House of Commons

Welsh Affairs Committee

Oral evidence: The Wales and Borders Rail Franchise, HC 589

Monday 5 September 2016

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Watch the meeting

Members present: David T. C. Davies (Chair); Byron Davies; Chris Davies; Dr James Davies; Chris Elmore; Gerald Jones; Liz Saville Roberts; Craig Williams; Mr Mark Williams.

Questions 1-36

Witness

Professor Stuart Cole, Emeritus Professor of Transport, University of South Wales.

Written evidence from witnesses:

– Professor Stuart Cole

Examination of witness

Witness: Professor Cole.

Chair: Professor Cole, thank you very much for coming along today. We go back quite a long way—17 years, I think—and it is nice to see you again. You are still the foremost expert on transport and rail infrastructure in Wales, according to many reports.

Professor Cole: One of your predecessors was kind enough to say something like that.

Q1 **Chair:** Can I start with an open-ended question? I am just throwing this out as a debating point really. I was looking through some of the evidence we have and, correct me if I'm wrong, but I think the subsidy per passenger mile for Arriva Trains Wales was about 13p. I think that is about right; it was of that order anyway.

Professor Cole: Yes, okay.

Q2 **Chair:** It is perhaps a question that never gets asked, but when there is a big subsidy like that going in—of Government money—is there not an argument for saying that maybe we should stop subsidising the railways and that if people want to go from A to B cheaply, we should build more roads and make it easier to go by car or bus?

Professor Cole: There is an interesting set of questions there. I do not have the exact figure for the cost per passenger kilometre—passenger mile—in front of me, but I can find it among my papers.

In terms of subsidy, there are three comparable franchises in Great Britain. The Wales and Borders franchise has a subsidy figure of 61%—61% of its income comes from Government. The figure for the Northern franchise, based around Newcastle, is not dissimilar at 65%, and for ScotRail it is 57%. They are all of the same kind of order; there is no massive difference between them. That is our starting point. Then you find the subsidy per passenger—I'm sure you have it there, but I can always pull it out.

The issue then is what is the easiest way, and the most value-for-money way perhaps, of moving people? Certainly in big urban areas, the amount of space necessary to allow everybody to travel in in the morning and travel out in the evening by car just isn't there in most places. If we take the biggest conurbation in Wales, which is Cardiff-Newport, the space isn't there without demolishing perhaps a large chunk of Mr Williams's constituency along the A470. Therefore, the only way to really move people into the centre of those big cities is by bus or by train. In Cardiff, it's by train or tram, but it has to be some kind of mass transit.

In rural areas, you have a different kind of discussion. Should we just allow the public transport services to wither by not subsidising them? Should they be very expensive? Then it's a matter of social equity: what happens to people who do not have cars? I think that is the underlying feature there.

There is, of course, an argument within rural areas about railways versus bus transport. It depends on how well you manage to run the operation. You have things like the Heart of Wales line or the Conwy Valley line that are there—they are in situ—and therefore it is maintenance and operational costs that are incurred.

The other railway that has been under discussion recently is Carmarthen-Aberystwyth. That has to be rebuilt. The cost of rebuilding it is far in excess of any kind of reasonable rate of return. I have to declare an interest: I set up the TrawsCymru network for the Welsh Government. We have a very successful operation between Aberystwyth and Carmarthen currently, having increased demand from 80,000 two years ago to 273,000 in the last financial year by putting on a bus service that runs to time, that is comfortable, that people like and that has nice drivers—that kind of thing. That works because the infrastructure is already there. The cost per passenger mile in rural areas is normally £2.50 to £5.50. On that bus operation, it is 57p. It works because the infrastructure is there.

That is the decision that has to be made. Do you want to introduce more infrastructure, which is expensive and in some cases not possible, like in the big cities because the space is not there? You therefore maybe take the cars away from the congested area, so that people can still make part of their journey by car, and instead have very effective park and ride facilities on the edges of Cardiff, with trains or trams, and in Swansea, with buses. That gives you the mix that enables the city to operate efficiently but has the motor car as part of the operation. For other people, the facility is there for them to travel in by public transport for the whole journey if they wish.

Chair: On the figures, by the way, I under-quoted—it is actually 13.07p per kilometre, not per mile. That is from the Office of Rail Regulation.

Professor Cole: That's from the Office of Rail Regulation, in its report.

Q3 **Chair:** It is a high figure. It is a higher figure for Wales than anywhere else—the only one that is higher is ScotRail in Scotland, according to the ORR.

Anyway, the next question is this. The 2003 franchise had a low-level specification and no allowance for growth in passenger numbers. If that had not been the case, what differences in service might we expect today?

Professor Cole: That franchise specification was flawed from the beginning. It had no growth. It had no increase in passenger seating and no increase in frequency of services. That was entirely specified by the Department for Transport and the Strategic Rail Authority, which was around at the time. It, for whatever reason, put in a franchise that was almost doomed to run into nothing, because that investment was not there.

What happened subsequently was that at considerably greater cost per train, the Welsh Government had to procure more trains in order to expand the size of the trains and to provide a more frequent service. That is what they have done, but had that been in the initial competition, it would have been achieved at a much lower price, because there would have been competitors looking to see how they could bring their price down compared with the other bidders for that franchise.

In the middle of the franchise, once it became clear that demand was not rising at zero, which had been assumed by the Department for Transport, but was in fact rising at about 8% per annum, that kind of increase in the investment in rolling stock then became necessary, but it came at a higher price per unit, which was almost inevitable, because the suppliers of those units—I may be being unfair to them, but one might imagine them thinking, "Well, we now have the Welsh Government over a barrel and therefore we can charge a higher price."

Q4 **Craig Williams:** On the back of both those questions and answers, I think universally it is accepted that it was a bad franchise, and Arriva Trains Wales has been in that scenario ever since. Commuter traffic in the Cardiff city region is going to grow by 68% by 2023, which is enormous. Does that compound the problem we have at the moment in terms of a bad franchise? How do we work that in?

