Welsh Affairs Committee

Oral evidence: Wales and Borders Rail Franchise HC 589

Thursday 15 September 2016, Cardiff

Ordered by the House of Commons to be published on 15 September 2016.

Members present: David T. C. Davies (Chair); Chris Elmore; Liz Saville Roberts; Mr Mark Williams.

Questions 37 - 82

Witnesses

I: Ian Bullock, Managing Director, Arriva Trains Wales, and Roger Cobbe, Policy Director, Arriva Trains.

II: Elizabeth De Jong, Director of Policy, Rail Delivery Group.

Examination of witnesses

Witnesses: Ian Bullock and Roger Cobbe.

Q37 **Chair:** First, thank you very much indeed, Mr Bullock and Mr Cobbe, for coming along here this afternoon? We have already had a very informative and useful discussion this morning with Arriva Trains Wales and we are extremely grateful for that, Mr Bullock. The proceedings are bilingual this afternoon, so you may want to make use of the translation facilities. You will probably be aware, Mr Bullock, we are not here to pick arguments with anyone. We are here to learn, so if you do feel you can add anything to the questions, then please feel free to do so and I am sure you will find it a very friendly and useful session.

(Translation) To begin in Welsh, the original 2003 franchise had not allowed for growth in passenger numbers. Why was that the case and how has that affected Arriva's operation of the franchise?

Roger Cobbe: It is probably easier for me to answer that one, as I was involved in bidding for the franchise at the time and indeed mobilising it when we were successful. It is important to reflect that during that period, 2001 to 2003, first, franchising powers at that point were carried out by an arm's length body, the Strategic Rail Authority, rather than by the Department for Transport itself. The SRA was wrestling with the tremendously difficult problem of the West Coast modernisation, where the costs escalated absolutely enormously and there were delays and complexities that affected Railtrack, then later Network Rail and also the franchised operator. It had a kind of ripple effect on the whole industry. Essentially I think the SRA found itself with the most colossal budget crisis and at the same time it had franchises that needed re-letting, one of which was Wales and Borders.

The approach taken to the franchise was to go for the rock bottom minimum to preserve continuity of the services at the time. When they had been through that process and had received bids from bidders such as ourselves and our competitors, we emerged as their bidder and they were in a position where they said, "We do not have sufficient budget cover for even you, and you were the cheapest bidder". We then had a period of several weeks where they looked for anything that could be done to reduce the support cost to the franchise. Inevitably that meant some things were omitted at the time on the grounds of, "If this does not need doing now, we will just leave it out and we will not worry about it. That will be for the future". Capacity for growth was probably the most significant one of those, which would come back to become an issue later.

I would advise the Committee that the issues should not be seen as unique to Wales and Borders. At the time, it was quite common for franchises to be let without specific provisions for dealing with growth. I think that is a lesson that the Department for Transport learned and more recently it has become much more thoughtful about deciding how it wants to address future growth in the franchise-letting process. I think the Wales and Borders franchise was a victim both of the particular financial circumstances at the time and of the fact that much earlier in the national franchising programme the necessity to set up ways to deal with this was not necessarily appreciated as a good idea. What has it meant for the franchise? It meant we started off with a train fleet that we knew would not be big enough later on in the franchise. The estimate that we used at the time was that we would cope with about five years' growth and then something would need to be done.

Q38 **Chair:** If I understand things correctly, some areas of the franchise require a subsidy and some areas would be profitable in their own right, so presumably the areas that are profitable in their own right, you could expand passenger numbers without going back to the SRA or anyone else in central Government, because you would benefit from doing so by increasing revenue and profit ultimately, which is what we all want.

Roger Cobbe: Indeed, and I would at this stage say one of the key features of our bid—and possibly one of the reasons why we were chosen as the winner—is that we offered a fundamental restructuring of the timetable, which was designed to drive better value out of inherited resource base. We were told very clearly, "These are the trains you will have". The SRA did not wish us and in fact told us not to think of procuring any new trains from anywhere else, but to use the fleet we inherited. We said, "Fine. With that resource base and with the subsidy that will be necessary for the base offer to meet the requirements of the SRA, we can in fact introduce this better timetable at our own commercial risk". That is what we did; that was put in in 2005. It provided about 20% more train services for the same level of subsidy and it moved capacity to where it was needed more and where it would earn more.

That got us between 30% to 40% of the way through the 15-year franchise before the pips began to squeak and then we had to have a series of bilateral discussions with the Welsh Government, which by then had taken the devolved powers, which have led to some specific top-ups of additional capacity that have been added effectively as bolt-ons to the original franchise agreement.

Q39 **Mr Mark Williams:** I should perhaps at this point declare an interest, in that my wife will be in receipt of a small Arriva Trains Wales pension in the distant future.

I want to turn specifically to your operational performance. I notice from the documentation you have sent that in terms of meeting your public performance measure, the benchmark used is the percentage of trains arriving within five and 10 minutes of their intended arrival time. It is welcome to see that your contractual benchmark of 88.8% has been met and indeed exceeded in recent years, a factor that I think we were all very mindful of in the discussions we had this morning about the age of your rolling stock. With that as a backdrop, how have you been able to meet your public performance measure when also we have seen this colossal rise in people using trains? The DfT figures say 75% over the term of the franchise.

Ian Bullock: Certainly a key part of the contract was the fact that we were incentivised to improve performance. When the franchise started, it was a very poor-performing franchise, so figures of around 80% PPM were being achieved. We have worked very hard with Network Rail, and if you look back at the early days, there was something like nearly 1 million delay minutes attributed to us and Network Rail. The key thing for us has been the performance of the fleet, as you quite rightly draw attention to, and back at the start of the franchise we were responsible for about 60% of the total delay and Network Rail were responsible for 40%.

We invested very heavily in our fleet in terms of the engineering, our staff and even a new depot at Machynlleth; Mark, you will see that daily. Given a clear incentive to drive performance, we have drastically improved the performance of our fleet to the point nowadays where there is about half the level of delay there was at the start of the franchise and we have flipped that proportion of delay between ourselves and Network Rail, whereby we are now the 40% and they are the 60%. Even though Network Rail have improved, we have improved a lot further than they have.

Engineering excellence has been a real focus for us and is still a real focus for us. We have to run even harder with the age of the fleet; every year it gets older and does more miles. Some of the trains we have are approaching 4.5 million miles on the clock.

Q40 **Mr Mark Williams:** Can you just remind the Committee how old some of those trains are?

Ian Bullock: The majority of the trains that we operate are over 30 years old or around 30 years old. The newest ones we have were a late-1990s build, so they are 15 or 16 years old. If you look at the average age of the fleet, it is around 27 years, which we believe is the oldest in the UK. So these trains have to work very hard and our engineers have to do a really good job—and they do a fantastic job—keeping them going, but occasionally there are problems with them. The problems with the fleet is still the key issue for us achieving that public performance measure and it is a constant focus of our attention and, I have to say, of our investment as well. We are still investing in modifications for the fleet to try to make it better and in systems for our engineers to make the fleet better. That has been the big focus for us.

