

Rail Delivery Group

Response to:

National Assembly for Wales

Economy, Skills and Infrastructure Committee

Rail Franchise and the Metro Inquiry

Date: February 2017

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Organisation: Rail Delivery Group

Type: Business representative organisation

- 1) The Rail Delivery Group (RDG) brings together Network Rail and passenger and freight train operating companies. The purpose of the RDG is to enable Network Rail and passenger and freight train operating companies to succeed by delivering better services for their customers. Ultimately this benefits taxpayers, passengers and the wider economy. We aim to meet the needs of:
 - a) our members, by enabling them to deliver better outcomes for customers and the country;
 - b) government and regulators, by developing strategy, informing policy and confronting difficult decisions on choices, and
 - c) rail and non-rail users, by improving customer experience and building public trust

Overview

- 2) RDG welcomes the opportunity to contribute to the Economy, Infrastructure and Skills Committee's inquiry into the Rail Franchise and the Metro inquiry. Since the commencement of the current Wales and Borders rail franchise it has delivered benefits for passengers and taxpayers:
 - a) Service provision is now 20% higher than the contracted service level;
 - b) passenger satisfaction has increased since the start of the franchise from 79% to 82% in the autumn 2016;
 - c) punctuality has improved with a current moving annual average of 92% PPM, which has increased from 79%, as measured by the public performance measure (PPM); and
 - d) the burden on the taxpayer has also reduced, with the annual subsidy declining by more than £40 million since the start of the franchise in 2003.
- 3) In reference to the next Wales and Borders rail franchise, the Welsh Government's approach to procurement has the potential to deliver further value, enable innovation, improve collaboration and align incentives between operators and infrastructure managers. The franchise also aims to meet local needs and improve local accountability. To do so the specification and delivery of the franchise should in our view:
 - a) Ensure effective cooperation between both the Welsh and UK Governments and close working between the Department for Transport, and Transport for Wales by all parties remaining actively involved in rail services;
 - b) enhance the customer experience further with particular focus on improving stations, ticketing, fares and rolling stock;
 - c) enable community stakeholders, such as community rail partnerships, to help shape and play an active role in the future of the franchise;
 - d) facilitate passenger growth through incentivising the operator and providing additional capacity if required;
 - e) support flexibility in the implementation of the franchise contract; and

- f) enable effective integration with the wider GB rail network to support one network, by maintaining seamless cross border passenger and market flows.

Procurement, development and delivery of the rail franchise and South Wales Metro

- 4) The Welsh Government is procuring an Operator and Development Partnership (ODP) for the provision of passenger services on the Wales and Border network. RDG supports the Welsh Government's policy of linking infrastructure development and management to train operations. We believe this represents a significant step forward in driving further value from the rail network and creates new opportunities for collaboration and further passenger benefits.
- 5) We strongly support collaboration through the alignment of incentives between infrastructure provider and operators. Further passenger benefits could be unlocked in Wales through aligning the outcomes of the infrastructure manager and the operator, for example performance targets and creating additional capacity through optimisation of the network.
- 6) The role played by Welsh Government in developing the franchise specification linking the specification to local and regional wider economic needs is welcomed. The benefit of devolved specification of rail services is that the service provision can meet the aspirations of the local passenger; this in turn can increase accountability and produce a closer relationship between those who deliver the railway the wider society, and the economies it enables.
- 7) The Welsh Government may wish to consider the use of balanced scorecard to be used throughout the life of the franchise to provide a transparent view of performance and demonstrate the economic benefit of this contract on the Welsh and wider GB economy, as well as the service level provided to customers.

Franchise Specification and South Metro Delivery

- 8) RDG would encourage the Welsh Government to consider the themes set out below as part of its specification process, to ensure the Wales and Borders franchise and South Wales Metro meet the needs of passengers, stakeholders and taxpayers, whilst delivering value for money.

Government collaboration

- 9) RDG strongly supports close working relationships between the Welsh and UK Governments to ensure that the services delivered by the Wales and Borders franchise remains part of an integrated GB network; providing the passenger with easy access to the rest of the rail network, as well as maintaining or enhancing the current level of cross-border services.