Professor Cole: We now have an opportunity. I will take Cardiff as one example. There are two separate railways here that we are talking about. One is the Cardiff-Newport-Valleys operation, which has to be a metro. I will deal with that, because that was your question. The other is the rest of Wales, which requires a different kind of operation.

Turning to your specific question about the Cardiff-Newport conurbation, we now have the opportunity to make major changes, to look at what is needed in terms of an integrated policy, and to think, "What do we do about the roads?"—as you mentioned, Chair, a little earlier—and, "What do we do about the railways?". The area is too large. There are too many people moving in it for them to travel by road. We see it every morning on the M4 either side of Cardiff, either side of the Brynglas tunnels and down the valleys into Newport, Cardiff, on to the M4 and, indeed, in the Vale.

The opportunity is here to change that. It requires investment and, in my view, electrification because that is the fastest and most efficient way of moving people these days. There are a number of options other than oil to provide the energy source. Electric trains can be larger. They have faster acceleration, which therefore reduces journey times.

What has happened up to now is that the train network, in the peak, has become saturated. People are not able to get on trains, so they continue to travel into work by car. That being the case, if we want to persuade people to switch from car to train, we have to provide them with a facility and I think that the electric network does that.

The big decision then is: tram or train? Trams can carry more people per hour because it is possible to run more units per hour. With trains, the infrastructure is there. There is no new infrastructure to build other than the electrification—putting up the wires—and acquiring the trains. We have the opportunity and that opportunity has to be taken now.

If we look at comments that were made in 2013 by me and by both train-leasing companies, Angel Trains and Porterbrook, the decision should have been made then. But we are where we are, and a decision needs to be made now. Those new trains will not be here, unless we are very lucky, by October 2018 when this franchise ends.

Chair: I am just keeping an eye on the time because I think two Members have to leave a bit early. Liz Saville Roberts.

Q5 **Liz Saville Roberts:** Looking back over the 2003 franchise, could you evaluate to what degree it has been positive—or not—for the franchisor or the franchisee? The income generated to the franchisee is part of that. How does that compare with other franchises?

Professor Cole: The two franchises I mentioned—Northern and ScotRail—are the only ones we can really make a comparison with because others either involve big cities such as Birmingham or Manchester, or they involve London, so they are not comparable as a complete franchise.

Given the conditions that Arriva Trains were faced with, they have provided—I think—a reasonable service. Consumer satisfaction is not a long way from other companies. For example, the most recent figures I have, which are about three months old, show that Arriva had 92.8%, Northern Rail had 90.8% and ScotRail had 90.3%. On that basis, Arriva is not doing too badly on consumer satisfaction. There is overcrowding on peak trains, not just in the valleys and into Cardiff and Newport, but on the North Wales main line and, as I am sure Mr Williams will have heard, at the beginning and end of terms in and out of Aberystwyth.

The Welsh Government, in fairness, did try to get as many more trains as it could find, but the trains are just not there. It is only now that the Department for Transport has woken up to the fact that there is a need for new trains and new diesel trains because there are still large parts of the network that will not be electrified.

That takes me on to the other part of Wales outside the Cardiff-Newport area. Yes, they have done a good job with what they had—sometimes I am amazed at the number of trains their engineers manage to keep on the railway—but there is this opportunity now for us to get a really good network all round. Energy sources vary and fuel oil is the most variable; nobody quite knows what is going to happen to it. Nobody knew at the beginning of this franchise what was going to happen to that particular form of energy, and it is a major cost element in the business of running trains.

Q6 **Liz Saville Roberts:** Can you expand on that issue with diesel trains, which, if I remember correctly, you raised in your evidence, because it seems to be very important beyond the Cardiff-Newport area, as to the sort of services that we will have in the future?

Professor Cole: There are other opportunities and, I would hope, in the not-too-distant future. We are obviously concerned about electrification from Cardiff to Swansea; that is not yet determined. The people of north Wales would like to see the North Wales main line electrified, which it should have been when the West Coast main line was re-engineered after its initial electrification when, one might argue, the wires should have been put up to Holyhead—they were not, but there was justification. I have been in this business for a long time. I worked for Cheshire County Council in the 1970s and the evaluation that was carried out jointly with the Welsh counties showed that electrification was a justifiable investment all the way to Holyhead, so that opportunity should be looked at carefully.

At the moment, the Department for Transport is responsible for infrastructure in Wales—not the Welsh Government. We have this issue already coming up in terms of investment in the Valley lines electrification, but it is the DFT that is responsible and we have to get the North Wales main line further up its list of priorities. There is also the opportunity for the north-east Wales metro. At the moment, the electrification comes down as far as Chester from Liverpool. The Wrexham-Bidston line has been a Cinderella line for a long time and again there is the opportunity to electrify Chester, both stations in Wrexham, up to Bidston, which would then give a loop into the centre of Liverpool where people would be able to make those commuter journeys—rather than, for example, rebuilding the road from Queensferry to Liverpool up the Wirral, which has been discussed previously.

Q7 **Chris Davies:** Professor Cole, does Arriva Trains Wales get a proportionate share of Government funding when compared to Northern Rail and ScotRail? May I also ask—I declare, Chairman, that I am an honorary vice-president of the Heart of Wales line; we are 20 minutes into this evidence session and I have not heard it mentioned as yet—

Professor Cole: I did mention it once.

Chris Davies: It disappeared into south Wales and into north Wales, but it is a very valued line. We tend to think that, sadly, Arriva and the national Government do not invest as heavily into that line as perhaps they should. It would be very interesting to hear your professional view on that.

Professor Cole: I also have to declare an interest. I am president of the Heart of Wales Line Travellers' Association.

Chris Davies: You have trumped me there.

Professor Cole: Sorry about that. When I mentioned rural railways I was very careful, I think, about what I did say. The Heart of Wales line is there and it is a piece of infrastructure; therefore, we do not have an infrastructure issue. What we have on the Heart of Wales line is a frequency issue and how much an increased frequency, and therefore the generation of more passengers, would cost. Clearly, there is an argument for the through-service: Shrewsbury-Llanelli-Swansea. There is an argument for commuter services not going all the way along the line from some ridiculous time in the morning like 4 o'clock, when nobody wants to get on the train, but having a stabling point halfway along, or maybe two stabling points, overnight so that commuter services into Shrewsbury, and therefore the connecting trains at Shrewsbury into Manchester and Liverpool, can operate and pick up a lot more passengers without the cost of that train running all the way from Swansea.

