
Future of the Wales and Borders Franchise

FSB Wales
response to the
Enterprise and
Business
Committee

13th September
2013





Enterprise and Business Committee inquiry into the future of the Wales and Borders franchise. The Federation of Small Businesses Wales

The Federation of Small Businesses Wales welcomes the opportunity to present its views to National Assembly's Enterprise and Business Committee. FSB Wales is the authoritative voice of small businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with small businesses at a grassroots level. It undertakes a monthly online survey of its members as well as an annual membership survey on a wide range of issues and concerns facing small business.

Introduction

FSB Wales welcomes the Enterprise and Business Committee's inquiry into the Wales and Borders franchise. In the context of the Commission on Devolution in Wales' work and the Committee's previous inquiry into integrated transport, now is an opportune moment to consider how the Welsh Government can ensure future arrangements for Wales' rail franchise meet the aspirations and needs of businesses and citizens.

Ultimately, the franchise agreement should allow the franchisee to take an active part in transport policy in Wales. This would entail enough flexibility built in to allow the franchisee to benefit from Welsh transport priorities being achieved.

How we define passengers

In examining the future of the Wales and Borders franchise, FSB Wales believes it is vital to acknowledge that passengers include those travelling for and as part of work, rather than just to work and for leisure purposes. This is a nuanced definition but one that should take in a wider range of aspirations for the franchise in relations to business usage.

Does the current franchise meet passenger needs?

When considered in conjunction with the exponential rise in the number of passenger journeys in Wales since 2003, the 'no growth' basis of the current Wales and Borders Franchise means that the franchise could not possibly meet passenger needs (see figure 1).¹ Rail passenger journeys had been steadily increasing and it was highly unlikely that this would change over the course of the current franchise. Since 2005-06, the rise in passenger journeys has increased even more markedly.²

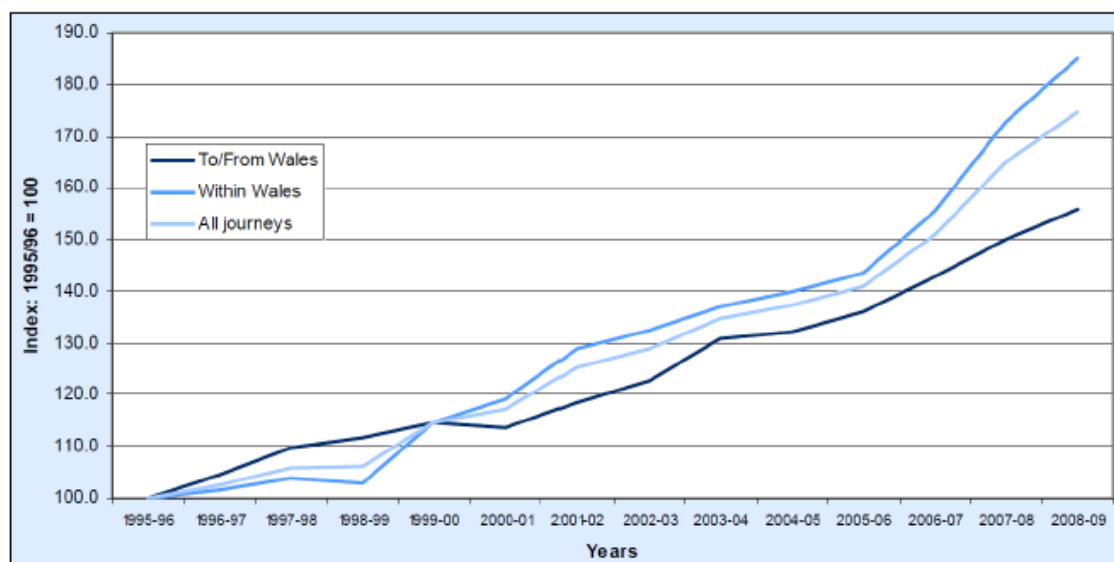
One of the main lessons from the existing franchise is the need for a service that can meet passenger demand. Future demand must be projected on a sound evidence base. The last Wales Rail Planning Assessment (WRPA), which considered potential growth in rail usage in Wales 2006-2026 forecast growth in demand of 23 per cent by 2016 and 38 per cent by 2026, with the greatest increases

¹ National Assembly for Wales Research Service. 2011. Quick Guide: The Operation of the Railways in Wales [Online]. Available at <http://www.assemblywales.org/gg11-0009.pdf> (accessed 13th November 2013). Table 1, P.4.

² Ibid.

expected in South East Wales.³ The Welsh Government should draw on all available research, commissioning further study where necessary, to gauge an accurate assessment of future demand for rail travel as well as a detailed understanding of likely patterns.

