which are then locked together, off the train, everybody else is queued up behind them. Please understand what I am trying to say.

[129] **Rhun ap Iorwerth:** Let me just ask the question a bit more formally, then. What work is being done to investigate new and innovative ways of safely and effectively carrying bikes on trains?

[130] **Mr Howard:** Do you know what? I do not know. However, it would be well worth our asking the question; I quite agree with you.

[131] **Byron Davies:** I think that in the future, it really needs to be designed in.

[132] **Mr Howard:** Yes, I am sure that you are right. I will take that away and talk to one of the manufacturers. We are Derby based and we have Bombardier about a mile down the road.

[133] **Byron Davies:** You have told us that trains are easily, quickly and simply modified, and that it can be done relatively cheaply as well. I am sure that, given all of that, it must be easy to do.

[134] **Mr Howard:** I quite agree.

[135] **Nick Ramsay:** At our stakeholder event, at the last session, we heard exactly what you have said, that is, that you can do what you like, but bear in mind that train carriages are a standard length—unless they are like the TARDIS.

[136] **Mr Howard:** Unfortunately they are not; if only they were.

[137] **Mr Tribbley:** In terms of bikes, you may wish to look at the Northern Rail approach to facilitating bicycles. What it has done at some key stations is that it has actually got these bike centres, so, although you ride to the station, you can securely leave your bike at the station—you can even have it overhauled while you go to work and come back. It has these very good bicycle facilities at stations, which is an alternative way of looking at the problem of people going to and from stations on bicycles.

[138] **Rhun ap Iorwerth:** I do not know how much time we have got left, but there is a particular question on the ownership of rolling stock that we think that we should ask, which is the possibility of cutting you guys out entirely, and the Welsh Government owning the trains.

[139] **Mr Howard:** It is obviously a possibility. You have the wherewithal to do that, I am sure, and it would be wrong of us to suggest that the ROSCO ownership model is the only way. Other people have procured rolling stock—TfL procured rolling stock, although it subsequently put it out to the markets and it is now owned by a leasing company. However, why should you not?

[140] **Rhun ap Iorwerth:** Is it doable?

[141] **Mr Trilbey:** It is doable. Trains are expensive pieces of kit—£1.5 million per carriage is typical. You need 100-plus vehicles for the Valleys lines. That is £150 million from the Government purse. The beauty of the model that I would advocate—and I would, would I not?—is that working in collaboration with the private sector, and rolling stock is an asset that is readily financed through the private sector, enables you to use your money for other investments that are not as readily financed by the private sector. I think that there is a combination between the two. Again, as we said earlier, there is not, maybe, one model; the two can work in combination. I think that the rolling stock leasing market has demonstrated—and the ROSCO model has been proven to work effectively—that we manage residual value risk; we are experts at procuring new rolling stock. We can work, as the private sector, with you to deliver your vision of passenger services in Wales. It frees up capacity and capital that you would otherwise have to place in procuring rolling stock for other things that you may wish to do—station development is a classic one.

[142] **Mr Howard:** May I just say one other thing? The other thing to remember is that we are not just money people and we are not just funders. We actually manage these assets on a day-to-day basis. It is an operating business; it is not a financing business. So, if you take over the procurement, if you decide that you want to own the rolling stock, please understand that you also need to manage the rolling stock. You need to maintain the rolling stock. It is not just one thing that we do.

[143] **Nick Ramsay:** We have three minutes left. Joyce, did you want to ask your final question?

[144] **Joyce Watson:** That was my question, but it was kindly asked on my behalf—but there we are.

[145] I would like to know about terms of the franchise agreement and whether that includes performance management or whether it should support the effective use of rolling stock by the franchise operator and accommodate future passenger growth; in fact, all the things you said that you can deliver. When we start off with the franchise, should it include all of those things?

[146] **Mr Howard:** This is the franchise agreement that you have with the franchisee, not with the rolling stock company.

[147] **Joyce Watson:** No, the rolling stock and its consideration in the franchise agreement; should it be considered?

[148] **Mr Tribley:** ‘Yes, absolutely’, is the answer to that. One of the challenges that Wales faces today is that the specification of the Wales and borders franchise in 2003 was really for a no-frills franchise; it was all about affordability and not about quality. When you have that as the specification and you have bidders seeking to win the franchise, knowing that the game that the Government wants to play is to have the lowest cost in the bottom right-hand corner, that is exactly what Arriva Trains bid for, and, unfortunately, that is the experience that the paying passengers are receiving today. When you look at a new franchising model, include quality measures in the franchise—in my submission, I encourage you to engage with your equivalents in Transport Scotland, where they have a very good SQUIRE regime that deals with the quality of the service, including the stations, the service levels and the cleanliness of trains. That has driven the operator to continuously improve the service levels that they have in Scotland, and I think that there is a correlation to the passenger satisfaction scores in Scotland as a result of that regime.

[149] **Alun Ffred Jones:** Did you say ‘squire regime’?

[150] **Mr Tribley:** SQUIRE—yes, it is an acronym.

[151] **Mr Howard:** I am not sure what it means.

11:00

[152] **Mr Tribley:** It is in my evidence.

[153] **Alun Ffred Jones:** Okay, that is fine then.

[154] **Nick Ramsay:** On that note, on ‘squires’, I thank our witnesses, Kevin Tribley from Angel Trains and Keith Howard from Porterbrook Leasing Company Limited, for being with us today. That has been really helpful. We will feed your comments and observations into our inquiry and we will keep you posted. We will be making a number of recommendations, on the basis of what you have said, to the Welsh Government. Thank you.

[155] With that, I suspend the meeting for 15 minutes.

*Gohiriwyd y cyfarfod rhwng 11:00 a 11:15.
The meeting adjourned between 11:00 and 11:15.*

**Ymchwiliad i Ddyfodol Masnachfaint Rheilffordd Cymru a'r Gororau—Sesiwn
Dystiolaeth Panel
Inquiry into the Future of the Wales and Borders Rail Franchise—Panel
Evidence Session**

[156] **Nick Ramsay:** Good morning. I welcome Members back to this morning's meeting of the Enterprise and Business Committee. We are pursuing our inquiry into the future of the Wales and borders rail franchise. I welcome our witnesses. Thank you for being with us this morning. Would you like to give your names and positions within your organisations for the Record of Proceedings please?

[157] **Mr Buxton:** I am Neil Buxton. I am the general manager of the Association of Community Rail Partnerships.

[158] **Professor Cole:** I am Stuart Cole. I am emeritus professor of transport at the University of South Wales.

[159] **Nick Ramsay:** Thank you for agreeing to be with us today. We have a large number of questions for you, so I propose that we go straight into those. The first is from Joyce Watson.