Secondly, going into Llanelli and Swansea from some of the towns at the bottom end of the line, there is an argument for running commuter services there without the cost of running the train all the way from Shrewsbury. The Welsh Government then has a choice of either using those savings to put an additional daily service—from four trains to five trains—as a through-service on that line, or it can just cut the cost of operating that particular route. It therefore has an important element as a commuter railway and as a railway for people in an area where bus services have declined considerably—between, say, Llandeilo up to Llandrindod and the English border at Knighton.

When considering that line, there are opportunities to increase revenue, and therefore to reduce the deficit. There are opportunities to generate even more revenue by promoting it as a tourist line. We have a lot of tourists on that line, but there is an opportunity to get a lot more. Maybe we are now in a position to say, "Yes, we have older trains on those lines because most of the trains in Wales—something like 70% of the Wales and Borders franchise fleet—cannot be used after 2020." There are a number of options available. I do not think that electrification is one of them—it is not a viable proposition—but new diesel trains are and maybe the old District line stock, which is being rebuilt by a company called Vivarail. I have seen their operation, and they now have one train in test on one of the main lines. We shall see how that operates, but it might be the answer. It is a low-cost option to run on a rural railway like the Heart of Wales line.

Q8 **Chris Davies:** You have mentioned during your evidence that there are many opportunities. Do you see those opportunities being fulfilled?

Professor Cole: There needs to be a lot of effort—more than at present. There has to be a rethink of how the trains are operated on that line, particularly in terms of commuting. The two markets available to us on that line are commuters and tourists—there is a local market as well, but that is a relatively low part of the total market. Consequently, it is those two markets that have to be promoted if we are to make that line much more of a success. We have to look at the costs of operating the railway. There are other options, such as light rail, but I think that for the moment we have a heavy rail operation there, so we have to find the lowest cost of operating that safely and getting more people on to it.

Q9 **Craig Williams:** You have alluded to this a couple of times—they were given the franchise, but the consequence of that is that Arriva Trains Wales now have very old rolling stock. Given the growth in passenger numbers, journeys and the old rolling stock, are you surprised that they have been meeting their public performance measure? Can you enlighten us on how you think they are doing that?

Professor Cole: I am amazed that they do it. I put it down to their engineers. I have often said that I am very impressed by their performance as an engineering team, because some of those trains, as you say, are 40 years old. They become unusable not just under European Union legislation but under British legislation, which was more stringent than the EU rules in terms of those types of trains. They are not accessible for people with various disabilities, and they are therefore not usable after 2020 unless, of course, a derogation is obtained for those trains—there are many of them, not just in Wales. A derogation has to be obtained by or given by the DFT to use old trains, but we do not want to be the country that has the derogated trains. We already suffer from being the only country in Europe, apart from Albania and Moldova, that does not have electric trains. We do not want another criticism of our railway. We now have to find ways of investing in new trains so that we are not dependent on skilled engineers keeping old trains going. Sometimes they win and sometimes they don't.

Q10 **Craig Williams:** Can I tease out the details on getting the new trains? Given that 2020 deadline, to receive new stock to replace the whole rolling stock, you would have to start ordering now, or perhaps to have started a year ago.

Professor Cole: You would certainly have to start ordering now. The delivery time for new trains is, generally speaking, two to three years for electric and three to four years for diesel trains. It is not my research saying that; that is what two of the biggest rolling stock companies, Angel and Porterbrook, said in their evidence—they have said it often enough—to the National Assembly in 2013. It had become quite clear, from that point, that if new trains were to be available by the start of the new franchise, the ordering had to be done in 2014. It was not done, for various reasons, one of which is that the Welsh Government still do not have control of the franchise, as the franchisor. That means that we will be lucky to get those trains in place by 2020 unless they are ordered now, because the rest of them are still going to be diesel, so we will need to order those diesel trains.

Q11 **Craig Williams:** What is the quickest way to get them ordering? Would it be an extension of the current franchise, or to go through the whole franchise?

Professor Cole: You could turn the present franchise into a management contract. Extending the franchise with the incumbent company, Arriva, not knowing whether or not they will get it would not give them any real incentive—not to not do a proper job, but to do the job as we might expect them to do it. It would not be fair. They may not get the contract, so why should they do something that would benefit another company?

A management contract is an option. That is what happened with the Great Western main line. Because the electrification has not been completed, the Department for Transport decided to give that to Great Western Railway to continue their operation as a management contract. That means that the Welsh Government, if they are in charge of the franchise, or the Welsh Government with DFT, would be the organisation that would specify everything and so control the management of the transition.

Whoever does it, the orders have to be done now. We could be lucky and find that there is an order in place at one of the big manufacturers—there are only three: Siemens, Bombardier and Hitachi. If one of those has an order for British trains, we could then tag on to the end of that. Even though they might be the same as a train that is being produced elsewhere, an order for Welsh-only trains could cost up to £5 million per carriage, I'm told.

Q12 **Chair:** That is £5 million per passenger carriage?

Professor Cole: Per unit. Not per train, but per carriage.

Q13 **Chair:** Presumably a train is a lot more expensive than a carriage.

Professor Cole: A train is at least four times that. The costs that have been quoted recently for trains being manufactured in large numbers is £1.25 million per unit. That is probably the cheapest, but it shows what happens if there is a big order in place for the same train. Organisations like London Transport have ordered large numbers of rolling stock, all exactly the same, from Bombardier for the District line, the Metropolitan line, the Hammersmith & City line, the Circle line and the new underground stock. They are buying thousands of units, which is how you get the costs down. We are talking about probably 200 units. We probably need 50 trains, diesel and electric.

Q14 **Chair:** It does not make any sense for a company like ATW to buy trains, or, indeed, any of them, because they do not know whether their contract is going to carry on, as you just pointed out. Wouldn't the sensible option be to just lease the trains and units—I don't know whether they do it monthly, weekly, or until the term of a contract expires? Surely that is the only possible way of doing it.