Q41 **Mr Mark Williams:** Very quickly, just sticking very much on the operational performance—there is a temptation to stray into other questions, but I do not want to—the 88.8% figure and the fact that you have exceeded that contractual benchmark is welcome. Within the geographical area of the franchise, are there still areas of scope for improvement?

Ian Bullock: Absolutely.

Mr Mark Williams: I emphasise "geographically"; are there particular parts of the country where there are identified challenges that you—

Ian Bullock: Absolutely. I do not think there is any route—

Mr Mark Williams: What are those places? That is what I am after.

Ian Bullock: Yes. I do not think there is any part of our network that is perfect. In fact, there isn't. There is always room for improvement. For me, the key areas at the moment are the Cambrian, which has certainly taken a dip in performance, some of the Marches services are not performing as well as they used to and some of the Valley services are not performing as well as they used to, not by a huge amount, but by certainly a noticeable amount. So those are the areas we are focused on and there are some key features that we see in terms of that dip: certainly busyness of the network, the number of people who we are now carrying and how hard we are working the network are definitely factors in this.

If I just give an example on your network, Mark, before the hourly services were introduced, the network was performing at well over 90% PPM. You might remember back in the bad old days and what a step change that is. Since we introduced the hourly services, the network has gone back to being 86% PPM, so a noticeable difference for our customers, a noticeable decline. A lot of that is about the extra passengers we are now carrying. We have seen tremendous customer growth, it has been brilliant for our customers, something like 30% extra customers, but of course that is accommodated on to a limited number of trains and a network with lots of single line and if there are any disruptions, it is very difficult for that service to then recover.

Q42 **Chris Elmore:** Can I move on to passenger satisfaction? The Welsh Government tell us that satisfaction rates have improved since they have taken over the day-to-day management of the franchise. However, in results from 2016 compared to 2015, there have been drops across some satisfaction areas that DfT have highlighted. Following on from Mr Williams's question about the age of stock, there are three examples relating to dissatisfaction: on upkeep and repair of trains, the spring 2016 satisfaction rate was 64%, down 10% compared to spring 2015; sufficient room for all passengers to sit/stand, satisfaction 70%, down 9% on spring 2015 and so on and so forth.

Are the recent passenger satisfaction responses, to the most recent one of this year, a sign the public are getting tired of the lack of capacity and the low quality of the rolling stock? You have already said you think it is the oldest in the UK. Do you think that we have reached a point where satisfaction will continue to drop because of those two things?

Ian Bullock: In 2015 we achieved our best-ever scores, so there is a noticeable drop from those scores, but what I would say is that the premise of your question—and in fact the evidence that I saw from Transport Focus, where they highlighted those three areas around the trains and value for money—is certainly reflected in the postbag that I get and the customer correspondence I see. I do believe that capacity or the lack of capacity has become our No. 1 issue. We have very busy trains every day, and not only that, but as you rightly said, the quality of the rolling stock, particularly given its age, is not great and does not compare well, I do not think, with the stock of some train operators that have new trains.

There is a real difference in perception for my customers between what they see when they get on a Pacer train that is 30-odd years old compared with another train operator that runs a new train. Customers are telling us that capacity needs to be addressed now and given that this Committee is looking at the future, that issue really needs some attention.

Q43 **Liz Saville Roberts *(Translation)*:** If I could now turn to a question that emerges from the question that my colleague has just asked, you mentioned the importance of capacity. To what extent do you see Network Rail playing a role in terms of the challenges facing the new franchise, and specifically perhaps some of the developments that are in the pipeline, such as the electrification of the Great Western Main Line to Swansea? I understand there are questions about infrastructure and capacity there, but I would like to hear your opinion, looking to the future.

Roger Cobbe: Thank you for that one. There are probably two separate strands to that. First, there is the position while work is being carried out and I think we have a classic example at the moment, where the Severn Tunnel is shut in order to do some tremendous investment to enable electric trains to run to Cardiff fairly soon. We clearly have a role, working with Network Rail, to minimise the inconvenience to customers while such works are underway. I think the package that Ian and colleagues and the other TOCs and Network Rail have put together is continuing to serve people and to explain why the disruption is taking place.

I suspect you are interested in what we get at the end of the works. There is a lot of investment going particularly into South Wales at the moment in terms of electrification and the resignalling projects. That will permit some additional trains to operate, so going into the new franchise there will be the opportunity for some service enhancements and also there will be some opportunity for electric traction. I think the bulk of the Wales and Borders services will remain diesel-powered for many years, but we should clearly exploit and get value from the investment that does take place.

Looking at the broader sweep of the franchise, this is fundamentally about the number of carriages on the train. There will be a certain number of lines where a frequency enhancement might be the right solution, but I think for most situations we are talking about the fact that at the moment we cannot put as many carriages on the train as we would like, because we have deployed the entire fleet and there are no spare suitable trains to be had anywhere in the country at the moment.

Q44 **Liz Saville Roberts *(Translation)*:** It is clear that the diesel trains that are running between Swansea and Cardiff will now be available, in theory, to use elsewhere. Is that how things will work or is there a question here with the franchise, where we want to ensure that they are available to Wales and in Wales?

Roger Cobbe: Clearly this is the sort of thing that the Welsh Government will need to consider in how it specifies the new franchise. The procurement process has now started, which is good news. Questions about the extent to which services are specified in detail are crucial ones for the Welsh Government, as the client body, to decide. There are some quite difficult trade-offs. The Chairman referred to the fact that some services are profitable and some are not, but the services from South-West Wales through Carmarthen and Cardiff on to Manchester are the most commercially successful within the franchise at the moment. You then say, "The bit of railway between Swansea and Cardiff is going to be electrified. Does that mean we should chop up a long-distance service that is serving customers really well at the moment?" Our guidance would be that is probably a pretty bad idea, but on the other hand, is there a different way in which that electrification can be exploited to improve local services? There probably is.

We have a double role, in a way, that Ian, as the incumbent operator, can advise the client body, but equally we are potentially now one of several bidders and we would hope that the procurement process allows some constructive dialogue to make sure that bidders are able to put forward ideas that do get the best out of these investment programmes.

Q45 **Liz Saville Roberts *(Translation)*:** I am content with that answer, but a very important question has been raised. I am very pleased that you raised the issues of those routes between Wales and the cities such as Manchester. That is something that has been raised with us, which is no surprise. I would be grateful if you could explain to us, in looking towards the new franchise, the implications of retaining the network of routes that are reliant on subsidies and the routes that pay for themselves in terms of passenger ticket sales and so on, and the implications for routes such as those between Cardiff and Manchester and Holyhead and Manchester, for example, and indeed Aberystwyth and Birmingham?