[160] **Joyce Watson:** Good morning, both. I would like to ask you, Professor Cole, particularly, why you say that the new franchise will cost more and whether the Wales and borders franchise is likely to be able to improve its commercial viability, given past and predicted growth in passenger numbers?

[161] **Professor Cole:** The new franchise will cost more simply because costs have gone up. Whether it costs more net after revenue has been generated really depends on the extent to which the winner of the franchise competition increases revenue and the basis from which that revenue is treated. If, for example, one of the targets was growing passenger numbers and not just letting things drift, that can generate more revenue. That can bring down the net cost of that franchise to the Welsh Government. However, the operating costs themselves will go up, simply because costs have gone up.

[162] Turning to the second part of the question, in terms of predicted growth, the growth level at the moment is about 8% per annum. There is no indication that that is going to go down. However, achieving that rate of growth then needs to be a target for the new incumbent, rather than just relying on the subsidy figure as it is. An incentive would be to give incentive payments for achieving those targets, but there should also be financial penalties for not achieving them.

[163] **Joyce Watson:** May I raise something with you? I have been reading the Trades Union Congress report. What you have said in some respects, but not all, would be somewhat at odds with that paper, namely that the growth on rail is partly to do with what the franchisee can control but in most part it is to do with factors outside that, such as rising gross domestic product, road congestion and fuel cost—all of those factors that are never brought to the table. What are your observations on those comments?

[164] **Professor Cole:** I think that those are very valid factors, which determine the number of people travelling by train. Certainly, it is not just the TUC report; a recent report by the RAC suggested something rather similar, namely that most of the increase in passengers on the railway is down to new passengers and not existing passengers making more trips. Clearly, factors such as petrol costs and congestion will influence them. The operator itself can make more of that by indicating—I know that it is not popular to say 'train fares are not

going up that fast’—to potential travellers the fact that the train can be cheaper. For a lot of people, it is cheaper than travelling by car. By including that as part of their advertising policy, they can increase growth by getting people to transfer from cars to trains.

[165] **Joyce Watson:** I have one final question to put to you. If the Welsh Government improves the M4 corridor, thus making it easier to travel by car, would that have any impact whatsoever on whether people travel along that M4 corridor by rail or road?

[166] **Professor Cole:** There are two issues there, I think. One issue is that research over the last 30 or more years, begun by Dr Martin Moggeridge from University College, many years ago, shows that if you improve the quality of the rail infrastructure then more people will travel, because the congestion is eased. In the case of the M4 proposals in Newport, I suggest that you read a paper that I am producing for the Institute of Welsh Affairs, in which I suggest that the M4 plan is not the right one, particularly, in view of the announcement yesterday that the south-east Wales metro system will be getting some significant funding. Therefore, that M4 plan needs to be looked at in terms of an integrated policy between the alleviation of congestion on the existing M4 by a much lower cost alternative road scheme. However, when the metro is brought in as well and the electrification of the main line is brought in, clearly there are going to be transfers from car to train; therefore, the forecasts for car operation may not be as robust as one might think.

[167] **Joyce Watson:** Mr Buxton, how do you think that community rail can contribute to cost reduction, or at least, if not cost reduction, enhanced value for money?

[168] **Mr Buxton:** Again, that is in two parts: we can increase the fare revenue by increasing the number of passengers. That has been proven across England and Scotland, increasingly. As you involve communities and explain what the railways are like, as I believe Stuart said just now, if you encourage people to understand what the railways can do and to buy into it, you will carry more people for any given cost of a train. Reducing cost is a little difficult for us, because that is mostly in Network Rail and infrastructure operators’ hands. However, we can work co-operatively—when I say we, I mean the community rail partnerships—with the infrastructure operator to produce things like the Aberdyfi hump and other innovations that will improve the railway at a lesser cost.

[169] **Rhun ap Iorwerth:** I have some questions on management models. What are your thoughts on the various management models that have been proposed by various people and considered, I am sure, by yourselves?

[170] **Professor Cole:** There are essentially four models that have been discussed. One is the conventional rail franchise that is there at the moment. Another is the not-for-dividend franchise, which would be a private company, again, but something like the Welsh Water model, which does not have shareholders and does not pay dividends but collects its revenues and profits and reinvests them in the business. The third is a co-operative model that is run on the basis of the John Lewis model or the co-operative movement, where the operators and the users are the owners. The fourth is a state owned, not-for-dividend company like Cardiff Airport.

[171] **Rhun ap Iorwerth:** I know that your written submission goes into some detail, but is there a stand-out favourite in your mind, as somebody who has looked at these issues more carefully than most?

[172] **Professor Cole:** I think that the issue really is: what are the advantages to be gained from any of these operations? Which option will give the best improvement in service to the customer? The only option of those four that is proven in the transport industry on a large scale is the conventional method of having a public limited company running the franchise

following a bidding process. Whichever way it works and whichever one of the options that you go for, there still has to be a competitive franchise process, in my view, because that gives best value in terms of public spend and also in terms of the quality of service that is being contracted. Each of them has its own advantages and disadvantages. I guess that the one that would attract the most support would be the not-for-dividend company. It has worked very well with Network Rail—that is what Network Rail is—and Dŵr Cymru. Consequently, that has a proven record, but the big difficulty is the guarantee of a revenue stream in all of those. With both Network Rail and Dŵr Cymru, there has been a guaranteed revenue stream—Dŵr Cymru from water rates and other industrial income and Network Rail from the Department for Transport, Welsh Government, Scottish Government and the train companies. It is difficult to pin down which one, but take a set of criteria that say that there are certain improvements that need to be made and allow all those types of organisations to bid for the franchise when it comes up.

[173] **Rhun ap Iorwerth:** I do not know if one of my colleagues wants to go into the community side with Mr Buxton.

[174] **Alun Ffred Jones:** Rydych yn awgrymu bod yn rhaid i'r Llywodraeth wneud gwaith paratoi ar gyfer y fasnachfaint a'r modelau posibl erbyn 2015. Beth fyddai'r goblygiadau pe na bai'n gallu cyflawni'r gwaith hwnnw mewn pryd?

Alun Ffred Jones: You suggest that the Government has to do preparatory work for the franchise and possible models by 2015. What would be the implications if it was unable to complete that work in time?

[175] **Yr Athro Cole:** Mae'n ddrwg gennyf, Alun: a allet ti ailadrodd y cwestiwn?

Professor Cole: I am sorry, Alun; could you repeat the question?

[176] **Alun Ffred Jones:** Rwyf yn dweud yn dy dystiolaeth bod angen i'r Llywodraeth gyflawni'r gwaith ar gyfer y fasnachfaint a'r modelau gwahanol rwyf wedi cyfeirio atynt erbyn 2015. Os nad yw'r gwaith wedi cael ei gwblhau erbyn hynny, ynghyd â'r pwyso a'r mesur o beth fyddai'r model gorau, beth fyddai canlyniadau hynny?