Professor Cole: That is a way of doing it; that is the way it happens now. There are rolling stock companies that are essentially financed by finance houses of one kind or another. Originally, they were owned by the banks; the banks sold the companies, and they are now funded by a series of finance houses. That is where the money comes from. They order the trains from the three primary manufacturers. Vivarail is a small manufacturer of complete rebuilds of ex-London Transport stock. They will be in negotiation with the Governments and the potential franchise bidders, not just for the Welsh franchise but for other franchises, to see what kind of trains they might want. They also have a good knowledge of the marketplace; they know the British network inside out and what trains can be used where. So will the people in the bidding companies. They are all experienced railway people.

So that is one way of doing it: the traditional or conventional current way. The other is for the Welsh Government to be a rolling stock company itself and to buy the trains, but that involves capital investment, which would require Treasury approval. The third is for a tripartite arrangement between the Welsh Government, the manufacturer and the finance house, so that effectively, the finance house would still own the trains and the Welsh Government would lease those trains, as do the ROSCOs. It would effectively become a ROSCO, but the funding would not be through the Welsh Government; it would be through a finance house.

Chair: Okay. That is quite a lot to take in and to think about.

Q15 **Mr Mark Williams:** It is good to see you back, Professor Cole. I want to ask you about passenger satisfaction. I suppose I should declare an interest as a twice-a-week user of the Shrewsbury to Aberystwyth service. I think it is fair to say that the approval ratings for Arriva Trains Wales have improved—certainly in the early days of the franchise every other letter in my postbag seemed to be an issue of concern one way or another. The situation has improved; that is borne out by the passenger satisfaction statistics, and the Welsh Government have told us that overall, they consider that services provided by Arriva Trains Wales have been good. However, the Department for Transport has highlighted a number of areas where the most recent figures have nosedived a bit. I am keen to understand why you think they might have done so.

On things like sufficient room for all passengers, you mentioned a particular concern in my constituency: it is not just students; there are weekly occurrences of people having nowhere to sit. On connections with other forms of public transport, I appreciate the work you have done, particularly on the bus and coach network across mid and west Wales, but there are still concerns about connectivity. There is also the availability of staff on those services. We have mentioned the upkeep and repair of trains, and punctuality and reliability. Overall, yes, there are improvements, but the DFT indicated that there were still grounds for improvement. First, I am keen to understand why you think those issues have arisen, admittedly in the general context of some improvement.

Professor Cole: I note your figures. In fact, I was looking at Transport Focus figures which show a similar decline from the upper 80s in 2012, for example, going through the year 2012, a peak in the spring of 2015 and an 89% overall satisfaction rate with the service, now down to 82%. That is the overall picture of Arriva's operation. It requires a degree of breaking down those figures to see which parts of the service have declined.

Arriva has a variety of services: it has services like Aberystwyth to Shrewsbury, which you might call rural services; it has services like the Heart of Wales line and the Conwy Valley line; it has urban commuter services in Cardiff and Newport; and it has long-distance services, like Carmarthen to Manchester. Looking at each one of those, the figures vary even between types of user, not just between the individual services. You might find, for example, in mid-Wales—taking your area in particular—that the commuters complain; their satisfaction figure is down to 73%. For the business users though, who are probably making through-journeys in the main, it is 82%, and for the leisure users it is 84%. Those are high figures compared with other operations but, as you say, they are down from what they were a year or so ago.

It is very complex and it will depend on who has been writing in. Has it been commuters? Is it people who have been turning up late for work because there has been a delay on what is, effectively, a single-line track and the westbound train has not quite got there in time for the eastbound train? Leisure travellers do not worry too much about that; they are concerned more about cleanliness and reliability than about time keeping in particular. It is a bit difficult to explain exactly why, without looking in depth at each of the types of operation and the types of traveller.

Q16 **Mr Mark Williams:** Do you think that that work goes on? I would argue that, whether you regularly commute between two stations on a daily basis or go down to Birmingham International Airport or wherever as a one-off from Aberystwyth, you have the same entitlement. I think that the assertion of some of us who use the service regularly would be, "Yes, there has been marked improvement but there is still marked room for improvement." Do you think the kind of detailed work that should be done on all the different criteria that we are using to judge the standard of the service is being addressed? That really is important and it relates to the question I was supposed to ask—rather than my parochial one about my service, for which you will forgive me—which was about the extent to which passenger satisfaction is driven by the fare or the specifics of the experience, which is by and large good but in some instances not so good.

Professor Cole: Yes. All the franchise companies are aware because they receive a report from Passenger Focus. They have reports from the Office of Rail and Road. They have reports from DFT. They get letters. So it is not that they are not aware; it is sometimes difficult to do anything about it. I am not defending them particularly, but the level of satisfaction—

Q17 **Mr Mark Williams:** I agree with your comment there. When you have incredibly clapped-out old rolling stock that has been there for the length of time you have alluded to, it is very difficult to keep it clean, to keep the windows clean and to make sure the toilets work—all those practicalities that our constituents in mid and west Wales deal with. So I very much agree with what you have just said.

Professor Cole: A lot of it is to do with how old the trains are. There could be a process of deep cleaning. There is a process called deep cleaning, when you return the trains to almost the way they were when they were built. That was done once on Valley lines and there was a distinct improvement in the appearance of the trains internally. But they are old trains and they have a lot of people travelling on them.

Chair: I just gently say that we are going to run behind a little. I think, Mark, that you may have trespassed slightly on Chris Elmore's question. Chris, do you want to ask it now, or come back with a second question in a minute and I can go to Byron first? What would you like to do?

Q18 **Chris Elmore:** I will stick to the secondary part of the question, Chairman. In relation to the passenger satisfaction results, you have mentioned briefly the tired nature of carriages and so forth, but are the recent passenger satisfaction results also some people being tired of the lack of capacity within the stock? Is that something you think is now becoming—if you will pardon the pun—a rolling problem of the service?

