



HOUSE OF LORDS

Revised transcript of evidence taken before
The Select Committee on Economic Affairs

Inquiry on

THE ECONOMIC CASE FOR HS2

Evidence Session No. 18 Heard in Public Questions 203 - 215

TUESDAY 2 DECEMBER 2014

4.40 pm

Witnesses: Richard Scott and Richard Brooks

Members present

Lord Hollick (Chairman)
 Baroness Blackstone
 Lord Carrington of Fulham
 Lord Griffiths of Fforestfach
 Lord Lawson of Blaby
 Lord McFall of Alcluith
 Lord May of Oxford
 Lord Rowe-Beedoe
 Lord Skidelsky
 Baroness Wheatcroft

Examination of Witnesses

Richard Scott, Director of Corporate Affairs, Virgin Trains, and **Richard Brooks**,
 Commercial Director, London Midland

Q203 The Chairman: Mr Scott, Mr Brooks, thank you very much indeed for joining us today. As you know, this is the eighteenth meeting of the Committee looking into the economic case for HS2, and two franchise operators would have a very good grasp, we hope, of the economic case. One of the principal points that has been made to us about the need for HS2 is about capacity. We have had an interesting exchange of letters with the Department for Transport to find out where the capacity constraints are, but it would be very helpful to hear from you at first hand about the capacity problems. Also, can you help us by identifying not only the times of day but whether they are commuter lines, relatively short-distance journeys, or longer-distance journeys? If I can also add a supplementary right at the start, how do you cope with these peaks, and what have you done to address these problems? Who would like to start?

Richard Scott: Thank you, Chairman. I think the first thing to say is that there is certainly lack of capacity on the West Coast Main Line. We at Virgin Trains, of course, are mainly responsible for long-distance services. We would say that there is a lack of capacity and that it is manifested in overcrowding on some services. We have seen the number of passenger journeys more than double since we took over the line in 1997. It was about 14 million journeys a year; it is now around 34 million journeys a year. There has been a significant growth in demand from people along the West Coast Main Line. There are significant periods where demand is above capacity. This can be during peak periods, but it can also be during off-peak periods. For example, the first off-peak service after a peak period tends to be very busy Friday-night services, Sunday-afternoon services, services when there is a significant sporting event on, for example. All the evidence that we can see suggests that that demand is going to continue to increase. Our best estimate is that unconstrained demand would grow by more than 60% by 2026.

Richard Brooks: We obviously operate the shorter-distance services, although we do have services coming down from the Trent Valley and from Birmingham as well down to Euston. Certainly, yes, capacity is a challenge. I would say that it is a good challenge because it means that we have to deal with growth, which is good. Our biggest challenges are in the high-peak hour, which are the 8 to 9 o'clock arrivals into Euston.

On the information that has been published, 12 months ago we had three of the top 10 overcrowded trains on the network. We have already done something about two of those and the third one will be resolved this December. Again, we have seen excellent growth since 2007 when we became a franchise.

In terms of going forward, we introduced new trains back in 2008. We are introducing 10 new trains across our operation, seven of those with the new timetable that starts on 14 December. But growth is a good thing and it is not stopping, so I think capacity will be an ongoing challenge in the years to come.

The Chairman: The problem, essentially, is the London terminus or coming into London rather than the other cities that you serve?

Richard Brooks: We have similar capacity issues in the West Midlands, but again that is about peak travel. Probably the other area that you may link into this discussion is the Trent Valley route, and we have some capacity issues especially with leisure travel on the Trent Valley. Potentially I see this being an opportunity to look at those capacity issues as well.

Richard Scott: Certainly, the capacity issues are more acute at the southern end of the line, but they are not limited to the southern end by any stretch of the imagination. Services to and from Manchester can be extremely busy, for example. We run services to Manchester every 20 minutes but that is still not enough in some cases.

Q204 The Chairman: You have been very successful in taking measures to increase capacity without huge disruption to the line. Is there more that you can do in that regard?