Alun Ffred Jones: You say in your evidence that the Government needs to do the preparatory work for the franchise and the different models that you have referred to by 2015. If that work is not completed by then, and the weighing up of what would be the best model, what would be the results of that?

[177] **Yr Athro Cole:** Mae dau gwestiwn yn y fan honno. Yr un pwysicaf rwy'n meddwl yw pryd y bydd y gwaith ar benderfynu beth fydd yn y *specification* ar gyfer y fasnachfaint yn cael ei orffen a phryd y bydd hynny yn dod mewn. Os yw'r fasnachfaint newydd yn mynd i ddechrau yn 2018, ni fydd y trydanu wedi'i gwblhau erbyn hynny; mae'n edrych yn debyg mai yn 2019 neu 2020 y gwneir hynny. Beth bynnag rydym yn mynd i'w wneud, rhaid inni benderfynu'n awr beth rydym eisiau. Rwy'n meddwl y dywedodd y bobl o'r cwmnïau ROSCOs yn gynharach bod rhaid penderfynu pa fath o wasanaeth a pha fath o drenau rydym eisiau. Rydych yn mynd yn ôl o hynny at beth fydd y galw—faint o bobl y byddem yn disgwyl eu gweld yn teithio a beth fydd y twf bob blwyddyn dros gyfnod y

Professor Cole: There are two questions there. The most important I think is when the work will be done on the specification for the new franchise and when that will be introduced. If the new franchise is to commence in 2018, the electrification will not have been completed by then; it seems likely that that will be completed in 2019 or 2020. Whatever action we take, we have to make a decision now on what approach we are going to adopt. I believe that the representatives of the ROSCOs said earlier that we have to decide what sort of service and what sort of trains we want. You go back from that to what the demand will be—how many people you expect to be travelling and what the growth will be annually over the period of the franchise. Secondly, what kind of service do we need in order to service that

fasnachfaint. Yn ail, felly, pa fath o wasanaeth mae'n rhaid ei gael i wasanaethu'r twf hwnnw a'r bobl newydd sy'n dod mewn i wasanaeth y rheilffordd? Byddwn wedyn yn edrych ar faint o drenau mae'n rhaid eu cael. Felly, y galw, y gwasanaethau, a faint o drenau sydd eu hangen i gael digon o le i bobl heb iddynt orfod sefyll, efallai, ar yr adegau prysuraf.

increase and the new passengers coming into the rail system? We would then look at how many trains are required. So, it is demand, the services, and the number of trains required in order to provide enough space for people so that they do not have to stand, perhaps, during peak times.

[178] Rydym yn edrych wedyn ar beth yw'r *routes* sy'n cael eu defnyddio; rydym yn gwybod beth yw llawer ohonynt gan ein bod yn gwybod lle mae'r rheilffyrdd. Yr un diwethaf yw lle mae'r *depots* a lle mae'r gwaith yn mynd i gael ei wneud ar y trenau yn ystod yr amser maen nhw'n rhedeg. Mae'n rhaid inni ddechrau'n awr gyda'r gwaith hwn o benderfynu pa fath o fasnachfaint a fydd gennym erbyn 2018.

We then look at the routes that are being used; we know what many of them are because we know where the railways are. The final thing is where the depots are and where the trains are going to be worked on during their period of service. We have to start now on this preparatory work to decide what sort of franchise we would want in place by 2018.

[179] **Alun Ffred Jones:** Trof at Mr Buxton. Sut ydych chi'n gweld cymdeithasau fel y rhai rydych chi'n eu cynrychioli yn chwarae rhan yn y trefniant newydd, beth bynnag fydd y trefniant o ran y fasnachfaint?

Alun Ffred Jones: I turn to Mr Buxton. How do you see organisations such as the ones you represent fitting into the new arrangement, whatever that will be in terms of the new franchise?

[180] **Mr Buxton:** I think that we have a lot of opportunities to develop community involvement in the franchise. We already work very well with Arriva Trains Wales; we have a good working relationship with it. You already have five community rail partnerships in Wales that are very successful. However, if you are going to write the franchise specification, it has to include an involvement of the community rail partnerships and the Association of Community Rail Partnerships. My aspiration for ACoRP is to have a development officer in Wales, in much the same way as we are starting to develop in Scotland, where it is working very well. However, we would need some funding to do that, because we are a not-for-profit company as well, interestingly enough, and we can only work with what funding we have. So, it would be incumbent on the Welsh Government to provide some funds for us to be able to do that. You could write that into the franchise and that could become part of the franchise payment to you.

[181] **Alun Ffred Jones:** Beth fyddai manteision hynny o safbwynt profiad teithwyr ac o safbwynt gwella ansawdd y gwasanaeth?

Alun Ffred Jones: What would be the benefits of that for passenger experience and in terms of improving the quality of service?

11:30

[182] **Mr Buxton:** It has been shown elsewhere that involving the communities gets a buy-in from the community; they will want to use their railway and they will want to look after their railway. We can increase the number of passengers, and we can also help you deliver some of your other outputs, other than simply transport. If I have this opportunity, I would just like to say that the Welsh Government needs to think about what it wants its rural and local railways to do—not just how you are going to run them and what trains run to use, but what it is you actually want them to do. That applies to the rural railways in particular. Take the Heart of Wales line; it is a very thin railway. It does not have very many trains and it does

not serve a very big demography, but it is there to serve a purpose: it can bring a lot of people in to spend money, to keep regeneration going, and it can keep a lot of the local people mobile to access a lot of the facilities they need, such as shopping, hospitals, education. That is what you need to write into that requirement for a local and rural railway, more so than perhaps for the Valleys. We can enable people to do that; we can help the community rail partnerships to develop that. We would like to do more in Wales, but, at the moment, we understand that, because of the financial situation, we have lost most of our funding, so we do not have a great deal of time to be to do that. In my heart, however, it is still something that I want to do. We would therefore have to leave that to the Welsh Government to decide whether the funding was going to come.

[183] Involving your communities in the railway and the stations has been proven time and again to be enormously successful. Just to conclude, involving them in the stations, particularly through volunteering, reduces vandalism and other crime. It gives a sense of caring for that locality. It is really quite important. You really ignore the people, the local communities, at your peril.

[184] **Keith Davies:** Rydych wedi sôn am fforwm rheilffordd Calon Cymru. A oes rheilffyrdd eraill yng Nghymru y gallech chi edrych arnynt i gael yr un peth? Mae'r fforwm, fel yr ydych yn gweud, yn gweithio gyda'i gilydd i ddiogelu pob gorsaf. A oes rheilffyrdd eraill yng Nghymru a all elwa?