Chair: Would you like to answer that first, Mr Cobbe?

Roger Cobbe: Yes, I would be very happy to talk about that one. This is quite a complicated one. Essentially we have a national railway network, and by "national" at this particular moment I mean Great Britain, I suppose, given that there is the Irish Sea splitting off the Northern Ireland bit. Passengers are not that bothered by which trains are in which franchise. Passengers expect a joined-up railway network that enables them to make the sort of train journeys they want to do. On the other hand, clearly the network in total is so big that it could not possibly be procured as a single contract, so Government, since privatisation started, have had to make decisions about chopping it up into a number of different franchises to create a series of contracts of a sensible size for procurement.

That inevitably means there are issues about what is in which one. There is a general question about that and obviously at the moment the Wales and Borders franchise does include important routes into England, but on the other hand, there are some other franchises such as Great Western, West Coast and CrossCountry that include some important routes into Wales. In a sense, there is an element of balance. Most of those cross-boundary services, whichever franchise they lie in, are towards the much more commercial end of the spectrum, whereas many of the services that are wholly within Wales are at the less commercial end of the spectrum and require more support. Clearly which bundle you construct will have a significant impact on the scale of subsidy that the Wales and Borders franchise is likely to need. That is what you might call the generic answer.

The much more specific Welsh answer relates to the kind of harsh facts of geography and history that mean that the Welsh network relies on a trunk route that is partly in England. In a sense, there is no Welsh railway network, or alternatively, the way we like to say it is railway Wales is bigger than political Wales, because it has to encompass a line that goes through Shrewsbury and on to Wrexham and Chester. If you look at that, the actual destinations that people want are places like Birmingham, Manchester, Liverpool, Bristol, not forgetting the respective airports in those cities as well. Those are the places people want to get to.

The worst thing of all would be if the franchising process led to the severing of these much-needed services. Naturally, as the present operator, we see the value in retaining the present bundle of services and that is something about which we would be happy to produce information and help the Welsh Government.

Ian Bullock: May I just add a couple of comments there? The most important thing for me is the customer does not want to change trains at the border. For me, that is the conclusive argument, that we should not be looking at remapping that disadvantages the customers, or indeed could lead to less rail travel. I think that would be the wrong outcome.

The other point I would make is that over the years we have made those services into England very efficient and very integrated into our network. I think by splitting it out, you will create inefficiency. I do not think it is good for the railway and it is absolutely not a good idea for the customer.

Q46 **Mr Mark Williams:** Just following on from that, I very much endorse what you said, but we have had a question about passenger satisfaction and passenger experience. A great deal of time and effort has been put into promoting a direct service between my constituency and Liz Saville Roberts's constituency down into Birmingham International Airport. If we are serious about real connectivity, without the impediments that you have suggested of having to change trains at Shrewsbury—where I might add you, as a company, have invested money to improve things—I think we are in a very dangerous place indeed. It is about operational matters and I take the point you have said about how across the whole franchise there are less profitable routes and more profitable routes, but at the end of the day, this really is about customer experience, isn't it, and risk to that?

Ian Bullock: Absolutely, correct. A very recent example, Mark, is the extensions into Manchester Airport that we have managed to achieve from the North Wales coast, which are already proving popular with our customers.

Q47 **Mr Mark Williams:** Very quickly, can I just ask you your impressions of where this is coming from?

Ian Bullock: In terms of?

Mr Mark Williams: This potential severing of the network.

Chair: Is it coming from the Wales Government or national Government, DfT, the Welsh Office?

Roger Cobbe: These are questions that are naturally going to be asked and one should not see it as specifically a Wales and Borders issue. Every time a franchise comes up for renewal, there is a little bit of a debate. In the industry we have a special word, which is called remapping, which essentially means the movement of individual services between the different franchise competitions. There is always a review each time as one approaches the procurement process: does the client body wish to re-let the franchise with exactly the same bundle of services as it had before or is it going to add some or remove some? Inevitably, from our perspective, if you add a strand of devolution to it, that perhaps spices it up a little bit.

Q48 **Chair:** I hear this concern being floated perhaps more in Westminster, that if the current franchise continues on its current routes, in other words, if things do not change and we carry on with the status quo, given the Welsh Assembly's involvement, one could have a situation where passengers from England have no Member of Parliament they can complain to about a poor rail service. Their Member of Parliament will not be able to represent them, because it will be a devolved matter ultimately taken up by the Welsh Assembly and Welsh Assembly Members who will not be representing anyone in England.

Roger Cobbe: If I may work my way around to that, first, Arriva's view is that, in general, devolution of the management of contracts for franchises and similar services is a very good thing, because our experience right across Europe—and we now operate in 14 different countries—is that the more regional-type governing bodies are usually more attuned to the requirements of their residents, taxpayers, industries and what they want to see in terms of economic development. In general terms, we think it is a good idea that national Governments devolve this sort of activity to lower levels. It is important though some recognition of the area served is built into the way in which a franchise is to be managed. Certainly as we operate, we set up stakeholder relations for the entire operating area of each of our companies and therefore Ian's company has extensive stakeholder relations arrangements in the border counties. But I think on the client side it is equally important the mechanisms are set up.

I would perhaps suggest that the Committee has a little think about the Rail North experience in terms of the two new franchises, Northern and TransPennine, which have recently been let, because that is very instructive. We were very successful in winning Northern. Those services are now subject to devolved management by the Rail North partnership, but Rail North has built a quite intricate structure of members. Effectively it has big members, the larger authorities, who each have a single member on the committee, but then there are clusters of smaller authorities within the area served who are represented by a combined member, if you like, who represents their interests. Effectively a lot of thought has gone into setting up a devolved structure to manage those two franchises, which can claim that sort of democratic legitimacy throughout the area served. Clearly we would recommend both this Committee and Welsh Government to think about how to make sure the Borders is properly involved.

Ian Bullock: Can I just add, Chair, in terms of what I see in Wales and the way that the Welsh Government behaves, they do appreciate the importance of those border local authorities and they have been very supportive of developing, for example, that Marches line and the improvement of the facilities for customers along that line, such as the investments at Shrewsbury that Mark mentioned earlier. I understand the theoretical question and I think, as Roger said, it is a factor that needs to be addressed as part of this process. But I have not seen any behaviour that suggests that they do not consider the English local authorities and the stations within those and the rail routes within those as a key part of the Wales and Borders franchise. It is called the Wales and Borders franchise.

Chair: We had better just gently move on to question 7.

Q49 **Chris Elmore:** I am going to move the discussion along to stations. I will keep the preamble brief. Arriva have said as part of the significant investment to the stations, environment for passengers will be part of that moving forward. You have suggested that the next franchise will increase the minimum standard of station facility, so what would you envisage being included within the standard?