Figure 1



In order to ensure that the next franchise truly meets the needs of passengers the Welsh Government should begin work early to develop its requirements for the next franchise. This should include ensuring a team with the necessary skills to negotiate with potential franchisees. The Welsh Government should also acknowledge that the process of procuring trains for the future franchisee will be lengthy. Given the poor rolling stock in much of Wales, the Welsh Government should work with Rolling Stock Companies (ROSCOs) early on to ensure any new rolling stock matches the aspirations of the franchise agreement.

Relevant recommendations from the recent National Assembly for Wales Enterprise and Business Committee’s Inquiry into Integrated Public Transport in Wales should be taken into account. In line with Recommendation 2, Welsh Government should continue to lobby UK Government for an enhanced role in the rail franchising process as it affects Wales. FSB Wales has previously argued that specification of rail infrastructure investment and the Wales and Borders franchise should be fully devolved to Wales. As the Committee’s Integrated Transport highlighted, this would allow the Welsh Government to pursue a genuinely integrated transport strategy for Wales⁴.

³. High Growth’ scenario forecasts were even higher. See page 4 of - Welsh Government. 2007. *Wales Rail Planning Assessment Executive Summary* [Online] Available at: <http://wales.gov.uk/docs/det/publications/070715wrpaexsumen.pdf> (accessed 11th September 2013).

⁴ National Assembly Enterprise and Business Committee. 2013. *Integrated Public Transport in Wales* [Online]. Available at: <http://www.senedd.assemblywales.org/documents/s17569/Report%20on%20Integrated%20Public%20Transport%20-%20May%202013.pdf> (accessed 13th September 2013).



Likewise, Recommendation 18 requires a thorough understanding of passenger needs to be developed to help inform Network Rail's Long-Term Planning Process and the new Wales and Borders Rail Franchise. Recommendation 19 states that Welsh Government should 'Ensure inter-modal integration is a key component of the new Wales and Borders Franchise, which should encompass integrated information, ticketing and timetabling'.⁵ Greater integration of different forms of public transport would have a beneficial impact on those businesses that use public transport in the course of their work.

How passengers should be involved in the franchise development and delivery

As mentioned above, there is a need to recognise the different types of passengers that use the Wales and Borders Franchise. Estimates in the Wales Rail Planning Assessment suggested that 52% of travel in the Cardiff area was for business and commuting and a further 45% on the North Wales Main Line⁶. It is therefore vital that these types of passengers are front and centre in the planning process for the new franchise.

In terms of delivery, when the new contract comes into operation Welsh Government's objectives should reflect realistic growth in demand, particularly for business uses, and should ensure that such demand is met by the franchisee.

The role of Regional Transport Consortia

The regional transport consortia in Wales have no statutory status and do not direct funding effectively on a regional basis. In our submission to the Integrated Transport inquiry we suggested that the Welsh Government should use its powers under the Transport (Wales) 2006 Act and facilitate a move to Joint Transport Authorities that are closely aligned to the city region concept⁷. At present, regional consortia have weak strategic objectives and serve to administer local government priorities rather than set regional priorities.

Joint Transport Authorities could play an enhanced role in service design and delivery, working with Welsh Government to specify the needs in areas such as South East Wales and in the Wrexham, Chester and Deeside area.

A not-for-dividend franchise?

FSB Wales believes that the proposal for a not-for-dividend company to operate the Wales and Borders franchise is a secondary issue. While FSB Wales does not object to such an approach, the overarching priority for Welsh Government should be to deliver the optimum outcomes for rail passengers in Wales. In this context, effective delivery would mean awarding the franchise to the organisation that is most likely to deliver Welsh transport priorities. The government should not be specifying which business governance models are desirable.

⁵ *Ibid.* P. 5-8.

⁶ Department for Transport/Welsh Government. 2007. *Wales Rail Planning Assessment* [Online]. Available at: <http://wales.gov.uk/topics/transport/publications/070715wrpa/?lang=en> (accessed 13th September 2013). P.37

⁷ FSB Wales. 2013. *Integrated Transport Inquiry Response* [Online]. Available at: <http://www.fsb.org.uk/policy/rpu/wales/images/final%20integrated%20transport%20inquiry.pdf> (accessed 13th September 2013).



The research carried out by the Co-operative Party into this issue does not currently have enough detail to justify such a model⁸. For example, there is little included in the research that relates to service delivery. Where such matters are considered, they are often based on unsubstantiated claims that such a model would deliver better value for money. For instance the research claims;

“An additional advantage of moving away from a franchising model is that the costs of managing a franchise – which are considerable – will be reduced. There would be some up-front costs in setting up a suitable not-for-dividend, non-franchised TOC, and further costs in monitoring and liaison, but these are likely to be lower than the current costs of franchise management.”