Keith Davies: You mentioned the Heart of Wales line forum. Are there any other lines in Wales that you could look at that could have a similar model in place? As you say, the forum works collaboratively in safeguarding and caring for different stations. Are there other lines in Wales that could benefit from that approach?

[185] **Mr Buxton:** If I remember rightly, we already have the Heart of Wales line, the Conwy valley line, the borderlands line between Wrexham and Bidston, and the Chester to Shrewsbury line—there are five. There was an attempt at having a west Wales rail partnership, but that fell by the wayside. The reason I want to mention that is not that I want to point fingers, but you cannot make a real partnership work if the will is not there and if people do not want to make it work. The key to it is that a rail partnership is from the ground upwards, and, if the will is not there, I am not prepared to push it, and it will not work if you try to push it. However, I would be very keen to see another west Wales rail partnership start up. I think there may even be opportunities to look at partnerships for some of the Valleys lines—or certainly around and through Barry. There may be opportunities on that line.

[186] **Keith Davies:** Roedd un yn dechrau yn Abertawe, gan fynd lan i ddyffryn Aman ac yn ôl i lawr drwy ddyffryn Tawe—nid wyf yn cofio ei enw ef yn awr, ond rwyf yn gwybod ble y mae ef. Roedd sôn am gael rhyw reilffordd gymunedol y fan honno.

Keith Davies: There was one starting in Swansea, at the Amman valley and down the Swansea Valley—I cannot remember what it is called now, but I know where it is. There was mention of having some sort of community partnership in that area.

[187] **Yr Athro Cole:** A wyt ti am imi ateb?

Professor Cole: Do you want me to answer?

[188] **Keith Davies:** Ydw.

Keith Davies: Yes.

[189] **Yr Athro Cole:** Roedd *scheme*. Nid oedd y *scheme* hwnnw y tu mewn i ACoRP. Roedd cynllun gan Capten Mike Smith o Abertawe, sydd yn gyrru'i syniad o hyd i gael *tram-trains* neu dramiau ar yr hen reilffyrdd glo yn yr ardal ac ailagor y rheilffordd o

Professor Cole: There was a scheme, but it was not within ACoRP. It was a scheme of Captain Mike Smith from Swansea, who is still pursuing this idea of having tram-trains or trams on the old coal railways in the area and reopening the line from Pontarddulais to

Bontarddulais i Abertawe ac yn y blaen. Mae'n dal ymlaen gyda'i *scheme*, ond, fel ym mhob peth arall, arian yw'r peth. Mae Mike Smith yn dweud bod yr arian ar gael ganddo, ond nid yw wedi digwydd hyd yn hyn beth bynnag.

Swansea and so on. He is still pushing the scheme forward, but, as with all other things, funding is the issue. Mike Smith has said that he has the funding available, but it has not happened up to now in any case.

[190] **Keith Davies:** Maent yn sôn am y metro yng Nghaerdydd, ac y byddai cael canolfan ganolog yn y gorllewin cystal â chael un yn y de-ddwyrain.

Keith Davies: They are discussing the metro in Cardiff, and having a central area in west Wales would be as beneficial as having one in the south-east.

[191] **Yr Athro Cole:** Dyna yw syniad Capten Mike Smith, sef nid mynd lan i Gwm Aman yn unig a draw i Gydwelli a Llanelli, ond mynd hefyd i SA1 reit yn Abertawe, a chael math ar fetro yn Abertawe.

Professor Cole: That is the concept being pursued by Captain Mike Smith, that is, not just going up to the Amman Valley and across to Kidwelly and Llanelli, but also right into the SA1 area of Swansea, and having a sort of metro system in Swansea.

[192] **Rhun ap Iorwerth:** Gan fod Keith wedi bod yn lleol, a gaf ofyn a allai'r math hwnnw o bartneriaeth weithio yn achos llinell Amlwch ar Ynys Môn, lle mae gwaith wedi cael ei wneud yn y blynyddoedd diwethaf?

Rhun ap Iorwerth: As Keith has been parochial, may I ask whether this type of partnership could work on the Amlwch line in Anglesey, where work has been done over the past few years?

[193] **Yr Athro Cole:** Mae'n bosibl cael y syniadau hyn unrhyw le. Mae cynlluniau wedi bod o'r blaen i redeg llinellau lleol yn wahanol, ond y peth pwysig i'w gofio yw bod rhaid i'r llinellau ffitio i mewn i'r rhwydwaith cyffredinol, i rwydwaith Cymru a'r gororau, ac felly rhaid i'r amserlenni i ffitio, y naill i'r llall. O ran yr holl sgwrs a gawsoch yn gynharach y bore yma ynghylch o le y bydd y trenau yn dod a phwy fydd yn edrych ar eu hôl, mae sgwrs wedi bod ar lein Calon Cymru am union yr un peth, sef, os bydd rhyw fath o gwmni cymunedol yn rhedeg y rheilffordd—ac mae'r linell i Amlwch yn ffitio i mewn i hynny—byddai'n rhaid iddo weithio mas pwy fyddai'n edrych ar ôl y trenau a phwy fyddai'n gwneud y gwaith cynnal a cadw ac yn y blaen.

Professor Cole: You can have these concepts anywhere. There have been plans in the past to run lines locally on a different model, but the important thing to bear in mind is that those lines have to fit into the wider general network, to the Wales and borders network, and therefore timetables have to dovetail and so on. In terms of the whole conversation that took place earlier on where the trains will come from and who will maintain the trains, there has been a conversation on the Heart of Wales line about exactly the same thing, that is, if some sort of community company is to run the railway—and the Amlwch line would fit neatly into that—it would have to work out who would maintain the trains and who would carry out the maintenance work and so on.

[194] **Rhun ap Iorwerth:** Mr Buxton, are you aware of an example on that particular point?

[195] **Mr Buxton:** I would like to pursue something out on that line, but there is a difference between being a community rail partnership that just supports your line, and being a community rail partnership that runs your line. Professor Cole is quite right that a lot of organisations do not have the wherewithal to do that without a great deal of support. However, if it is just about supporting the line itself—looking after railway stations and encouraging people to use the railway line—we could start that tomorrow.

[196] **Nick Ramsay:** I am going to stop this question at this point before every AM raises

their pet railway line or project, which would have us here all day, and we have about 25 minutes left. Keith is about to come back in now.

[197] **Keith Davies:** It is a city region.

[198] **Nick Ramsay:** Okay. Keith, did you have any further questions on community rail approaches?

[199] **Keith Davies:** No, thank you.

[200] **Nick Ramsay:** Okay. We will move on to the process of developing the next franchise. Rhun ap Iorwerth has the questions.