Ian Bullock: For me, a lot of time, effort and money has gone into bringing up some of the basic facilities in the 246 stations that are part of Wales and Borders franchise. For example, every station in Wales now has a customer information system, which is very important. But I also think that there are some matters that are yet to be addressed. The key one for me, particularly for our customers, is accessibility. We have a situation where 53% of our stations are fully accessible, which represents about 80% of footfall, but that still means that some 47% of stations in Wales are not fully accessible. That is a real issue for customers, so I would certainly like to see these factors considered as part of the next franchise.

Roger Cobbe: Perhaps I could draw again on some experience with some other franchises let more recently than the present Wales and Borders franchise, where the Department for Transport has realised the problem with station investment is that there is a relatively small amount of station investment that is truly commercial and much less so on a regional-type service. For example, when they re-let the Northern franchise recently, they did specify some particular standards to be achieved at the stations, but they also specified minimum investments that they were looking for bidders to undertake. We were very pleased to be able to offer a higher level of investment than that minimum, because we were able to find additional things we could do that would add value to a franchise as a whole. Again, it is for the Welsh Government, as the client body in this case, to look at the toolkit of franchising and decide which things it wants to take and use on this occasion, but there are some good lessons that can be learned by looking around.

Q50 **Chris Elmore:** Can I bring you to a specific station, in the sense that obviously there are pinch-points on all stations, depending on the capacity of a particular point, and obviously Cardiff Central has seen significant investment in recent years, but Cardiff is now an events hub for major sporting events, even Monster truck events, as of a couple of weeks ago, and obviously concerts and so on and so forth. There is a constant complaint or issue for, I would imagine, mainly South Wales MPs—but it must affect across Wales if you are coming for events, for one-off concerts and across the border in England—about the pinch-points: an event finishing, everyone floods to the station. You then have the usual passenger flow as well, particularly if it is at the end of a working day or even just the mass shopping that is now available in the city centre. What is the next step for Cardiff Central in terms of how you can deal with that overcrowding and the sheer volume of passenger traffic that is now coming through it?

Ian Bullock: I think you have made an absolutely key point, and it would be one of the key issues that needs to be addressed as part of the next franchise. We need a Cardiff Central that is fit for purpose. The Enterprise and Business Committee, after the Rugby World Cup, did an excellent report following the events there and made some key recommendations, their No. 1 being that some of the infrastructure failings at Cardiff Central have to be addressed. It is not fit for purpose in terms of the number of people it carries or tries to move during special events and we can move up to 45,000 sometimes.

Also it is not just the station itself, the physical station, because the track and signalling is also very constrained around it and the network around it is quite limited, so there is not the flexibility in the system. In addressing Cardiff Central, I think you have to look at it as a whole station. It is not just the physical passenger environment, as it were. You have to look at the track and the signalling that lead into Cardiff Central so that you create a hub that can give customers a really excellent experience when they go to Monster Jam or any of the other events that are happening in Cardiff.

When we gave evidence recently, I gave evidence alongside Mark Hopwood from Great Western, and Mark drew a parallel to Reading Station and how that had been developed. Mark made some very good points saying that what Cardiff needs is a development similar to Reading, which addressed the infrastructure and the width of the platforms, so allowing people to be in the station and covered, rather than queuing outside. I am not saying it has to be exactly the same, but that kind of level of investment and whole system approach needs to happen.

Roger Cobbe: We certainly believe this is not just an issue at major events. Major events clearly show the problems at their most extreme, but we have a station that is handling far more people than it was ever designed for. Of course it is absolutely fantastic that the railway is contributing more to the economy of Cardiff, and I know some of the members had a chance to look around it with Ian earlier, but when you are there in the rush hour, those staircases, the subways, the concourse, the place where we try to run the ticket barriers, fundamentally they are all fit for a station carrying half the number of passengers. When you then put on the special events as well, yes, it is just not good enough. We need a station fit for a capital and there needs to be a programme to get us from where we are now to there without too much inconvenience along the way.

Chair: We have a couple more questions and we are starting to run a bit short of time, so I am going to speed everyone along a bit gently, if I may. Liz, do you have anything to add?

Q51 **Liz Saville Roberts *(Translation)*:** We are talking now about looking at the new franchise and about the length of it, because the last franchise was a long one, from 2003 to 2018. We have received evidence from Professor Stuart Cole noting that perhaps a five-year franchise would offer greater flexibility. It seems prior to the previous election that the Welsh Government was in favour of a longer-term franchise. From the point of view of ATW, what is the advantage of a long-term franchise and how can you build in flexibility and avoid some of the lessons that we have perhaps learned from an over-dependence on punctuality as a target with the last franchise?

Roger Cobbe: Yes, I think there are some complex balances and trade-offs in the length of a franchise and the answer is not going to be the same for every franchise. If we start by looking at the present Wales and Borders franchise, we believe—especially given the very difficult circumstances in which it was let that I described earlier—the fact it was 15 years has enabled us to give a far more positive outcome, as we have said in our written evidence, to voluntarily invest £35 million. We chose, at our commercial judgment, to put in a new timetable. Those sorts of things would not have happened if it had been a five, six, seven or eight-year franchise, we would have just done what it said on the contract and I think we would be sitting now with the number of passengers far lower, satisfaction lower, performance lower.

We like the longevity of a chance to improve the business over a longer term. I think where the feeling, "Is 15 too long?" comes from is perhaps from the Department for Transport, where they look at a portfolio that includes some extremely high-revenue earning franchises, where you run into a different problem. If you are looking at something like the East Coast Main Line or the West Coast Main Line, the challenge of predicting revenue out 15 years into the future is colossal and even what you might say is a 0.5% difference at the beginning turns into hundreds of millions of pounds as you get further downstream. There are ways of sharing risk and reward. Even with the present franchise, there were two review points within 15 years where if we had been no good, the franchise could have ended either at year 5 or at year 10, but we passed each with flying colours and carried on improving the service.

In broad terms, Arriva favours a longer franchise is what I am working my way around to saying, but obviously it does all depend on the detail. If you have a shorter franchise, typically the client body is going to have to make a lot more decisions about the details of services and details of investment. It is going to have to have a team in place, more resources to manage everything in much more detail, whereas in a longer franchise it is much more able to say, "These are the key objectives" and pass the problem to professionals to run.

Q52 **Liz Saville Roberts *(Translation)*:** One other question: because it is the Welsh Government more than likely who will be responsible for this future franchise, how should the Welsh Government be preparing now for this? What needs to happen between now and three years hence?

Roger Cobbe: I guess they already have prepared would be my answer to that one, in the sense that the procurement process has already started. We are at the prequalification phase. The Welsh Government has assembled a team, it has produced a good mixture of its own officials and people with expertise who have worked on Department for Transport franchises. We know the Welsh Government has spoken a lot to Transport Scotland, which seems an eminently sensible thing to do, because although that is not identical it has many similarities with the procurement recently of the new Scotrail franchise. In a sense, they do seem to be doing all the right things and to be getting on with the job, which is all one could wish for at this stage.