Richard Brooks: From our perspective, we are doing more from the timetable that starts in a couple of weeks' time. That has been about increasing the speed of our trains up to 110 miles an hour, which means that we can get additional paths in between the faster version services on the same route. That has been very successful. However, I believe that will see all the peak paths, certainly in the high-peak hour, being occupied into Euston from December. My understanding is that there are no more paths in from that point in time. Therefore, the only opportunity that we would have would be to lengthen trains: increasing our trains that are not currently 12 cars long up to eight or 12-car trains. That is really the opportunity. If you are looking at an opportunity to increase capacity, it is about longer trains as opposed to more trains.

Richard Scott: Similarly, with the new franchise that we are in now, which started back in June this year, one of the commitments that we made as part of that was to change one of the first-class cars on the nine-carriage trains to standard class. That releases an extra 2,100 seats a day on a net basis, but that is not a long-term solution by any means. Clearly, we need to cater for first-class passengers just as we need to cater for standard-class passengers. We are limited in what we can do there.

Other avenues that could be taken are infrastructure changes, lengthening trains and lengthening platforms. My colleague here would not thank me for saying this, but we could

steal all the fast paths off London Midland out of Euston, in theory, and use them for long-distance services. Even if you did all that, we believe that it would still only get you, at an absolute maximum, to 2035. That would be with zero resilience, which would clearly be unacceptable, and with years, if not decades, of disruption for travellers.

Richard Brooks: Similarly, we probably believe that with the work that we have done that by maximising capacity, which we reckon would probably take between now and 2026, something like 18 additional trains as such, that would only last until 2026.

Q205 Baroness Blackstone: You have confirmed what Professor Stephen Glaister told us: that capacity problems are largely a peak-time issue. You have given some solutions to this such as longer trains or removing first-class carriages, but neither of you mentioned pricing policy. Professor Glaister thought that with skilful pricing policy, at least for the foreseeable future, your capacity problems could be solved at peak time. Would you agree?

Richard Brooks: No. I think that pricing has a part to play. I think pricing will drive some different behaviours. However, I think there are a number of factors that are decision-makers for a person as to when they travel, so although it may certainly help and there are ways, maybe around the shoulder peak hours, in which you could do something there, personally I do not think that would solve the problem.

Richard Scott: I agree. It is not purely a peak-time issue. As I say, on Friday evenings, Sunday afternoons, with sporting events, we have significant capacity issues that we have to deal with. People who want to go to a football match want to be there at a certain time. People who have to be in work at a certain time cannot be moved on to other services very easily. In theory, you could take some steps to change pricing, increase the number of bands instead of peak and off-peak, increase the number of bands of pricing that you have. You could increase the prices of the very busy services, but what you will be talking about there is pricing people off the railways in some cases, which is not what we want to do. We do not want this to be a railway for the elite. It should be a railway for everyone. Of course, if you are talking about more bands of pricing, you are talking about more complicated ticketing as well.

Baroness Blackstone: Are there any constraints from the Department for Transport on the pricing policies that you can introduce and run? Are these a problem for you at present?

Richard Brooks: I would not necessarily call them constraints. There are regulations around regulated pricing, the regulated and unregulated fares, and there are rules around who is a lead operator. If you are the lead operator between two points, you have certain things you can introduce. Where we operate on the same route in different places we are either lead or secondary. If you are the secondary operator you may have a bit more freedom to do things

with fares. I would not say that it is necessarily a constraint, but there are certainly rules and regulations that we have to work within with our pricing structures.

Baroness Blackstone: If those regulations were less restrictive, would that help you to spread the load a bit more across the day?

Richard Scott: I suppose in relation to what I said previously, in theory you could bring in more bands and change the pricing structure. So in theory you could do it, but what you are doing in reality is potentially choking off demand. You are not increasing supply to meet the demand, which I am not sure is necessarily where we want to go. I think all the train operators have systems where you can buy advance tickets. We certainly have a number of tiers of advance tickets similar to if you were to fly with an airline. When the tickets go on sale, the cheapest tickets are available. When that tier sells out, then the next tier is available and so on until it gets to the most expensive tickets on the day of travel. There are things that we already do to try to encourage people on to the cheapest services, such as by buying in advance, and they can see which trains are cheaper. There are some measures that we take already but they will not be enough in the long term.