Professor Cole: I remember it once being described to me in relation to the Waterloo and City line—"the drain", as it used to be called. They were terrible trains; they were old trains. We have old trains now. Passengers on trains live, in the main, in nice properties, and will compare the condition of the train and their travelling conditions with those of their own properties. The trains are old and well-used, and they get a lot more wear and tear than the average house, but people do make that comparison.

I think what people are looking for, really, is a reliable service. The market research shows that. They are looking for a reliable service: trains that turn up, trains that turn up on time, trains that deliver them to their destination at the time they are supposed to be delivered. They want easily found information on train times, and if there is a delay, they want to be able to find that delay very easily. The railways have come a long way in doing that, with real-time information systems online, at stations and on the telephone.

People are also looking for things like frequency and clean trains, as I said. At the moment, the only financial penalty on the train companies is for punctuality. That is the only financial penalty they have to pay in relation to what people are looking for. What is not there—this is not just from the point of view of the travelling public; it is from the train companies' point of view—is anything about real-time information and keeping that system going. There is nothing in there about the age of the train and the fact that they are old trains. From the point of view of Government as the funders of the subsidy, there is nothing in there about pushing up passenger numbers, reducing journey times or having clean trains, and therefore reducing the subsidy by pushing up revenue and pushing down costs as a result of newer trains.

Q19 **Chris Elmore:** Specifically on capacity, you mentioned increasing passenger numbers. I am very fortunate that in the southern part of my constituency, you can be at the far end of it in Cefn Cribwr and only five stops away from Cardiff Central station. The reality is that if you talk to constituents in the south—Tondu, Sarn, Pencoed or Llanharan, where a new station was opened by the Welsh Government in 2007—the constant complaint from them is, "Well, it's one carriage, so I'm not going to get on the train." Is capacity a specific problem? You cannot increase passenger numbers without having enough carriages to take the people, as an example.

Professor Cole: Absolutely right. The two things go together. The reason numbers are not increasing on Valley lines as much as the railway companies would like—and that I am sure the Government would like, and indeed passengers wishing to travel in by train instead of sitting on the A470 into Cardiff or the M4—is capacity on those units. The big stations have capacity. Bridgend has an InterCity 125 every hour. It also has an Arriva train at least every hour, and some twice an hour, so there are between two and three trains an hour at Bridgend, but at Llanharan or Pencoed, for example, there is one train an hour, and I think at some of those stations it may only be every two hours. Certainly, some of the Swansea stations only have trains every two hours.

If it is a one-car set, I think they are referring to the train from Shrewsbury, which goes to Cardiff. Most of the trains there are two-car sets, but to get people to use the trains from Llanharan, for example, the trains have to stop there. The stations were built for bigger trains than they are using. If we have electrification to Swansea, or even if we do not, they will be four-car sets. We will be looking for the same size trains, but stopping at those stations, therefore, with higher frequency.

Chair: Professor Cole, we are getting a bit short on time. We have seven or eight more questions. I hope I can persuade you to be a bit more concise, if that's all right.

Professor Cole: Okay. They are difficult questions, which I am enjoying.

Chair: I know. I appreciate your in-depth knowledge.

Q20 **Byron Davies:** Professor Cole, it is wonderful to sit in a similar forum to those that we have sat in previously at the other end of the M4.

Professor Cole: Indeed.

Q21 **Byron Davies:** You have said that a primary lesson is to effectively forecast and demand and take into account any potential shifts in demand and demand patterns, which I would have thought is a fairly fundamental approach and probably stating the obvious. Are you saying that the drivers of demand sufficiently understand this, and how do you think this might bring improvements to the franchise?

Professor Cole: In terms of the demand which is met by the railway, there was never any real, effective demand forecast for this franchise. At the time, DFT took little interest in many of the franchises, in terms of their forecasts. They had a forecast figure which was very low. It was 2.5% per annum.

Now, one might argue if one was being generous to DFT and say, "Well, maybe no one would have forecast the kind of increase in demand that took place from about the mid to late 2000s." So, 2007 onwards, including 2008, this demand started to rise, for a variety of reasons. People were fed up with congestion; they wanted to find another, quicker way of getting in to cities like Swansea, Newport, Cardiff, Wrexham and Chester, where a lot of people from north Wales work, but the capacity wasn't available. At first, the trains weren't able to cope with people and they were being turned away.

If we are to get the demand right this time, the Welsh Government—assuming they become the franchisors, because that is almost doing the job that they have to do with one hand behind their backs, because DFT is still the franchisor, despite the negotiations going on now for at least three and a half years—would have to carry out the demand analysis to ensure that they had a number of options and how they would solve those options.

So, make an assumption of, say, a 3% increase in demand and another assumption of, say, an 8% increase in demand, and see what capacity is needed to match that demand, what the services are—where is the demand and therefore where would you put the services?—and effectively what sort of rolling stock would you need to match that demand.

You might say, "Okay, let's take the lower one. Let's take a demand increase of, say, 4%." That means that the whole process then takes place—the capacity and services to be run, and the rolling stock to be acquired—but have a plan B, so that if in five years' time you find that your demand forecast was too low, what is the way of acquiring more rolling stock? Is there a need here for a closer link between the manufacturers and the three franchisor Governments—Wales, Scotland and DFT for England? I think that's the only real way to do it.

Nobody really knows what demand is going to be. It's a forecast; it's based on a set of assumptions. The thing is to manage it and manage the supply that goes with it, so that we are not in a position where, as happened with diesel trains, no diesel trains were built in Britain for 20 years. Consequently, when the Welsh Government tried to get diesel trains in 2008-09, it wasn't possible because they just weren't there. That's something that we haven't to come across again.

Q22 **Byron Davies:** Okay, and I accept all that. Interestingly, you would be acquainted with the railway station of Gowerton in my constituency, which the Welsh Government spent £46 million on, doubling the line and rebuilding the bridge there, and the increase in traffic there is massive. I don't know percentages—

Professor Cole: Seventeen times it's gone up, since the station opened.

Q23 **Byron Davies:** There you go, yet I catch that train regularly, and I walk on to an absolutely packed train in the mornings to get to London or wherever. Additionally, of course, the car park facilities there are dreadful; the infrastructure doesn't support it. So, who talks to whom in all this?