[201] **Rhun ap Iorwerth:** We have touched on a lot of this, and Professor Cole has said that he thinks it vital that the Welsh Government moves ahead now on preparing the next franchise. Can you give us some of your thoughts on the urgency as to how the Welsh Government approaches the next franchise, Mr Buxton?

[202] **Mr Buxton:** It is not my field particularly, but, yes, you have to start moving very quickly. The railway is an enormous supertanker, if I may mix metaphors—it takes a very long time to turn around. The longer you put it off, the more of a panic you will be in towards the end of the day. My personal aspirations are that community rail engagement gets written into the terms of the franchise in some form. We already have examples of that in the Department for Transport franchises that are being let, so there is advice that you can seek from the community rail team there, probably. There is the potential for new partnerships, as we spoke about, and a broader scope for community rail partnerships in Wales, such as the work that is being done on the Heart of Wales line on what is loosely called ‘micro franchising’, which is operating it at a local level. We would like to support that. Most importantly, you have to write a franchise that is built for growth, not steady state.

[203] **Rhun ap Iorwerth:** I'r Athro Cole ar y pwynt hwnnw, a yw'r data angenrheidiol gan y Llywodraeth i wneud y penderfyniadau iawn ynglŷn ag anghenion y fasnachfaint nesaf, neu a oes angen rhagor o wybodaeth arnom? Mae Network Rail â'i ffigurau ynglŷn â chynllunio twf i'r dyfodol; a oes angen mwy na hynny?

Rhun ap Iorwerth: To Professor Cole on that point, does the Government have the necessary data to make the right decisions about the needs of the next franchise, or do we need more information? Network Rail has its figures for planning for future growth; do we need more than that?

[204] **Yr Athro Cole:** Fel yr ydych yn ei ddweud, mae data gan *Network Rail*, *Arriva Trains Wales* a'r *Office of Rail Regulation*. Maent yn gwybod faint o bobl sydd yn teithio ar hyn o bryd. Mae'r *Office of Rail Regulation* wedi dod ymlaen gyda beth mae'n feddwl sydd yn mynd i ddigwydd. Mae'n bwysig i'r Llywodraeth gael data ei hun hefyd. Mae hynny'n dod, fel rhan o'r broses, o Drenau Arriva Cymru. Nid wyf yn sicr ar hyn o bryd a oes digon o bobl gyda'r sgiliau iawn i ddelio gyda'r data hynny. Mae tîm yn edrych ar ôl y fasnachfaint ar hyn o bryd, ond mae'n rhaid cael pobl i mewn sydd yn gwybod sut mae rhwydwaith a'r rheilffordd yn gweithio i gael y *deal* gorau i'r

Professor Cole: As you say, Network Rail, Arriva Trains Wales and the Office of Rail Regulation have data. They know how many people are travelling at present. The Office of Rail Regulation has provided its forecasts. It is important for the Government to have its own data too. That comes, as part of the process, from Arriva Trains Wales. I am not certain at the moment whether there are enough people with the right skills to deal with those data. There is a team looking after the franchise at the moment, but you need to get people in who know how the network and the railway work in order to get the best deal for the Government out of the people submitting bids.

Llywodraeth allan o'r bobl sy'n rhoi *bids* mewn.

[205] **Rhun ap Iorwerth:** Felly, i fod yn hollol glir, mae angen i'r Llywodraeth ddod ag arbenigedd i mewn ar frys er mwyn gallu cael y cytundeb gorau i Gymru y tro nesaf.

Rhun ap Iorwerth: So, to be completely clear, the Government needs to bring in expertise very quickly to get the best agreement for Wales the next time.

[206] **Yr Athro Cole:** Oes, achos ar hyn o bryd mae'r fasnachfaint yn £2.5 biliwn. Bydd yr un nesaf yn fwy na hynny, felly mae'n rhaid cael y bobl iawn i mewn. Mae'r bobl sy'n gweithio i'r cwmnïau sy'n rhoi'r *bids* i mewn yn bobl sydd yn gwybod yr holl beth, a sut mae'r holl system yn gweithio. Mae rhaid cael pobl felly i weithio i'r Llywodraeth.

Professor Cole: Yes, because, currently, the franchise is £2.5 billion. The next one will be more than that, so you need to get the right people in. The people working for the companies who are submitting the bids are people who know everything there is to know, and know the system inside out. You need those sort of people working for the Government too.

[207] **Rhun ap Iorwerth:** A ydych chi'n ofni bod y pobl sydd o fewn y tîmau ar hyn o bryd—heb feirniadu unigolion, wrth reswm—yn methu ag adnabod y data cywir sydd eu hangen ychwaith?

Rhun ap Iorwerth: Are you concerned that the people who are in the teams at the moment—not to criticise individuals, of course—cannot recognise the data that is needed either?

[208] **Yr Athro Cole:** Maent yn gwybod am rai o'r data, ac maent yn gallu gweld sut mae'r twf yn digwydd, ond, er mwyn baratoi'r *specification* am y fasnachfaint newydd, mae'n rhaid cael pobl sydd wedi bod yn gweithio yn y busnes masnachfaint a hefyd busnes y rheilffyrdd. Nid oes dim yn erbyn y pobl sydd yno yn awr—maent yn gwneud y gwaith maent i fod yn ei wneud—ond mae'n rhaid cael tîm arall i mewn sydd ag arbenigedd ar y pynciau hyn.

Professor Cole: They know about some of the data, and they can identify how the growth is happening, but, in order to prepare the specification for the new franchise, you do need people who have been working in franchising and also the railway industry. That is not a criticism of the people who are there now—they are doing the work that they are supposed to be doing—but you do need another team in who are specialists on the issues.

[209] **Nick Ramsay:** Just for clarification on that, Professor Cole—are you saying that the people with the franchises at the moment have knowledge, but you do not think that is enough, or that you think that they should be consulted? I am just trying to gauge the balance. Clearly, the franchisee has the information there, so it should be utilised, but—

[210] **Professor Cole:** The franchisee has the information; Arriva Trains Wales knows exactly what is happening on its patch, and, for the Wales and borders franchise, it has all the cost and revenue information on different routes. The issue then is how much of that information is available to the Welsh Government outside the franchise requirements, because, clearly, there is a need to see what revenue is coming in. There is a fixed payment to Arriva for operating the trains currently. The question is, when it comes to the new franchise, the bidders—which will, I presume, include Arriva—will have the expertise to put those bids together, because we have seen already in, for example, the bids for the west coast main line, but also in other bidding, that the big organisations, that is, Arriva, First Group, Virgin, Go-Ahead, all have those skills in-house. I am not convinced that the Welsh Government has those skills. It has, I think, one or maybe two people who will be brought in from outside. I think that the people who are there at the moment are doing a good job in what they do now, but new skill is needed to manage the issuing of the new franchise.