Baroness Blackstone: Can I ask one more question? You obviously run West Coast Main Line trains, but are there not even bigger capacity problems on some of the other services in and out of London? Why should we put so much investment into this particular line, possibly at the expense of these other parts of the rail network?

Richard Scott: I think the other train operators would be best placed to answer that, and the DfT and Network Rail—

Baroness Blackstone: You must have a view about it, though.

Richard Scott: Certainly I would say that the West Coast Main Line is the busiest mixed-use line in Europe. It has passenger services, freight services, fast services, slow services, different frequencies and different lines coming in and joining it. It is an exceptionally complex operation, so there is a clear need for extra capacity.

Q206 Lord Lawson of Blaby: My question follows on from what Baroness Blackstone was saying. You mentioned that the Department for Transport has all sorts of regulations that affect ticket prices, to which you are subject. If tomorrow they abolished all those regulations, would you change anything—and, if so, what?

Richard Brooks: You may. I think you can suggest why fares are regulated. Regulated fares tend to be in place to ensure that at times where people have to travel, at the peak if they are travelling to work, those fares are regulated to the increase that you can make.

There are other things around price elasticity or whatever that would stop you putting fares up if you really wanted to, because, as Mr Scott said, you would drive people to other modes of transport. Personally, I do not think that we would do that much. I think that many people have learnt over the last 10 years that we need to simplify the fare structure and make it clearer as opposed to adding more to it. I would be worried that people already think it is complex, even though I would say that it is no more complex than many other travel industries. My worry would be the perception that we were making it even more complex. So personally I do not think I would make any drastic changes.

Richard Scott: I would echo that. A lot of the criticism that is often levelled at train companies is about the complexity of the ticketing system. If you work in the industry you probably do not see it as that complex, but a lot of people do. You would be talking about making it more complex to manage the demand more effectively, but you are not solving the problem fundamentally by adding the capacity that is needed. If we are talking about unconstrained demand growing by more than 60% by 2026, there is a demand from people to travel. Now, it may be a political question of whether you want to allow people to travel. We would say that you do and that you should provide for what the public want.

Lord Lawson of Blaby: So these regulations are serving no purpose whatever?

Richard Scott: That is not what I would say. The Government and the DfT will act in what they see as the interests of the passengers. We operate within that framework, and questions for that framework are for the DfT.

Q207 Baroness Wheatcroft: You are open to discouraging people from travelling, but I would like you to ponder the question: is your journey really necessary? The Government's forecasts for HS2 are based on growth of 2.2% a year up until 2036 in travelling on your rail lines. Could you tell me what proportion of travel at the moment is business-related? Obviously, if people are going to football matches they are going to want to go to football matches, but the ability to work from home, to video conference and so on, is greater than it has ever been. Will there come a stage when people do not need to travel as much as they are doing now?

Richard Scott: The short answer is that I would not like to crystal ball gaze, but people have been talking about video conferencing for a number of years. We have not seen demand turn negative; it has been growing by more than 4% a year since we took over the franchise. Video conferencing has been around, but people still travel. They want to make business deals face to face. Employers still generally require people in the office. They want to go to the football

match. It is possible that if no one had ever invented video conferencing the demand would have been even higher, but it is certainly not turning it negative.

Richard Brooks: I would take that view.

Baroness Wheatcroft: And the proportion of journeys that are for business?

Richard Scott: I did ask the team before coming. This is one of those commercially sensitive questions, I am afraid, so they wanted me to say “significant”.

Baroness Wheatcroft: That does not help us in amassing the argument for the economic case.

Richard Scott: I appreciate that. My apologies.

Q208 Baroness Blackstone: We were told by the French that something like two-thirds of travel on the TGV network is for personal reasons and only about a third of it is for business. Would it be reasonable to assume that the proportions are similar in this country?

Richard Scott: I would not object to that characterisation.

The Chairman: “Significant” I think you said?