Professor Cole: It's an example, actually, that I think says an awful lot. The station was funded by the Welsh Government, because there was clearly a demand—

Byron Davies: I'm delighted with the investment, by the way.

Professor Cole: Yes, indeed, and it enhances the service to Llanelli, a well-known town a little further west, and to Carmarthen. Doubling that track gives a lot of opportunities, not just for Gowerton, but for a half-hourly service to Carmarthen and an hourly service then into the Pembrokeshire destinations of Milford Haven and Pembroke Dock.

The integration or the interface between the different bodies involved is the key point at Gowerton. The people involved were the Welsh Government, who did the funding; Network Rail, who did the building; and Arriva Trains Wales, who created the car park with Network Rail. Ironically, there is a very large car park not 300 yards from that railway station. Again, I should probably declare that about three months ago I finished a report for the Welsh Government on public transport in Swansea. One of the options was very easily to build an access point from that very large car park—it has space for about 120 cars—down to the railway station. Why that was not thought of at the time, I cannot tell you, but it is a logical proposition.

It seems that different organisations have not been brought together in that particular example. That is not only to provide the car parking. Something like four bus routes go past the road leading to the railway station, and there is no facility for those buses that is convenient for the public and no proper signage that says, "Buses up here and trains down here." That is the issue.

Q24 **Gerald Jones:** First, I am interested in the discussion around the issues with stock. My constituency of Merthyr Tydfil and Rhymney is in the heads of the valleys area. They are quite isolated communities in many ways. Significant investment has been made over the years in the infrastructure and in upgrading the stations, but there is still the problem—it seems to be a problem across the board—with stock. The Merthyr line still has, I think, a half-hourly service, and the Rhymney valley line—the top of the valley is in my constituency—is an hourly service down to Cardiff. The main reason for that, as I understand it, is the lack of available stock.

That leads me on to my question. In terms of the next franchise, there will clearly need to be significant investment at the start of the franchise, but a lot of submissions have talked about how the investment is managed throughout the period of the contract. What are your thoughts on that and how can that investment be sustained over the period of the contract?

Professor Cole: Currently there is a half-hourly service from Pontypridd to Aberdare, Treherbert and Merthyr. Those are the primary lines. Then there is less of a service to Ebbw Vale and Maesteg. Part of that is to do with the fact that much of the line is single track. To enhance the service, a number of loops have been put in. The only way to get an increased service on the Ebbw Vale line, for example, would be to put another loop in. That would do the job, but you are then dependent on the northbound train getting to that point on time as compared with the southbound train. They have to be there at the same time to have a non-interrupted service.

The lines were built for coal. They were single track in the main, and those coal trains could be regulated, because it did not matter, within an hour or two, what time they arrived at the docks and what time the empty trucks got up to the coal mines. We were very lucky in Cardiff that we had that network, because otherwise we would be like Bristol and have no real rail network at all.

In terms of increasing the frequency, much of it is to do with putting in additional loops. You have to have a passing place somewhere. You could dual the track all the way, but that would probably be so expensive that it could not be justified when there was an alternative of using loops to create that additional capacity. With longer trains, that gives you much more capacity than is there at the moment. More passing loops can increase the frequency, say to every 20 minutes, but you then have to look at what capacity there is further down, south of Pontypridd. The pinch point then becomes Queen Street station, where there are now four platforms—two southbound, two northbound—but the bridge north of the station is still a pinch point. The original plan was to have four tracks instead of two on the bridge, by building a new bridge. That was not done, for what I guess were cost reasons at the time—a mistake, in my view, but we are where we are in terms of that capacity. There is capacity, but we have to look at what can be done. I understand from the engineering people that it is possible to have a 20-minute service to those three towns—Treherbert, Aberdare and Merthyr—and maybe go beyond Aberdare to Hirwaun.

Q25 **Gerald Jones:** In terms of the period of the contract, what are your thoughts on sustaining the investment in the stock? There would be significant investment at the start of the contract, but that would need to be maintained, surely.

Professor Cole: Indeed. If we are talking about electrification in particular, that needs to continue from when it arrives in Cardiff. If we start having gaps, teams have to be rebuilt, and that would delay electrification. If the service is to be diesel or tram, there is a totally different picture to look at, but I think the issue is the same: if you want to increase frequency, there has to be more track capacity. Is it increased frequency that you are concerned about?

Gerald Jones: The investment in the stock—how to keep that going.

Professor Cole: The Department for Transport has now progressed investment in the Northern franchise for new trains. To go back to a point raised earlier about the lead time for trains, it is three to four years for diesel trains. We would be lucky to get that rolling stock in in less than that time unless, for example, the Welsh Government decided to tag on to the Department for Transport's order for trains for the Northern franchise and look to see if those were suitable for use on the Valley lines. But of course, if the Valley lines are going to be electrified and there is a shortage of rolling stock, it is not just the Valley lines electrification that is delayed—the whole electrification programme is delayed. All those diesel trains that were expected to be cascaded downwards are not available, and will not be available until the electric trains come into places like trans-Pennine routes from Manchester to Yorkshire.

Chair: Professor Cole, theoretically we have eight minutes left for you to answer about six questions, so this might be a bit of a challenge, but let us see what we can do.

Q26 **Craig Williams:** In terms of the next franchise, what kind of improvements should we prioritise? Can we do that in one franchise? We have talked today about north Wales and the Liverpool Metro; we have talked about the Heart of Wales line and the links to Birmingham from mid-Wales; we have talked about the Cardiff city region and the electrification and metro project there, and about Swansea and west Wales. Can you cover all that in one franchise? If you can, what should be the prioritised improvements—in under eight minutes?

Professor Cole: No, I've only got one point something minutes to answer that! Basically, if we are going to have a modern railway in Wales, we are talking about new trains, about improvements in reliability and about more capacity where that is needed. Cardiff is a case in point, with a new platform being put in, but we still have issues at the Queen Street bridge. Looking further afield at the new diesel trains and new electric trains, as well as increased frequencies and better reliability, that means more passenger numbers, which hopefully means a reduction in subsidy—certainly reductions in journey times, because electric trains are faster in general than diesel trains, and new diesel trains are more efficient and faster than older diesel trains.