[211] **Rhun ap Iorwerth:** Just as a supplementary question on that, does that raise questions about every aspect of handling more responsibility by the Welsh Government in future—perhaps an arm’s-length style management model, perhaps, even, ownership of rolling stock, and all of these options? Does what you are saying raise questions about the viability of all of that, or can it be fixed by bringing in the expertise?

[212] **Professor Cole:** It can be fixed only by bringing in expertise. I think that what the Government has done with Cardiff Airport is a classic case. It is a not-for-dividend, arm’s-length company, run by people from the airline and airport business. That is the process that you would follow if the Welsh Government took up the option for it to become a ROSCO, as was suggested by the two witnesses earlier. That has benefits, and it has disbenefits, as I think was explained by them. However, if the Welsh Government were going to do that, it would do well to look to do it in partnership, with, for example, Mersey Rail, which is next door, and ScotRail, which is managed by the Scottish Government. So, there is an expertise there available to the Government for both the issuing of the franchise and the acquiring of rolling stock. All of those different tasks need to be done. If the Government is intent on following a process where it wants to manage the railway, then it would best do so through an arm’s-length company of expertise that it has brought in.

[213] **Nick Ramsay:** Rhun’s background as a broadcaster just provided a very good link to the next set of questions, which are on rolling stock, and are from Byron Davies.

[214] **Byron Davies:** Thank you. I think this is to Professor Cole in particular. You will have heard the previous witnesses talk about 30-year planning. Could you just give us your views on what your proposed approach to rolling stock planning would be?

[215] **Professor Cole:** They are quite right. Rolling stock lasts for 30 to 40 years. Were the Welsh Government to become a ROSCO on its own, that might not be the most appropriate thing to do because, first of all, from one point of view, it would have that rolling stock so that, when the next franchisee came in to run the services—and if it was a 10-year franchise from 2018 to 2028, it would be run by one company, and from 2028 to 2038 it might be another company, perhaps—that kind of supply of the rolling stock would be there on an ongoing basis. The problem is that leading it on its own means that it has to get in expertise, which is why I suggested looking perhaps at other partners to work with in managing that rolling stock, because it will have it for 30 to 40 years if it owns it. It could sell it, of course, because the ROSCOs are only a creation from the privatisation of British Rail. That is an issue to keep in mind.

11:45

[216] It also needs a team of expertise, as I mentioned earlier. All of these things require experienced railway management and operational people in various levels on the rolling stock side more than anywhere else, because the rolling stock is purchased and then has to be maintained to certain standards.

[217] There are downsides of the rolling stock companies in that they have to make a profit of their own; therefore it will cost more acquiring through them. However, perhaps the risk is less and you may decide, particularly in view of what we have heard that there is a possibility that although electrification and the wires will be up by 2018, the rolling stock might not be available. Getting into that process requires seriously good railway management; therefore that would be a key factor to keep in mind for the Welsh Government, if the implication was that it should be a ROSCO. So, unless it had partners, it should probably not become one.

[218] **Byron Davies:** Okay. Thank you. I do not know whether you have a view on that, Mr Buxton.

[219] **Mr Buxton:** Not particularly. It is not really our line of business, but we would like to see rolling stock that was appropriate for rural lines. Perhaps I could just add an observation from the previous session. I think that there is a danger of you being led down a blind alley about the business of carrying bicycles on trains. It is a great aspiration. In the Netherlands, which is the land of bicycles, bicycles are no longer carried on trains.

[220] **Byron Davies:** Yes, but it is flat there, is it not? It is easy.

[221] **Mr Buxton:** It just became impossible. They have concentrated on ways of leaving a bike at a station and ways of hiring a bike at the other end. So, you might have to look at the issues slightly differently.

[222] **Byron Davies:** Okay. Point taken. Could I ask you both whether you think that new or cascaded rolling stock should be procured? If you do, why do you think that?

[223] **Mr Buxton:** My answer will be fairly brief. It is not really my place to say whether we should have new or cascaded rolling stock. I am just happy that we have rolling stock, period. I would obviously love to see new rolling stock because in the day of the modern car, where someone can get into the average standard banger and still have a CD player, air conditioning, comfortable seats, and so on, and you are going to offer them a pacer, you have to ask what you are trying to sell people on the railway in the first place. The obvious answer, therefore, is that you need more modern rolling stock that is better maintained and so on. However, I am well aware that all of that costs money. That is a dichotomy, is it not? You have to work that one out. That is a bit of a let out from me.

[224] **Byron Davies:** Professor Cole, you are a figures man—

[225] **Professor Cole:** Yes; a keen economist. Essentially, cascaded stock will come in two forms to the new franchise. First of all, there is the diesel stock. If the electrification programme is on time, and if the electrification of Thameslink and the Valley Lines, and the new trains for Thameslink and Valley Lines, along with the electrification of Crossrail, all come along together, there will be electric trains available for cascading. However, if you take a look at what those trains are like at the moment, you will see that those are not the trains that we want. We may want class 315 trains, on which the evaluation of Valley Lines was carried out, and we may accept class 315 trains, but those trains need a complete refurbishment, both in terms of the machinery, if you like—the stuff that you do not see—and the interiors, which can be anything that you want them to be, really. However, it depends on their availability, because with that cascaded stock, we are reliant on the supply of new stock to Thameslink, Crossrail and some of the other London services from which it is intended for these trains to come. If all of that goes to time and we get cascaded stock, that stock has to be refurbished. We do not want what is there at the moment. The model is fine, but it is the appearance and the engineering that needs to be changed, and it could take a period of two years to do them all, depending on what facility is available to carry out that refurbishment.

[226] In terms of diesel trains, the pacers have had their day, sadly. They were never intended to do what they are doing. They were not intended to carry very large numbers of people into the capital city; they were intended for rural railways of the type that Neil has been talking about. However, we are where we are, but those trains need to be replaced. The class 150s, which are the ones with sliding doors, are local and regional services in the main. With regard to the class 158s and 175s, which are the trains that tend to do regional, longer distance services, the 158s have been refurbished recently, and the 175s are relatively new trains that tend to run between Holyhead and Cardiff and between Cardiff and Manchester.

[227] There are other trains that perhaps have not yet been fully looked at, and I have seen

some reference in the railway press to them. The current trains that run to London are the InterCity 125s and the Adelantes, which are the trains that nobody liked when they came back and forth between London and Cardiff, because they were not designed for that kind of long distance express operation, but they would be really good on something like south Wales to north Wales services, or services between Swansea and Manchester. They would be perfect for that kind of operation because they are designed to do lots of stopping and starting. So, they are good for that.