As we would say to the Department for Transport as well, we would encourage them to maintain a dialogue with prospective and actual bidders because it is always a good idea. If there is that dialogue, it tends to produce a better understanding of what the market can provide and helps the client body finally to firm up what they want to specify and what they want to leave open.

Q53 **Chair:** That leads on rather well to your impression of the level of co-operation between the Welsh Government and the Department for Transport in relation to the Wales and Borders franchise.

Roger Cobbe: Again, our understanding is I think they are getting on with it, so the co-operation is there and we expect the legal powers to drop into place at the appropriate moment. Everybody is acting on the assumption that that is just part of a process and within the timeline of tasks to be done, the little bit of missing legal powers will be one of the things that is done at the right time. It is not holding anything up at the moment and the bodies are co-operating.

I refer again to our recent experience with the Northern franchise. We feel that that has been an excellent, seamless transition to a devolved structure, so we are very confident the same can be achieved here. Of course management of the franchise has been devolved now for 10 years, so there is no reason at all why the letting of a franchise shouldn't be done so too.

Q54 **Chair:** What would be the impact on British Transport Police of Wales having control of its own franchise? Because after all, at the moment the police are non-devolved in Wales. In Scotland, BTP are part of and answerable to the Scottish Government. BTP in Wales will be in a slightly anomalous position, won't they? They currently answer to the Department for Transport, not the Home Office, is my understanding. Therefore the Assembly may become responsible for a police force as a result of this.

Roger Cobbe: That is an interesting question and I do not know the answer to it. The Transport Police have always been subject to a slightly different and separate management and oversight structure. Quite rightly so, the Home Office has had an important role in ensuring they meet the standards required of a police force, while the Department for Transport has had a role in terms of funding and strategy. There are parallels, I guess, with Transport for London to look at and there is a lively debate going on in Scotland at the moment indeed about whether the BTP should cease to be active in Scotland and their activities be merged into Police Scotland.

Chair: We will try to find out, I think.

Roger Cobbe: I do not think it is related to the franchise is where I am coming from.

Chair: No, I should not have asked that question, because we only have one more after this, but I wanted Chris to ask it—

Chris Elmore: I thought you might.

Chair: —because it was up his street.

Q55 **Mr Mark Williams:** Can I just go back one step, Mr Chairman, very quickly? It cropped up in our discussions this morning, going back to rolling stock. The scripted question that I will ask you—but there is a specific reason for asking it—is why has it not been possible to replace rolling stock during the franchise period? I ask that because of the issue of disability compliance and the timeframe that people need to be working towards, namely 1 January 2020. It is a critically important one for many people. That target is ambitious, but not unreasonably so. How is it going to factor into this and how is it factored into the immediate history of the compliance of your rolling stock?

Roger Cobbe: Of course, as I mentioned earlier, the fleet was presented to us effectively and we were actively discouraged from seeking to add to it, even if additional trains had been available. Some bilateral discussions took place with the Welsh Government, which have added a small number of additional older diesel units, comparable with the ones we already had, when they came available from other franchises. But because the present Wales and Borders franchise ends in 2018, well before the 31 December 2019 deadline, we have no specific responsibility to do anything to the trains to ensure compliance with that deadline, but we have been very active in reminding both the train owners, the ROSCOs and the Welsh Government and the DfT this deadline is coming. This deadline seemed a long way away when it was first set, but we are marching inexorably towards it and there needs to be a plan to address this. Even though at the moment it is kind of not our job to do it, we have made clear that this needs to be sorted and the time is running out.

Q56 **Mr Mark Williams:** That is very good to hear, because it is an important principle, isn't it? Of course there is work there for Network Rail as well. We haven't come to a completely satisfactory picture there either.

Ian Bullock: One thing I would add is that there are not currently any diesel trains, as we sit here today, available for us to lease. As a network we have a capacity issue and I am not able to lease any additional trains because of the position, which is an industry position, about there being no further diesel trains. That is deeply frustrating for us as a business, but even worse for our customers, because we cannot address that demand that we have.

Chair: Finally, Chris, would you like to ask the last question?

Q57 **Chris Elmore:** The Welsh Labour's manifesto for the Assembly elections this year stated, and I am quoting, "We will deliver a new, not-for-profit, rail franchise from 2018 to improve the frequency and quality of train services". The substantive question is what is your assessment of this plan and is it feasible under current legislation?

Roger Cobbe: I think that is quite a tricky question—

Chris Elmore: Try asking it.

Roger Cobbe: —which is why you asked it. But it is tricky in the sense that I do not feel I have ever seen an explanation of what this concept was, and therefore it is quite hard to place it against UK and European procurement law, and to say whether it would work. There are several things it might be. It could be a proposal that a body of the nature you just described is able to participate in a franchise competition, in which case, an interesting idea. Who is paying its bidding costs and what happens if it bids and wins and then fails? Is that really the transfer of risk to the private sector? If that is the model, I am not entirely sure that it is legal under UK law.

If it is saying, "Why bother with all this franchising at all? Why don't we just set up an in-house nationalised railway?" basically that is certainly possible under European law; it is what is called direct award. Again, I think there is some difficulty under UK law, unless the whole of Wales is de-designated from franchising, which is a power that I understand sits with the Secretary of State and is not proposed for devolution and has not been exercised anywhere else other than for things like heritage railways and the like. It is a tricky one to get your handle on what is really being proposed and one that may have legal obstacles, even if it was more clearly defined.

Q58 **Chris Elmore:** Of course we do have a rather well-known not-for-profit organisation in Wales in the sense of Welsh Water and the success story of that.

Roger Cobbe: Absolutely, yes.

Chris Elmore: There are obviously ways around having a public ownership franchise that is managed in a not-for-profit sense under public ownership, so there is a level of precedent around that. I accept rail franchise and water are not the same thing obviously, but nevertheless there is a precedent of a company being developed that can deliver for this.

Roger Cobbe: We would feel the value is driven by the competition, that you have two, three or four companies such as ourselves who will look at the proposition, apply their expertise, their business acumen from elsewhere, transfer best practice so the profit that is earned is relatively modest, certainly modest compared with most other areas of the economy. If you look at ORR's figures, we are in very low single figure profits. I think the taxpayer and the passenger gets very good value for the expertise that is brought in and the competitive tension of having two or three people having a go at who can do this best.

Chair: I think one very last very quick question.

Q59 **Liz Saville Roberts *(Translation)*:** Thank you very much, Chair. I will be as quick as possible. There have been calls for the devolution of Network Rail to Wales, although that is not in the Wales Bill at present. As an industry, could you see benefits of working more closely with Network Rail or for Network Rail?