As for the next ten years, I mentioned the electrification schemes—or even the improvement schemes—to Swansea and the North Wales main line to Crewe, Chester, Wrexham and Bidston. In terms of the other operations, Mr Byron Davies referred to the improvements at Gowerton. That sort of doubling of track—and also between Wrexham and Chester—gives us an opportunity to increase frequencies and reduce journey times quite considerably. There is a lot of padding in timetables where you have single track, because the companies do not want to have to pay fines for late running at the destination. So it is about more capacity on the track—certainly the doubling of track—and looking at the opportunities that come from that.

Q27 **Craig Williams:** And we could do all that in one franchise?

Professor Cole: It depends on how long the franchise is. Whether that can be done in one control period with Network Rail is doubtful. We are probably talking about maybe two or three control periods, depending on how much money Network Rail and DFT—if they are the responsible body—are prepared to put up to invest in those railways.

Q28 **Liz Saville Roberts:** I understand that the negotiations over the franchise map are ongoing, although they seem to be confidential. I think they are probably quite significant to this Committee. It seems that for Wales, it would only be those routes that started and then ceased in Wales that would be included in the future franchise. There is also a discussion to be had around the nature of the relationship between DFT and the Welsh Government and who holds the franchise, who is the franchisor, who is the co-signatory, and is that appropriate? What is your opinion—an open-ended question—on the justifications that we have had so far for changing the map, and what are the implications for the future?

Professor Cole: One quick point: if electrification comes to Swansea, I think there is a justification for looking at services between Swansea and Bristol in conjunction with the Great Western franchise, which is already in place and will no doubt wish to continue the service form Cardiff to Bristol, but there is no reason why there should not be supplementary electric services running from Swansea to Bristol. That is an extension of the operating area of the franchise at the moment.

In terms of the current franchising operating area, the key discussion point is north Wales to north-east Wales, and in particular the services from Shrewsbury to Manchester and Birmingham. They are profitable. They bring in a considerable amount of revenue, which means that the Welsh Government's net subsidy figure is reduced.

The Department for Transport made noises some time ago about wanting English routes in English franchises. If the Marches route from Newport to Chester was taken away, it would make no sense at all because we could not run the railway. We would not have a Welsh railway, because that line connects the three main lines to Holyhead, Aberystwyth and Pembrokeshire.

If we take the Shrewsbury-Manchester services, there are a number of issues, none of them positive. There is no reason why that service should be taken away from the Welsh franchise, apart from some concern that the DFT might have, but which I don't think has any basis. First of all, if the trains are to run—the franchisee currently is Arriva, so let us take it as the franchisee. If people have to change trains at Shrewsbury, there is not enough space in Shrewsbury station to be able to switch from one train to another. There are not enough platforms at Shrewsbury station to do that. There is a practical limit on the numbers of people who could switch trains. At the moment, people go straight through on a lot of trains.

Secondly, who would operate the two sets of trains and who would be to blame for delays in those passengers' journeys when it comes to the industry-wide complaints and remuneration of passengers who have had a bad service? The compensation that passengers can get would be very difficult to calculate. One suggestion has been made: the train would be owned by Arriva, but the driver from the north western franchise would then drive the train onwards to Manchester. The insurance companies have thrown their hands up in horror because there is then no control over that driver by the company whose insurance covers the train. That kind of splitting up of the franchise does not make any practical sense. From the point of view of the finances of the subsidy system, the Welsh Government would lose substantial amounts of money going into that franchise. So, there are practical and financial reasons.

Right at the beginning, when the franchise was set up, I said it was flawed. It was flawed in terms of growth. It was not flawed in terms of logical operation of the railway. That is why it is as it is and should stay that way.

Q29 **Byron Davies:** You keep referring to if electrification goes to Swansea. Do you know something that we don't?

Professor Cole: I don't think I know something that you don't, but the decision has not yet been made. Sir Peter Hendy, chairman of Network Rail, has said he sees no reason why not. When the original study was done, it was a desk study. The engineers are now looking at the track and the number of bridges that have to be heightened or the track dropped down.

South Wales is riddled with coal mine workings, which result in voids. Those voids may well appear because we start to mess around with the structure. At the moment everything has settled, but I am told by engineers that the more action is taken against the existing structure, the more chances there are of finding a whole range of costs that could push that cost up. It will be a cost issue that will determine whether the electrification goes to Swansea.

The other point to make is that it has to be a continuous process. If the electrification stops at Cardiff, the promise is that it will be in the next financial period, the next control period, of Network Rail, which starts in 2019. This electrification has to be finished, according to Network Rail, by 2019.

As long as the work continues westwards incrementally, there is a good chance that we will certainly achieve the lowest possible cost. If it doesn't—if there is a break, say, for two years—the likelihood of electrification to Swansea is not very great. I'm sorry, Mr Davies.

Q30 **Mr Mark Williams:** I just want to say that you mentioned splitting the franchise at Shrewsbury. That would be very bad for my constituents, not least given that we now have established connections with Birmingham International Airport. That is very commercial and very profitable and really significant for the practicalities of travel from mid-Wales.

Professor Cole: There was a point I did not mention, Chair. There is a lot of through travel between north Wales and Manchester and Warrington, and therefore the West Coast main line, and also down to Crewe, as well as from mid-Wales into Birmingham.

Q31 **Mr Mark Williams:** Arriva Trains has been marketing that for a long time and it would be tragic to lose that. This is a question to which I think I know the answer, so we can be even quicker than just now. I think it is your view—you agreed with me on my earlier question—that parts of the passenger experience at least have been neglected. My question is about the specifics of some of the concerns I outlined earlier. Following on from Craig Williams's question, are you confident that one franchise with a clear specification will address those concerns?

Professor Cole: One franchise, over say 10 years, with a five-year review break, ensuring that within that franchise a company that gets the contract is made responsible for increasing passenger numbers, capacity, frequency and reliability—yes, that can be done within a 10-year franchise, but it must be a franchise that is quite clear on its objectives.