[228] Those trains will become available as electrification comes along on some of the other bigger routes, like the Swansea-Cardiff-London route. Therefore, when that is finished, which will be before electrification elsewhere but not necessarily before the new franchise, those trains could be available for services between, for example, Aberystwyth and Shrewsbury, north Wales main line services, certainly services between north and south. That may even be the point at which the new franchise might say, 'Well, let's take a look at Aberystwyth to London Marylebone', which Arriva tried out, but with the wrong kind of trains. It might be tried with an Adelante. So, there is rolling stock available. If it is cascaded, there are those determining factors and things upon which we are dependent.

[229] New rolling stock needs to be ordered soon. The specification needs to go to different companies.

[230] **Nick Ramsay:** We need to make progress, Professor Cole, but to round up what you have said, there are a lot of things that need to happen at the time at which we expect them to happen.

[231] **Professor Cole:** Yes, in terms of cascaded stock.

[232] **Nick Ramsay:** That does not always happen.

[233] **Professor Cole:** It will invariably happen where you have the potential for delay, and there is potential for delay here.

[234] **Nick Ramsay:** Okay. I said I was going to close that question, and I should not have continued it, should I? Byron, do you want to come back briefly on that point, and I then want to bring in Eluned Parrott?

[235] **Byron Davies:** Yes, very briefly, just to finish, and perhaps you could be brief in your answer. Do you think that it would be financially viable for the Welsh Government to purchase trains and lease them?

[236] **Professor Cole:** Nobody has yet carried out the financial analysis. That needs to be carried out. One of my key points is probably that this work should have started already and really needs to move forward apace, because cascaded stock has to be leased and other people are bidding for it; and new stock has to be built, therefore the construction companies like Bombardier, Hitachi, Siemens, or whoever, need to be told in advance what is wanted, because there is at least a three-year lead time. So, many of these decisions and analyses need to be done now to decide whether we want cascaded stock or new stock, and what kind of cascaded stock we can afford. The people from the rolling stock operating company mentioned this morning train re-specification, where the specification inside and underneath is brought up to modern standards, but I do not think that they made it clear that that costs money. That would push up the leasing charge.

[237] **Byron Davies:** We were told that it was half the price.

[238] **Professor Cole:** It depends exactly what it is that you are doing with the train. As a

rule of thumb, a cascaded piece of rolling stock could cost you anything as low as a quarter of the price of brand new stock, but it depends on how much work has to be done on that cascaded stock to satisfy the Welsh Government that it is giving Welsh travellers the best deal possible and the most comfortable train as possible. That is—

[239] **Nick Ramsay:** I am going to stop you there, Professor Cole, because we are into the last five minutes and I want to bring in Eluned Parrott on monitoring and targets.

[240] **Eluned Parrott:** Thank you, Chair. Professor Cole, you made a comment that the penalty system relies too heavily on timekeeping. Essentially, in the current franchise, what is measured is punctuality and reliability. What do you think ought to be measured to ensure that we have a robust franchise? What targets should we be setting?

[241] **Professor Cole:** We should be looking, first of all, at timekeeping, obviously. That is a key one. If we are going to really bring the kind of service that people want, we have to look at the overall experience of the customer. Do the trains run on time? What are the fares? What are the internal conditions of the trains? Are they cleaned regularly? Are they deep-cleaned regularly, which makes them almost look like new? In terms of the customer relationship with the company and its employees, is it a pleasant relationship or not? Many of those kinds of things are not measured at the moment. It is a very simple system of just saying, 'Do these trains run on time?' Indeed, many of the companies have the advantage of not stopping at stations, because they get to their terminal station on time, but miss out intervening stations. It is that kind of performance in terms of reliability, operation and customer experience that needs to be monitored.

[242] **Eluned Parrott:** Measuring whether or not it showed up is very easy. Measuring things like customer satisfaction with other elements of the service is much more difficult. How would you anticipate that that would be measured robustly so that it can form the basis of a contractual arrangement?

[243] **Professor Cole:** There are two ways of doing it. Obviously, there are customer surveys and asking people what they think—what they really think as opposed to what they think they have read in one of the newspapers. That is always a difficult one. The second one is having people on the trains monitoring the operation. It does not get done that robustly currently. There is a reporting system whereby Arriva itself reports back to the Welsh Government. However, what we are looking for is monitoring by the Welsh Government of a number of criteria, which would be set. Those would be measurable criteria, such as 'Is the train clean?' and 'Was the train cleaned last night, or was it just left because there were not enough staff to clean it, leaving litter all over the train in the morning?' That could be one of the measurable means of determining what the bonus would be for getting it right, or the penalty for not getting it right.

[244] **Nick Ramsay:** We are into the last couple of minutes. I will bring in Joyce Watson now on the franchise operator relationship.

[245] **Joyce Watson:** Do either or both of you agree that a deep alliance between the franchise operator and Network Rail would bring benefits? Should arrangements be specified in the franchise agreement or left to each potential operator to specify in its bid?

[246] **Professor Cole:** Do you mean should the Government specify—

[247] **Joyce Watson:** Should the Government specify that there is an alliance between the franchise operator and Network Rail to bring some benefits?

[248] **Professor Cole:** The relationship at the moment is not even between the Welsh

Government and Arriva Trains Wales; it is between the Department for Transport and Arriva Trains Wales, with the Welsh Government being the organisation that monitors and pays the bills. It is an interesting one. There is no statutory relationship between Network Rail and the Welsh Government, despite the fact that that was asked for in the Transport (Wales) Act 2006. What we have at the moment is a good working relationship in that Network Rail has decided to do it itself and set up its Cymru/Wales route, but that was a decision by it; it was not a decision by Government.

12:00

[249] The relationship between Network Rail and the operator is a contractual one. Network Rail is required to provide the tracks and the paths for the operation and, if it does not, there is a financial penalty to be paid to the train operating company. However, that is the extent of it. There is no other relationship in there that is either contractual or statutory, and there needs to be, maybe, a more cohesive grip on what is being provided. We have, fortunately, got past the days when one blamed the other: Network Rail would always blame the train company and the train company would always say that it was a track fault or there was a signal failure and so on. I think that we have got past that a bit, or at least in the way that it is put over to the customer.

[250] However, this relationship becomes part of the earlier question about how the train operating company should be measured. I may have missed out on some. It is not just the passenger satisfaction rate, but how the train operating company develops the service, how it increases the frequency and how it increases the number of carriages, as well as increasing the demand.

[251] **Nick Ramsay:** I am going to stop you there, Professor Cole, because I want to go to Rhun ap Iorwerth for a last question on routes and infrastructure, and then a brief supplementary question from Alun Ffred Jones.

[252] **Rhun ap Iorwerth:** I think that we have touched, pretty much, on the potential for new routes, as such. What about, in more general terms, new developments? What should the new franchise have that this one does not? I will start with you, Mr Buxton.