Roger Cobbe: Yes, certainly we favour working more closely with Network Rail on a local basis. It is a very large national organisation and inevitably, from the perspective of a Wales and Borders operator, Network Rail is always going to have bigger and more important issues elsewhere. I think precisely the form of devolution is for more thought. Again, thinking back to what has been achieved when we started and when we first won the Wales and Borders franchise, we campaigned for a Wales route. It took us seven years to get that implemented, but we were right, and when it was done, everybody realised that was the right solution. The issue of the competency of the Wales route, its precise boundaries, to what extent it should rely on the national Network Rail are all detailed matters. We have made a lot of progress, but I think there is more that can be done and we would welcome that in the future.

Chair: Diolch yn fawr. Thank you very much indeed for coming along and thank you for your answers.

Examination of witnesses

Witness: Elizabeth De Jong.

Chair: First of all, can I thank you for coming along here today and ask you a slightly loaded question, given the arguments that took place in 1993, and that is perhaps I should ask you what the advantages and disadvantages are to the taxpayer and the rail user of the current system of rail franchising?

Elizabeth De Jong: There has been quite a lot of evidence collated about what has happened since privatisation in terms of growth of the number of passengers using the network, it has more than doubled, and the rate of growth is a lot faster than it was in the years leading up to privatisation. I have some of these numbers and facts in front of me today. The average growth has been 3.9% per annum and it was 0.6% growth in the 18 years leading up to privatisation. Journey growth has been more than doubled; GDP growth. There has been a 25% increase in train vehicles, so growth there too, a 29% increase in the number of services ran and passenger satisfaction has also increased over that time from 76% to 80% as well. The safety record of the UK is very high in Europe—it is in fact the second safest railway in Europe, second to Finland—in terms of we have had no fatalities for eight years, so we have a strong safety record too.

Another way to look at what the impact has been is in fact in terms of impact on the taxpayer too, so Government funding per journey has fallen by 45% over that period and it also returns a lot of money to Government through the franchising process, which of course can be invested by Government in whatever it wishes to. In 2014-15, the sum of £802 million was returned to Government through the franchising process.

Q60 **Chair:** I think that is very interesting, because there is a perception that rail privatisation did not really work and was a privatisation too far, but you are painting quite a positive picture of it. Do you think there is any argument for going back to kind of a state-run system where the rail and the rail operators are all in one, under one umbrella?

Elizabeth De Jong: It would be quite a big decision. Your counterfactual, what you are making your decision on, is based on evidence from quite a long time ago and I think in terms of putting a value for money case, which Government need to consider, when you have those sorts of statistics about growth and investment, I think to argue to go back to a public ownership model would be quite a hard case to make. You would probably need to consider whether the public sector could provide a number of other things and whether it would be incentivised to do so. Would it have access to capital to invest; would it have the longevity of financial planning that would allow those types of investment decisions and those sorts of growth statistics that we have seen to be met?

My other thought on this topic is that already there is quite a lot of Government involvement in the railways. We have heard my colleagues talk about the specification that the Welsh Government needs to put together and things that it needs to consider about where there is investment, what is put in the franchise and what does it want from it for its railway? There is Government involvement and Government ideas already in the franchising process too and Network Rail is in public ownership, so there is a lot of Government involvement, if that is a concern. Currently you also get private sector involvement, which does lead to a number of advantages.

Q61 **Mr Mark Williams:** In your role, what do you believe Arriva Trains Wales could learn from other franchisees in order to improve their service? Specifically if there is good practice and it could be shared, how does the Rail Delivery Group enable that sharing of information?

Elizabeth De Jong: I have met Roger and Ian before, because they are very active in the work of the Rail Delivery Group. We offer a number of working groups for the industry in many areas, from operational, engineering, performance under the National Task Force and we also have a lot of subject matter experts. In these groups, it is predominantly about sharing best practice and looking at structures and the incentives in the industry and how they can be improved to make things work better. Existing operators can learn a lot in those respects but we also work very much with specifying authorities, to help them and to share our learning. We have been working—

Q62 **Mr Mark Williams:** Can you define "specifying authorities" for me? What do you mean?

Elizabeth De Jong: Yes, that is the people in your invitation to tender. You set out what you want and that is called a specification, so you specify many aspects. There are often a number of chunks in an ITT: you can specify management areas of it; you can specify train service areas; you can specify rolling stock. So specification is my saying what I would like the bidders to bid for in my franchise.

Mr Mark Williams: That is very helpful, thank you.

Q63 **Chris Elmore:** Just on the current franchise as it is now, how do you feel Arriva Trains Wales has performed under the current franchise? Specifically, has the 2003 franchise been a positive for both the franchisee and the franchisor?

Elizabeth De Jong: I believe it has. Again, I look back to very similar figures that I have just quoted on a national basis. We have been hearing about the very high growth rates; I had it as 70%, but I heard the number spoken about as being 75%. That is a clear marker of success. We have heard about an increase in customer satisfaction and we have heard about the increases in performance that they have managed to achieve, despite an older rolling stock portfolio. In respect of the Government, the specifying authority, there has been a decline over time in the subsidy required for the franchise, so that is a positive thing for taxpayers and that can be invested other ways. Also Arriva Train Wales found business cases and money to invest £35 million over the franchise, so I think again they have done a good job with that franchise.

Q64 **Liz Saville Roberts *(Translation)*:** We have discussed already that with the previous franchise that there was no consideration given to the growth in passenger numbers. Had this been different, if that consideration had been built into the franchise, how would things be different today, do you think?

Elizabeth De Jong: It is speculation, but if that is of use, I imagine that in the forecast growth figures there would have been the provision for more rolling stock, more capacity in other ways to reach that forecast growth, and with a higher forecast growth, that is more money, more revenue for passengers to the franchise. Again, that would have perhaps enabled more investment, but that is speculation. What I think is more important perhaps for us to dwell on is thinking about how to get the growth projections and what we want from the future franchise and focus on that so that produces something solid for the future.

Q65 **Liz Saville Roberts *(Translation)*:** Which leads naturally to the next question: how do you go about trying to project growth for the future with a new franchise?

Elizabeth De Jong: Yes. In fact, in my area of RDG, the Rail Delivery Group, we have a passenger demand forecasting council. For a number of years now—many years, in fact—that has been gathering research and it is put into the passenger demand forecasting handbook. This is a mathematical model, an econometric model, where you bring inputs of things that might happen in the future and from that you are able to anticipate what the demand might be. Some of those are what we call exogenous or outside the rail industry, and GDP, economic growth and employment are particular things that will affect growth, but also the services offered also impact on growth. Frequency of services is a particular one issue, numbers of interchange and fare levels all impact on growth. So there is a history of modelling that predicts what growth should be. This is used in Government and people who bid for franchises also use it in forecasting, so there is a well-established methodology.

Q66 **Chair:** Does the low quality or the perceived low quality of rolling stock have any impact on customer numbers or is it one of those things that creates dissatisfaction, but not enough for people to say, "I am going to take a car or do something else to get from A to B"?