Richard Scott: Significant.

The Chairman: It is more than a quarter but less than a third?

Richard Scott: More than a quarter, certainly.

Lord Skidelsky: Can I ask a supplementary to Lady Wheatcroft? We have an interesting graph in our notes that shows the increase in annual passenger journeys—thousands to and from London—and that basically it has doubled. That increase in demand for rail travel has gone on. In fact, if anything, it has accelerated over the last five years. In that period, GDP—the value of activity in the economy—dropped by 5%. It has now picked up again. Over much of the period the economy was smaller than it had been, yet the demand for rail travel rose despite that and even accelerated. Why do you think that was? Is a substitution going on? Are people abandoning cars and travelling more by train? On the face of it, it is a little puzzling: less activity but more demand for rail travel.

Richard Brooks: There are two things that we take into account. One is GDP and one is central London employment. Both of those we use as factors. Our view is that during that period there were a number of things, but I think the price of motoring is one of them. The price of motoring for younger people is one. I absolutely do think that we very much provide a value for money way of travelling; Richard mentioned advance purchase tickets. Certainly, if you book in advance, we provide excellent value for money. Maybe during that period people were looking for value for money journeys.

Lord Skidelsky: But surely the pricing policy cannot wholly explain the big increase in passenger demand or freight demand—presumably it is both—at a time when the economy was for most of that time quite considerably smaller than it had been pre-crash.

Richard Scott: There is probably another factor as well in that I think service levels have generally improved on the railways, so people are more and more satisfied with their journeys. Certainly, we monitor our customers' feedback extremely closely and try to improve it wherever we can. We are pleased that we have continued to grow the number of journeys on the line. It might be a puzzle, but we would see it as good news.

Lord McFall of Alcluith: Given that the golden oldies travel a lot now on their senior rail cards, is that accountable for quite a number of increased journeys?

Richard Brooks: We are seeing growth across the board.

Lord McFall of Alcluith: Higher than normal growth with other age groups?

Richard Brooks: All the rail cards are showing excellent growth, whether it is the senior rail cards, families, the new two people—

Richard Scott: The couple's rail card, yes.

Richard Brooks: I think they are all very successful, to be honest.

The Chairman: Mr Scott, did I hear you correctly? You said that you anticipated or forecast a 60% increase in travelling, presumably on your service, between now and 2026, which is obviously substantially greater than 2.2% per annum?

Richard Scott: Yes.

The Chairman: What lies behind that forecast?

Richard Scott: That is our best modelling. It is important to say that it is unconstrained demand that we believe would go up by more than 60%, assuming there are no barriers.

Lord Skidelsky: How do you define unconstrained demand? I am just trying to pinpoint—

Richard Scott: If you did not put up fares to discourage people from travelling, if there were no capacity limits, that sort of thing.

Q209 Lord May of Oxford: To what extent do you think it is going to be possible to continue to add capacity to the West Coast Main Line, both in terms of more train paths and increasing capacity on existing trains? I notice that you have sketched some of the things that maybe you can do. I was not too keen on the one about altering the signals so that you ran the trains closer together, but maybe that is a good idea. In fact, more generally, do you agree with the recent conclusion of Network Rail that it is not going to be possible to introduce the new train paths that Virgin applied for from London to Blackpool North and Shrewsbury and

so on, which seems to be coming against what you would want to happen? What are your thoughts on those?

Richard Scott: Yes. There are a couple of things to note on the new services that are starting later this month to Blackpool and Shrewsbury. First of all, it has taken 24 months of negotiation to get them in place. There is one service a day in each direction to Blackpool and two services a day in each direction to Shrewsbury, so there are not a lot of services. It is not, crucially, additional paths into London. It is an extension of two existing services to the north, so that is the crucial fact. Even so, it has still taken 24 months of negotiation to get them in place. It is more a testimony to the hard work of the teams involved—Network Rail, Virgin Trains and DfT—to get these in place, rather than evidence of spare capacity.

Lord May of Oxford: Just one other follow-up question. Do you agree with the Government that the HS2 proposals as they stand are the best solution to tackle the capacity problem?