It is not clear at present what the benefit of such a model over and above any other private sector operator would be. The Welsh Government currently provides £140m in subsidy to the franchisee. It is not clear if a not-for-dividend governance model would lead to cost savings and as recognised in the citation above. There would also be set-up costs for the Welsh Government in creating such a company.

Franchise length and targets

The no growth assumption of the previous agreement has been of detriment to Wales’ passengers and businesses. The current franchise does not provide enough flexibility for the Welsh Government to ensure Welsh transport priorities are being delivered. Any future franchise should include targets and objectives that are realistic and can be measured against delivery. FSB Wales sees no issue in providing incentives to the ROC to ensure such targets are achieved.

The franchisee should become an active part of a strategy to provide integrated public transport. For this to take place, incentives should ensure buy-in from the franchisee to the Welsh Government aims and objectives. The franchise agreement should also enable integrated ticketing on a multi-modal basis, enabling passengers to travel on various types of public transport as happens at present between different franchises within the UK rail network.

Routes included

The geography of Wales has led to a situation where travel between various parts of Wales includes travel via England. This is unlikely to change in the near future, particularly for the North-South axis. FSB Wales believes it is reasonable for all journeys that start and end in Wales to be part of the Wales and Borders franchise. As such, the Welsh Government should set the strategic direction for such services. However, it is also important that consultation takes place with areas affected that are the other side of the Wales-England border.

⁸ Salveson, P. *Rail Cymru: A People’s Railway for Wales* [Online]. Available at: <http://www.party.coop/files/2012/11/Welsh-Rail-pamphlet-online.pdf.pdf.pdf> (accessed 13th September 2013).



Additional lines and enhancements

It is likely that the growth in passenger numbers would support the development of additional lines, enhancements to existing lines and new stations, along with appropriate supporting infrastructure. However, specific decisions about this should be evidence based. Network Rail's evidence to the National Assembly for Wales Enterprise and Business Committee's Inquiry into Integrated Public Transport in Wales stated that they have begun a long-term planning process, looking at:

*“where future demand for the railway will come from, where commuting demand is, where new houses are being built under local authorities' local development plans, where the jobs are going to be, such as at the Enterprise Zone in Cardiff, for instance, and where future demands are going to come from for between 10 years and 30 years from today”.*⁹

Network Rail's findings must be taken into account when considering additions, enhancements and new stations, in line with Recommendation 18 of the Committee Report. Ultimately, many of the enhancements needed relate to rail infrastructure spending that is currently non-devolved. FSB Wales has previously argued that the Welsh Government should be allowed to specify Network Rail's investment priorities for Wales via a Higher Level Output Specification for Wales. This is consistent with the cross-party Enterprise and Business Committee's recommendation one on Integrated Transport. However, this should only be accompanied by the building of expertise within the Welsh Government and Civil Service to ensure effective delivery of such specifications.

Therefore, any franchise agreement should be written in this context, and should reflect Welsh transport priorities. This should be considered in the context of the Silk Commission and FSB Wales has advocated a rationalisation of transport powers in order to enable the Welsh Government to pursue a truly integrated approach to transport development in Wales.

Conclusion

The next franchise agreement provides an opportunity for the Welsh Government to pursue an integrated transport strategy. Many of the recommendations of the integrated transport report from the Enterprise and Business Committee need to be implemented to allow this to take place.

The Welsh Government should start work now to achieve the evidence base it needs to ensure any negotiations meet Wales' aspirations for rail service delivery. This should include the Welsh Government taking a lead on the franchising process as part of a wider integrated transport strategy.

⁹ National Assembly Enterprise and Business Committee. 2013. *Integrated Public Transport in Wales* [Online]. Available at: <http://www.senedd.assemblywales.org/documents/s17569/Report%20on%20Integrated%20Public%20Transport%20-%20May%202013.pdf> (accessed 13th September 2013).

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The Federation of Small Businesses

The FSB is non-profit making and non-party political. The Federation of Small Businesses is the UK's **largest campaigning pressure group** promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has **200,000 members across 33 regions and 194 branches**.

Lobbying

Our lobbying arm - led by the Westminster Press and Parliamentary office - applies pressure on MPs, Government and Whitehall and puts the FSB viewpoint over to the media. The FSB also has Press and Parliamentary Offices in Glasgow, Cardiff and Belfast to lobby the devolved assemblies. Development Managers work alongside members in our regions to further FSB influence at a regional level.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business Organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

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