Elizabeth De Jong: Yes, service quality is a factor that influences demand. That is in the handbook, so there will be coefficients that go into the model that are able to pick up some of those things. Rolling stock may also have an impact on how fast your service is from A to B. That can be affected by rolling stock as well, so it is an element in predicting growth.

Q67 **Chair:** So do you think there comes a point where the quality of the rolling stock itself will cause people to stop using the trains?

Elizabeth De Jong: It does impact on demand, yes. I would need to look at the handbook to see what the advice is.

Q68 **Chair:** Jumping into a topic further on, we heard that it can take a lead of three or four years to get new rolling stock, new trains. Why does it take so long and is there no way of speeding things up a little bit, do you think?

Elizabeth De Jong: I am not an expert on procuring rolling stock, but yes, there will need to be a tender process, a build process and a testing process. All of that is very important. Sometimes bidders for franchises will speed up that process by having done a lot of the selection for the rolling stock and got contracts in place to reduce the lead time for that element of the process, but I am not an expert in this area.

Q69 **Mr Mark Williams:** I think probably we have dealt with the issue of the models and the prediction of passenger growth, but I just wanted to return to what I think is an increasingly important issue as this inquiry proceeds, namely the importance, to quote your submission, that, "Integration with the wider GB rail network needs to be maintained". Are threats to that a matter of concern and what effect would not doing so have on rail users? After all, that is why we are all here.

Elizabeth De Jong: I think if people were needing to change trains at the border, that would have an impact on demand. We know that the more times people change trains, the less likely they are to use trains, so that is of concern to the railway. It is also an issue about connecting economic centres, that that access to economic centres, which is important in growing economies at both ends, would be broken and less easy and that would be a detriment too.

Q70 **Mr Mark Williams:** That goes to the nub of the issue. While this isn't an anecdotally important issue and we can all gaze adoringly at maps, for instance, in Mid Wales we have two universities, it is a very important tourist centre and this really does matter. That point you made about economic connectivity between centres is the nub of this issue, and why this is so important.

Elizabeth De Jong: Yes. We have seen those types of arguments spoken about in the Northern Powerhouse discussions as well, about wanting to connect those economic centres, so it is an area of concern, yes.

Q71 **Chair:** In reality, I would not think there is any suggestion that people would be expected to detrain and jump on to the other trains. What is more likely to happen is that parts of the franchise that are in Wales and on the borders would be attached to a different franchise area. That is a far more likely prospect, isn't it? So in effect, Cardiff to Manchester might be part of a franchise somewhere else in England. Isn't that a more practical possibility?

Liz Saville Roberts: Then what are the implications of that?

Elizabeth De Jong: If it wasn't? Yes, I think franchise remapping does happen quite a lot. I have been involved with some of it myself and I think there would need to be a good reason for that to be a better idea for Great Britain plc.

Mr Mark Williams: Again, when you function on the periphery, as my constituents and I do in terms of where we live and work, having those direct routes through to major conurbations in England and elsewhere is important. Indeed, the assertion is that journeys would break at Shrewsbury and break further on in the Midlands and that is a great inconvenience to constituents and of course it has an impact on staffing as well.

Q72 **Liz Saville Roberts *(Translation)*:** If I may ask, from what you were saying about remapping, if say a direct route to Shrewsbury were to be given to another franchise, are there implications in terms of the viability of the franchise remaining in Wales if we lose those particular routes, not just the break in journeys, but running certain journeys at all perhaps?

Elizabeth De Jong: I think it would perhaps be too far; it would impact on the viability of it. Roger has perhaps picked up some aspects of that before: it would be a smaller franchise and that might impact on the number of bidders or not. I am not really able to cast too much light on that, whether it would impact on the viability. There are still obviously lots of strong train services and a good social network of railway in Wales.

Q73 **Chris Elmore:** This follows on quite neatly from what has just been asked. When the now former prime minister, Prime Minister Cameron, said in November 2014 that the rail franchise in Wales would be taken over from October 2018 by the Welsh Government and they would become the franchising authority, part of the evidence from the DfT to the Assembly's Enterprise and Business Committee in September 2015 focused on the fact, and I am quoting, "The Welsh Government would be no better or worse off as a result of any reorganisation of the franchise map to move English services to other franchises". I suppose my question is what improvements have DfT made to the new franchise, and clearly there are some moves by the DfT, at least in evidence to Assembly Committees—there is a line in the evidence that they have given—that, "The Welsh Government would be no better or worse off as a result of any reorganisation of the franchise map to move English services to other franchises".

Elizabeth De Jong: In terms of general improvements to franchises, and I can talk more in a general term on this, RDG would be talking about prioritising customer needs in franchises and we would be talking about it being safe, but that is almost a prerequisite. We would be talking about it being a sustainable business model, attracting investment and people to bid for it. We would be talking about one that supports economic growth for Britain, and also in doing that it delivers value for money too. Those are the types of general improvements and general recommendations we would be making to franchising.

If I were to talk about a few of those, in terms of customer needs, we would be recommending, if we were here with Welsh Government, the work that is done at a national level on ticketing and information and wi-fi and linking that with some of the initiatives at industry level, because that will help those things to be delivered at lower cost by not reinventing things that are already happening. We would be talking about the RDG vision for stations and the work that is being done to embed those and for franchisees to refer to that as well.

In terms of a sustainable business model for the franchise, we would be talking about the need to attract competition for the market so that the risk and reward in the franchise is a fair balance, to attract people to bid for it and the cost of bidding is proportionate, because through that process is where you are going to get innovation, which will lead to good services for customers and also value for money and also it will lead to investment. We would be talking about enabling change during the franchise to enable the franchise to respond to customer needs.

In terms of delivering economic growth, we would be talking about investing to support patterns of demand—you can get the most value for money there—and we would be talking about the investment, for example, from the route studies that have identified as priorities as well. We would also be saying that the more flexible you are in outcomes rather than very specifics of operations, then you allow the people bidding for the franchise to offer the best possible service at the best price. Those are the sorts of things we talk about in terms of improvement.

Q74 **Chris Elmore:** Part of that privatisation obviously for the new franchise is also around the fact that I believe, from memory, that in 2020 trains need to be disabled-friendly.

Elizabeth De Jong: Yes.

Chris Elmore: Again, it goes back to the idea that there are some sort of physical improvements that are needed to make access better and to meet the legal requirements of train access from 2020 onwards.

Elizabeth De Jong: Yes, that is right. My understanding is that there are a couple of issues around rolling stock. One is the PRM requirements, the accessibility requirements from 2020, of which there currently isn't a derogation for that. That would be something that the Welsh Government need to consider. The discharge of effluence on to the track in Wales is also an issue, and although that is not a health and safety matter for workers, clearly it is an unpleasant thing that is probably not that desirable in Wales. It is one of the few areas of the country or the last area of the country where that still happens.