Richard Scott: There is certainly a capacity issue and the only practical solution, we believe to it, is a new line.

Q210 Lord McFall of Alcluith: The *Herald* today is saying that the West Coast Main Line service—and you heard my question about that—is going to be off for four days from Christmas and that passengers are going to avoid it. One of the reasons for the dismissal of improvements to the West Coast Main Line as an alternative to HS2 is the disruption that will be caused to existing services. Paul Plummer told the Committee that Network Rail had looked at improvements to it and concluded that to provide a similar level of capacity and connectivity would lead "to many, many thousands of weekends of disruption, preventing people from travelling in the country, weekend in, weekend out, over many, many years". I wonder if you could answer the question and give us a feel for that, which we did not get in the previous session.

Richard Scott: I certainly echo Network Rail's view that the level of disruption if you tried to do a patch-and-mend approach on the West Coast Main Line would just result in an unacceptable level of disruption, which is why we believe that the only solution is a new line.

Richard Brooks: The work that is going on over Christmas and into next year, and has already been going on this year at weekends, is resignalling at Watford. I would not say that it is a minor piece of work. It is quite significant but—

Lord McFall of Alcluith: I understand that there is a need for work to go on. In fact I have been a regular passenger with Virgin and I have no problems with it at all. It is a great service and I was glad to see it getting an extension on that. But surely to goodness there are looking to be quite considerable problems with a £2 billion Euston project.

Richard Scott: I noticed that your previous witness said that there were no plans on the table at the moment. We are feeding into the plans. We are in conversations with DfT, Network Rail and HS2 and we are keen to see those plans progressed in the best possible way, but there are no definite plans to comment on at the moment. Our focus is passengers. We believe the needs of the passenger should be put first. We are involved and that is our representation to the working group.

Richard Brooks: At this moment, as a franchise operator that is potentially running through to June 2017, based on a direct award negotiation, we are heavily involved in assisting HS2 and the DfT, and so are Richard's colleagues at Virgin Trains. We sit alongside each other. We are trying to look at the best way in which issues around the rebuilding time at Euston are dealt with to ensure that we provide a reliable service during that period.

Lord McFall of Alcluith: Professor Glaister told us that, "If your issue is with crowding on the London commute, then you might use some of the £30 billion to deal with that problem, not spend it in a way that is proposed here". Do you think that the alternatives to HS2 have been properly assessed, which he does not?

Richard Scott: Our view is that you cannot, in practical terms and acceptable terms, upgrade the line and provide the capacity that you need. The only practical solution that would be acceptable to passengers would be a new line. That is the only way you can provide a long-term capacity solution.

Richard Brooks: You mentioned the gaps between trains. Currently on the west coast, on the fast line you need three minutes between each train and on the slow line you need four minutes between them—the headway between the trains. There is no more capacity once the timetable changes in December. As I said, in that high-peak hour we will be absolutely at full capacity on the fast lines. There is so much you can do but there is very little more. There is a lot of talk about the digital railway so that you can have signalling that brings trains closer together, but I am not aware of any other option that would do what is required.

The Chairman: Just staying with this, do you think that the alternatives have been properly assessed? I was rather intrigued by a comment that your chief executive, Tony Collins, made when he said there are "lot of things you can do to increase capacity. That is why we really need the franchising process to encourage that sort of investment". Can you explain what he meant by that?

Richard Scott: Yes. Our old chief executive, I should say—

The Chairman: Your former chief executive. I am sure what he said is still cherished by his successor.

Richard Scott: Our view is that there are limits to what you can do with Victorian infrastructure, I am afraid. As Mr Brooks says, we are at the limits of peak paths unless you run trains even closer together in and out of Euston. You could lengthen platforms. You could lengthen trains. That is massive disruption for passengers for years if not decades at a time. You could try to straighten the track to make it a bit simpler and quicker. Again, there would be massive disruption and you are taking a patch-and-mend approach rather than delivering the capacity that is going to be needed long term.

The Chairman: Would you also apply that analysis to the HSUK proposals?