Stations

- 10) In 2015 the RDG produced its [*Vision for Stations*](#), which set out nine principles for the design and development of Britain's future stations, one of which is to reflect local needs and opportunities. Stations are there to allow customers to get on and off trains, the key function needed by the rail industry, but equally they can

create thriving spaces for local communities with retail, leisure and other amenities. The specification and delivery process presents the opportunity.

- 11) Later in 2017, the RDG will be publishing a research study on contribution of stations to thriving communities and economies. The study covers key learning for how this could be delivered, and may be of particular use to the committee and Transport for Wales.

Community

- 12) Facilitating more active engagement of the local community; Community Rail, which involves local people working in partnership with the rail industry, has proven a successful concept, with almost 50 Community Rail Partnerships (CRPs), and the generation of passenger demand growth that has exceeded the averages for the regional sector and the network as a whole. The RDG strongly supports community rail partnerships.

Retailing

- 13) The franchise specification should be aligned to the RDG retailing vision, which aims to provide customers with an easy-to-understand and convenient-to-use ticketing proposition. The RDG retailing vision is to enable passengers to have tickets linked to a range of devices, including their smartphones and bank cards, so that they can easily access their tickets and gain entry to trains, without the need to print out paper tickets if they wish. The future Wales and Borders franchise and South Wales Metro operator should be incentivised to drive forward digital ticketing innovation that improves the customer experience in line with the principles of the RDG retail vision; [a railway for the digital age](#).

Fares

- 14) We recognise that many customers find getting the best fare for their journey complicated, and the industry is working with governments to simplify this; so that customers can have confidence in buying the right ticket for them. The fares and ticketing policy for this franchise should align with the fares reform agenda the RDG has recently set out, which seeks to removed outdated fares regulation, and allow the franchisee sufficient freedom to innovate in meeting customer expectations in this area. The franchise specifiers need to provide sufficient space to the operator to facilitate changes to the current fares regulation, set out through the Ticketing and Settlement Agreement. By facilitating changes this can remove major obstacles in ensuring every customer finds the right fare for their journey. The benefits and challenges resulting from fares reform, as well as identifying the winners and losers need to be understood, before wholesale change is undertaken.

Rolling Stock

- 15) The current average age of rolling stock in the Wales and Borders franchise is more than 27 years, this is higher than the national average. The Welsh Government will need to work collaboratively with the operator, and the supply chain to ensure sufficient funding is available to meet the aspirations of customers and stakeholders regarding rolling stock renewal. The Welsh Government will also need to work with the market to consider the vehicle accessibility standards applicable from 2020, these standards will impact the

current rolling stock used by the Wales and Borders franchisee.

Integration of services

16) The current franchise was let and managed by DfT as part of a wider network covering the whole of Great Britain. With the specification and management of rail services being devolved to Cardiff, integration with the wider GB network needs to be maintained. This is particularly relevant for cross-border flows and the new interfaces created with the Metro.

Plan for growth

17) When the current franchise was originally let, the rate of passenger growth was not foreseen. We expect that passenger growth will continue to rise, particularly around the main conurbations, and as such believe that the future franchise should be let on a basis that can respond to increasing demand.

Balancing the level of financial risk transfer to the private sector

18) The Welsh Government will need to consider the level and nature of financial risk transfer to the private sector that it wishes to achieve through the franchising process. RDG would recommend that Welsh Government ensures that the risk transferred achieves value for money and is sustainable for all parties, including the taxpayer.

Flexibility in franchise management

19) During the current franchise term, operated by Arriva Trains Wales, there has been investment both by the Government and the operator, with approximately £35 million of investment from the operator. This level of investment was not foreseen at the start of the franchise. RDG would recommend that there is sufficient flexibility in the next contract to enable additional investment to be made to meet changing demands. A suitable benefit share mechanism can be used to ensure all contractual partners are incentivised to make additional investment.

Contract duration

20) We support the longer contract term put forward by the specifier, and are encouraged by the consideration given to encouraging the delivery of benefits in the latter part of the contract.

Summary

21) RDG has been encouraged by the progress made to date by the Welsh Government in the procurement of the next rail franchise for Wales. The plans for the a vertically integrated valleys network will provide the GB network with an interesting example of the benefits of greater collaboration between track and train.

For enquiries regarding this consultation response, please contact:

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