Q75 **Liz Saville Roberts *(Translation)*:** We have heard arguments for and against a long franchise, such as the 15-year franchise that we have had in the past, and a shorter franchise of say five years or whatever else it may be. What are the costs and benefits of each approach?

Elizabeth De Jong: That needs to be done on a franchise-specific basis, so part of that is about what are the objectives for the franchise, what specific things is it here to deliver. It could be that it is here to deliver a complex project or a big investment and we would recommend that after that project is delivered there is a period in which to ensure that the benefits of that project are fully realised, rather than deliver the project and then it is on to the next franchise, because then you can make sure that those benefits are properly delivered. A longer period gives more time for private companies to get a return on their investment, so that is attractive.

Out of that is something that Roger has mentioned: although we have the passenger demand forecasting handbook, a clearly established principle in any business is the longer into the future you forecast, the less certain your forecasts are. There is a trade-off to be made with that. There are options from a contract: we have heard of rebasing, break-points, that those are the trade-off. It is a very franchise-specific decision. The Welsh Government will be appointing a number of advisers. I think they have already appointed legal advisers and financial advisers, but financial advisers working with technical advisers will be able to work out exactly those trade-offs to give a recommended franchise length.

Q76 **Chair:** I think you have already answered this or we have touched on it, but are decisions on rolling stock the key to improving passenger experience under the new franchise. Are they the key? Punctuality and cost are also going to be fairly major factors, I would think.

Elizabeth De Jong: Yes, the Transport Focus advice was very helpful in this in terms of some of the key drivers of satisfaction: capacity, value for money, punctuality and reliability and effective disruption management, all of the top four priorities of satisfaction. I think you could link a number of those to the quality of the rolling stock as well.

Q77 **Mr Mark Williams:** What is your impression of the level of co-operation between the Department for Transport in London and the SNP Government, in particular in relation to the issue of the franchise?

Elizabeth De Jong: I am not party to those discussions, but I know that there is co-operation and engagement. What the Welsh Government is doing is ambitious in terms of the amount of investment or public sector procurement, so I know that the Department for Transport will be giving as much help as it can to that. There is also a different model of letting a franchise with the negotiated process, so the Department for Transport will want to learn as well.

Q78 **Mr Mark Williams:** One of the criticisms this Committee sometimes hears, I can put it politely, is that there is an information deficit in Whitehall and London about the needs of Wales. We have talked some specifics: they are quite specific about situations on the ground affecting our constituents. Is that something you are familiar with? Am I being unfair in suggesting the Department for Transport sometimes are unaware of some of the unique and specific needs of Wales, where the franchise and getting this right is crucial?

Elizabeth De Jong: I really cannot comment on that at all. I have no evidence one way or the other on that. What I can say is that one of the officials at Welsh Government in Transport for Wales has been in secondment in the past at RDG, so will have been learning in that process as well. We have also offered help: we have discussions coming up on performance metrics and customer experience, so there are lots of areas to get advice and expertise as well as through your consultants.

Mr Mark Williams: That was a very positive answer. Thank you.

Q79 **Liz Saville Roberts *(Translation)*:** We are aware that this is a new responsibility for Welsh Government, although they have been involved with the management of this since 2006, if my figures are correct. From the current position, do you have any advice for the Welsh Government on how best to prepare for the new responsibilities that they will face, particularly with the new franchise in mind?

Elizabeth De Jong: They are well-equipped with managing a franchise. That is a great place to start. My advice would be to take advantage of the expertise that is on offer to you, that people nationwide as well as in Wales will be wanting this to be—

Q80 **Chair:** You are not looking for a job now, are you?

Elizabeth De Jong: No, no, no, I am fully employed where I am. But they will be wanting this to be a success, so that advice and help is out there for them.

Chair: This was not deliberate, and if you think this is a barb at the Labour Party, feel free to insert a similar one at the Government, Chris, but this question may have been heard before.

Q81 **Chris Elmore:** It is literally a duplicate of before. In relation to Welsh Labour's manifesto commitment—I am being picked on, I am the only Labour Member present, so that is why I am targeted for this—

Elizabeth De Jong: That is why you are having to ask it, isn't it? I can see this.

Chris Elmore: —around the not-for-profit rail franchise in 2018, to improve frequency and quality, what is your assessment of the plan and is it feasible under current legislation? One of the issues that was raised with the Secretary of State during the Wales Bill debate was that if the Welsh Government were to run a non-for-profit franchise of some sort that, there would be problems with that for the Border lines. At least two of my colleagues in this room responded to that point in the Chamber by citing the Welsh Water system and how that works. Passengers have little interest in who is running a service as long as it runs efficiently and effectively. The Welsh Government said, and by definition the Welsh

Labour Party—and indeed, the Welsh Liberal Democrats serving in Government with Welsh Labour—that if it could be run more efficiently, then there is an argument for doing it.

Indeed, the Secretary of State seemed robustly opposed to those changes, based on a concern about travelling between England and Wales, which is something not of concern to customers. If you were to take the Welsh Water example, no one is overly worried that the River Severn runs between England and Wales and it is a part of where we get our water from; where rain comes from, it is not normally a concern of where we fill our reservoirs from. There is an element of would people be that concerned if it was run by the Welsh Government as a not-for-profit organisation, as long as the service improved and the quality of stock improved? We do have Welsh Water as a very good example of not-for-profit feeding back into the public purse and improving their water stock and so on and so forth.

Elizabeth De Jong: If I were to be making this decision, what I would be wanting to do is convince myself that a not-for-profit organisation was able to deliver some of the big improvements we have already seen through the franchising system with private-for-profit organisations bidding. We have seen the growth I have talked about, the increase in services I have talked about, the number of trains, the amount of investment return that is given back to the Government. That would be something to convince myself about.

The other thing I would want to convince myself about is that I had a market who were wanting for bid for this and who had the expertise. Already in the existing franchise arrangements there are a number of profit-share arrangements. That obviously needs to be pitched at a level that is still attractive to people to bid for a franchise. We have talked about the importance of that bidding process in terms of getting innovation, getting value for money and the benefits that that competition for the market provides. I would want to be certain that there was a market out there who would be willing to bid on a not-for-profit basis to get those benefits from the franchising process. Those would be the questions I would be asking.

Q82 **Chair:** Lastly, Ms De Jong, do you know the answer to this issue about the British Transport Police and to whom they would be responsible and whether the Assembly are about to become responsible for a police force?

Elizabeth De Jong: I don’t. I know that, yes, there is discussion of different types about the British Transport Police and where that is homed or not homed, but that is a discussion I am not party to. It will be between the two Governments to decide on that basis, I think, whether it is part of the devolution or not or what would work or not work. It is not something, I am afraid, I am able to advise on.

Chair: Thank you very much indeed for coming to give us evidence. I close this session.