Q32 **Mr Mark Williams:** The travel experience—that's what I'm looking for.

Professor Cole: The travel experience is what those points are.

Q33 **Dr James Davies:** What is your perception of the effectiveness of the work between the Welsh Assembly Government and the Department for Transport regarding the franchise? I know we have touched on this already but what is your perception in general?

Professor Cole: I say this from the outside. When Ministers come to talk to you they may have a different view. Looking at it from the outside, as someone who has been involved in the area for many years, it is not good. I put some examples in my written evidence in terms of the Valley lines discussion. The DFT is responsible for electrification and for all infrastructure. It does not appear to put the Valley lines at the top of its list. It offered £125 million when the estimated cost of electrifying the Valley lines was £330 million. The cost figure published some time ago was £550 million and, just looking at some of the issues that have appeared in various documents, I suspect that cost is now creeping up beyond £700 million. That is not a fair proportion of the total cost of Valley lines electrification, and I put that down to the fact that the Department for Transport never had an interest in a separate Welsh franchise or, indeed, in a separate Welsh Network Rail division.

In discussions many years ago, in 2001, when the new Welsh franchise was being discussed, the comments made to me were, "Why do you need a Welsh franchise? What is the point?". The point, of course, is that there is a Welsh Government and a National Assembly that is funding this railway. Therefore, there is an argument for a direct interface between the two.

There are other examples. We have not had the kind of investment in other areas that we would have liked. Over the years, there has been foot-dragging by the Department for Transport so as not to invest in the North Wales main line—even in line speed increases, let alone electrification. Why wasn't electrification extended from Chester down to Wrexham and from Bidston down to Wrexham when it was put into Chester? That was 20 years ago. These all seem to indicate that we are not at the top of the Department for Transport's priority list.

I am sure the Welsh Government are pressing for all these things. They have certainly been pressing for the transfer of the franchise, as the primary signatory—the Department for Transport is co-signatory—since at least 2013, when I know that discussions were taking place. That was supposed to have been done by 2014. I think that is the reference in the National Assembly inquiry into this franchise three years ago. There are a number of examples that point to the fact that it is not all roses between the two organisations.

Q34 **Dr James Davies:** Is it not the case that the Assembly Government currently commissions the UK Government to procure the new franchise, in anticipation that they will be overseeing it themselves, but that they do not have the capacity or perhaps the expertise within the set-up in Cardiff?

Professor Cole: There is an issue of expertise, you are absolutely right. There was a public seminar three years ago, and there were discussions subsequent to that about what was required in terms of expertise. There needed to be expertise in three key areas within the Welsh Government: on Network Rail interface; on the acquisition of appropriate rolling stock and on planning services; and on the procurement of a train operating company. That is what the regulation says at the moment. It is not what the Welsh Government said it wanted in the past, but that is the situation it is in. It has to have a train operating company that is given the job on the basis of a competitive franchise arrangement.

Those skills were not there in their entirety in the Welsh Government at the time, and they are still not there in their entirety. Various reports, such as the Brown report in Scotland and the Silk report in Wales, have said that when looking at the railways those skills should be within Government, rather than using consultants. I know many of the consultants who have been employed, and their skills are excellent—there is no doubt about their skill—but the difference between a consultant and someone working as a permanent member of staff within the Transport for Wales organisation that is being set up is that there is a long-term career commitment to making it work, which is the big difference. My concern is not the skills—I'm sure they will get the job done—but there needs to be that continuity at senior level. There are currently some very capable people there, but there are something like six or eight civil servants involved in that operation. Secondments from elsewhere do the job as an interim measure, but there really needs to be a long-term thought about who is going to run this railway with those three agencies—Network Rail, the suppliers of the rolling stock and the train operating company—when the time comes in 2018.

Q35 **Chair:** What mechanisms should be in place to ensure that Wales gets its fair share of infrastructure funding?

Professor Cole: Hmm, yes. You wanted a short answer and yes is the short answer. The infrastructure developments that I mentioned are the important ones. The current priority is to ensure that we have the extension to Swansea. I am not saying that just because Mr Davies is here, but that is the one that is clearest and easiest to do, as long as it is on the incremental basis that I mentioned.

The next stage is the Valley lines, because that is where we have the congestion on our roads in Wales on the largest scale. There is a discussion, which I am sure you will not want to go into at this point, about the M4 options. What are the options for the M4 and what services can be reintroduced, or introduced, on to the South Wales main line as commuter services?

We then turn to north Wales and electrification. Actually, north Wales line speed increases are the first stage to go for. It makes no sense to have a railway that varies between 75 mph and 90 mph around different stretches. The trains will always drive at 75 mph because no company wants the trains to accelerate and then decelerate—it uses fuel. That line needs to go up to 100 mph. That is an essential starting point. We need to do the same thing on the South Wales main line. Ideally, although it is not possible if you want electrification quickly, that line would have been straightened some time ago. It was built on the basis of landowners deciding whether or not they fancied having a railway across their land. There is also the topography: we have hills that come down way into the flat land that is best for railways. That improvement in the North Wales main line is a key aspect—just pushing up the line speeds to reduce the journey times on the existing trains.

Q36 **Chair:** How do we make sure that we get these infrastructure improvements?

Professor Cole: There is only one funding mechanism: the public sector. It is about borrowing money, either directly or indirectly, from the private sector, because they hold the cash, and getting Treasury approval to carry out these schemes given to DFT, because DFT is the responsible body. We are not high on its list of priorities, so I would welcome anything that could be done through this Committee, the Welsh Government, the National Assembly and so on to pressure the DFT to give more consideration to the Welsh options. I know that other people will complain about that, but we are looking in particular at the Welsh options, and we are not at the top of many lists.

Chair: Thank you very much indeed for that, Professor Cole. I do not see anyone wanting to ask any further questions, so we will leave it there. We are very grateful to you for coming along and giving such in-depth evidence.

Professor Cole: It was my pleasure, Chair. It was nice to see so many familiar faces on the Committee.