Richard Scott: I am not familiar with those, I am afraid.

Q211 Lord Griffiths of Fforestfach: The strategic case for HS2 stated that when it was completed, towns and cities that at present have direct access to London would either retain a service at the same level that they have at present or as a result of HS2 would be improved. Do you think that is doable?

Richard Scott: There is clearly a lot of detail still to be worked out for HS2 and the key here is the timetable, which we do not have. That timetable will be key to whether communities are well served, as well as the integration on an operational level with the classic network and the high-speed network, so that between the two as many communities and passengers are served in the best possible ways as they can be. But there is clearly detail still to be worked out.

Lord Griffiths of Fforestfach: Your former chief executive, Tony Collins, said that there would be “more winners than losers”, so he was assuming that there would be losers. Then he said that in his judgment HS2 or Virgin Trains would get something like 40% of the current revenue from the West Coast Main Line. He said that what was left may not be profitable for the others, so there was a question of viability. He was questioning whether you could have a fully integrated system providing the level of service that it provides today, because Virgin Trains would be taking more and there was not enough left for others to provide the service they are providing. Do you think he had a point?

Richard Scott: There is clearly a lot of competition on the line at present. Several operators compete for services by offering different products. HS2 would be another one of those. We believe that capacity is needed and that demand will continue to rise. If a new line is the only way practically to provide that, which we believe it will be, you could say there must by definition be more losers than winners if you do not do it.

Lord Griffiths of Fforestfach: We are told that Virgin Trains has raised this issue with the Secretary of State for Transport, have you received a satisfactory answer?

Richard Scott: I am not familiar with exactly what Mr Collins has raised, but I would be very happy to check to see whether we had a response and what it was.

Lord Griffiths of Fforestfach: If you could that would be most helpful. Thank you.

Q212 The Chairman: Can we just come to speed? HS2 can run at 230 miles per hour, maybe even faster. As train operators, is it important that you run at 230 miles rather than 175 miles an hour, for instance? Apparently the difference between the two is a not insignificant additional investment.

Richard Scott: The message that certainly we get from our passengers and communities along the line is that they are always asking us for additional stops or changes to our stopping patterns so that they can connect to our services, and they want faster services and frequent direct services. They like the services. They get them to where they are going the quickest. There is clearly a demand for faster services. It is probably not for me to judge how fast one needs to go to get to where you need to be.

The Chairman: If you get the additional capacity so that you can run more trains, the additional speed—and they have to be built in a certain way to get that additional speed—may not be essential to the success of your business plan.

Richard Brooks: I do not think we have looked at speeds at that magnitude.

Richard Scott: That BCR is one for the DfT and HS2 to work out.

The Chairman: You are quite happy with a mid-range Ford rather than a Maserati?

Richard Scott: We know that speed is important to our passengers. We go at 125 miles an hour. They like that.

Q213 Lord Rowe-Beddoe: We would welcome your views now on future franchising. In its written evidence, the Department for Transport suggested that there is a “working assumption that passenger service on HS2 could be franchised in a similar way to other national rail services”. They also went on to say that, “no commercial structures have been ruled out”. What are your comments?

Richard Scott: On integrating the franchises, it is for the DfT and the Government to decide what they want to do. We do believe that on an operational level any new services on HS2 should certainly be integrated with the classic network, whether this is ensuring that communities are served properly by either network, whether you can buy through-tickets from one destination to another that utilises both networks or whether it is the high-speed trains moving on to the classic network when they get off, let us say, north of Birmingham after phase one. There are a number of operational issues and they certainly need to be integrated effectively.

Lord Rowe-Beddoe: I like the definition "classic network". Is that yours?

Richard Scott: I am not going to take credit.

Richard Brooks: No, it is a phrase that is often used and the important thing is that this must be seen as an integrated network.

Lord Rowe-Beddoe: Good, because the West Midlands Integrated Transport Authority suggested that the HS2 should be fully integrated with the West Coast Main Line and with the East Coast Main Line run separately, no?

Richard Scott: I am not entirely sure what they mean, but certainly operationally everything should be run as one giant network for the benefit of passengers.