[253] **Mr Buxton:** Again—I would say this—it has to engage with community rail more than it does. I am sorry, that is a little unfair. Arriva Trains Wales currently does engage with community rail, but that is because it wishes to, not because it is obliged to. So, it makes the relationship somewhat tentative. However, I think that if you wrote in that there was a need for it to develop community rail for the benefit of the rural population, that would be extraordinarily helpful. I think that you probably have more to say about this, in a wider sense, Professor Cole.

[254] **Rhun ap Iorwerth:** Athro Cole, gallwch edrych ar *infrastructure* yn unrhyw ffordd yr hoffech ei weld yn datblygu.

Rhun ap Iorwerth: Professor Cole, you can look at infrastructure in any way that you wanted to.

[255] **Yr Athro Cole:** Mae'n galed cael mwy o *infrastructure* na'r hyn sy'n digwydd ar hyn o bryd, er enghraifft dyblu'r trac yn Nhre-gŵyr, a chael mwy o drenau—ac mae lle ar gyfer mwy o drenau yn awr ar y rheilffordd i Aberystwyth. Mae'r Gweinidog wedi dweud ei fod yn edrych yn awr ar newid y llinell rhwng Caer a Wrecsam. Fodd bynnag, os ydym yn edrych ar yr hyn mae'r

Professor Cole: It is difficult to get more infrastructure than what is happening at the moment, for example, the doubling of the line at Gowerton, and getting more trains—there is now scope for having more trains on the line to Aberystwyth. The Minister has just said that he is now looking at changes to the line between Chester and Wrexham. However, if we look at what the companies

cwmnïau yn gallu ei wneud a'r hyn rydym yn edrych amdano yn y ceisiadau newydd hyn sydd yn dod i mewn, mae'n rhaid i gwmnïau nid yn unig wneud yr hyn maen nhw'n gorfod ei wneud a'r hyn sydd yn y fasnachfaint ar hyn o bryd, ond cynyddu nifer y bobl sydd yn teithio. Rydym wedi siarad am hynny yn gynharach. Dylai'r trenau fod yn fwy cyfforddus nag ar hyn o bryd. Dylid cael mwy o gapasiti ar y trenau am yr un arian. Mae'n rhaid inni ddisgwyl i'r cwmnïau dyfu'r rheilffordd eu hunain ac nid dim ond eistedd yno, rhedeg y trenau a chael y *subsidy* i mewn. I wneud hynny, mae'n rhaid iddynt weithio ar y farchnad mewn llawer o ffyrdd i'w datblygu ac wedyn byddant yn cael y *bonuses* a'r *incentives* i wneud hynny. Os nad ydynt yn gwneud hynny, dyna lle bydd y cosbau ariannol yn dod.

can do and what we are looking for in these new bids, the companies will have to not just do the minimum and what is required of them in the franchise at present, but increase the number of passenger flow. We discussed that earlier. We need trains that are more comfortable for passengers than they are at present. We need enhanced capacity on the trains for the same amount of expenditure. We have to look to the companies to develop the railways themselves and not just to sit there, running the services and getting the subsidy in. In order to do that, they have to work in many ways to develop the market, and then they will get the bonuses and incentives to do that. If they fail to do that, that is where the financial penalties will kick in.

[256] **Nick Ramsay:** Very briefly, we finally turn to Alun Ffred Jones.

[257] **Alun Ffred Jones:** Athro Cole, gan edrych ar ôl 2018 a phawb â'i fys lle bo'i ddolur, mae'r daith rhwng Caergybi a Chaerdydd yn un hir a maith ar hyn o bryd. Yn realistig, beth fyddai'r amser cyflymaf y gellid ei ddisgwyl ryw dro yn ystod y fasnachfaint newydd rhwng Caergybi a Chaerdydd, sydd ar hyn o bryd bron yn bum awr y rhan fwyaf o'r amser?

Alun Ffred Jones: Professor Cole, looking beyond 2018, and being parochial, the journey between Holyhead and Cardiff is a very long one the moment. Realistically, what would be the fastest time that you could expect at some point during the new franchise for getting from Holyhead to Cardiff, which at the moment takes nearly five hours most of the time?

[258] **Yr Athro Cole:** Nid wyf wedi edrych ar y daith o Gaergybi, ond rwyf wedi edrych ar y daith o Fangor i Gaerdydd. Mae'n bosibl cael taith ar hyn o bryd o ryw beth fel ychydig o dan bedair awr i Fangor a thair awr a hanner i Gyffordd Llandudno. Byddai gwella'r trac rhwng Caer a Wrecsam yn torri 20 munud. Byddai rhoi *electronic signalling* newydd ar linell y gororau rhwng Casnewydd a Chaer yn hytrach na'r *semaphore signalling*, lle mae'r fraich yn mynd lan a lawr, yn torri 20 munud arall. Gallech gael y daith i Fangor lawr i dair awr. Gallai trydanu'r rheilffordd yn y gogledd a defnyddio trenau *multimodal*, sef, trydan a disel, dorri hynny lawr yn fwy na hynny. Mae'n bosibl ei wneud, ac ni fyddai'n costio llwyth o arian.

Professor Cole: I have not looked at the journey from Holyhead, but I have looked at the Bangor-Cardiff journey. It is possible to make the journey in just under four hours to Bangor and three and a half hours to Llandudno Junction. Improving the track between Chester and Wrexham would take 20 minutes off the journey. Providing new electronic signalling on the line between Chester and Newport, rather than the semaphore signalling, where the arm goes up and down, would take another 20 minutes off the journey time. You could get the journey to Bangor down to around three hours. Electrification of the north Wales main line and the use of multimodal trains, which are a combination of electric and diesel units, could bring the journey time down even more. It can be done and it would not cost a huge amount of money.

[259] **Nick Ramsay:** Finally from me, on the length of franchise, is a longer franchise

desirable in terms of securing the sort of investment that we need?

[260] **Professor Cole:** If the franchisee has, as part of its requirement investment, improvements of the sort that I described earlier, Chair, then yes, a longer franchise, maybe up to 15 years, is acceptable. The present 15-year franchise was not acceptable from the start, because there were no developmental aspects to it. If there are no developmental aspects, it is a short franchise, but if part of the contract says, 'You must develop the railway, the numbers of people, and the revenue coming in', then a longer franchise is acceptable.

[261] **Mr Buxton:** From our point of view, you also need the time to develop the relationship with the operator, and that does not happen overnight. The longer the franchise, the more you can develop that.

[262] **Nick Ramsay:** I thank Neil Buxton of ACoRP and Professor Stuart Cole of the Wales Transport Research Centre at the University of South Wales for being with us today. That has been really helpful and we will feed your comments into our inquiry.

12:07

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

[263] **Nick Ramsay:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[264] I do not see any objections.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:07.
The public part of the meeting ended at 12:07.*