Richard Brooks: That is important where we are the franchised operators. It is not our place to decide on the future of franchises.

Lord Rowe-Beddoe: But you have a view perhaps as to what you would like—

Richard Brooks: My view and the view of my organisation would be that it is important that it is seen as an integrated network. That is the critical part for us, as opposed to however it may be: franchised or not franchised.

Lord Rowe-Beddoe: Integrated with the classic.

Richard Brooks: Classic, absolutely.

Q214 Lord Lawson of Blaby: If Virgin Trains were the franchise operator for HS2 and you had complete freedom of ticketing, would you want to charge a premium fare for this premium service?

Richard Scott: Clearly the fares will ultimately depend on how the franchise, assuming it is a franchise, is operated and the costs of the network of the premium that the Government requires, but there is simply not the detail at the moment to do that. We are a long, long way from that.

Lord Lawson of Blaby: Can I also raise something that is puzzling me? I do not know whether either of you can answer it, but as we have gone through this inquiry—and not just this afternoon but earlier—I have become more and more puzzled by the fact that we are told that there is a serious capacity problem and that rail capacity has to be increased substantially for its own future growth, yet the taxpayer is going to be asked to pay a massive mind-boggling subsidy in order to finance this, which probably also means, because of the burden on the public finances, that other things, whether it is the health service or education or whatever, will not have as much money spent on them as they otherwise would. Why on earth, if there is this huge unsatisfied demand, can these train services not pay their way?

Richard Scott: How to finance that is probably a question for the Government, I am afraid, and the DfT.

The Chairman: Can I just probe a bit more on local, national and long-distance services? Are the passengers who use Virgin services for commuter journeys for instance, for example from Milton Keynes to London, counted as long-distance passengers in the official statistics, or is that a short commuter line?

Richard Scott: I believe they are on the cusp. Anywhere north of Milton Keynes is long distance.

The Chairman: I see. So the commuter statistics would include that.

Richard Scott: I believe so, but I will double check and get back to the Committee.

Q215 The Chairman: Finally, we touched earlier on the question of internet connectivity and video links and this sort of thing. We travelled to Manchester last week on a Virgin train and no internet connectivity was provided by the train. Is this something that you will be providing or that you have plans to provide?

Richard Scott: We have been pretty clear, I hope, that our current wi-fi offering on board is not good enough. We currently offer free wi-fi for people in first class and we charge for people in standard class. Since we were awarded the new franchise in June we started a programme immediately of upgrading the on-board Wi-Fi, so it is under way at the moment. This will upgrade it from 3 megabits per second to 12 megabits per second on board, and we are also installing free and superfast wi-fi at the 17 stations that we control.

There is also a longer term ambition that we are in discussions with Network Rail to provide free and superfast internet connectivity on board to all passengers, but that requires line side and trackside infrastructure to be installed by Network Rail.

The Chairman: When all this investment is made and there is superfast high-speed connectivity on the train, then in a sense whether the train takes an extra 10 minutes or not does not make a lot of difference, does it? I would have thought particularly that the business traveller is able to stay fully connected for the entire journey, whether it is 10 minutes longer or 10 minutes shorter.

Richard Scott: Certainly they would be able to work effectively. That would be the aim, absolutely, but of course that still does not address the capacity issue.

The Chairman: Finally, on this issue, the question of video conferencing is one thing, but once superfast broadband is introduced throughout the country, is that not going to change work patterns and therefore travel patterns? Is there any evidence from any other countries, such as Scandinavia maybe or South Korea, that informs your forward thinking about its

impact on travel demand, particularly from the business passenger who is obviously a significant percentage of your travel and possibly a large majority of your revenue?

Richard Scott: I am certainly not aware of any evidence on that basis. Demand has been increasing consistently in the 17 years we have run the franchise. We believe that it will continue to increase. It may be dented if we have a superfast broadband network everywhere, but people will still need to get to work, will still need to do business deals face to face and will still need to go to football matches.

The Chairman: Okay, thank you very much indeed for your evidence.