

OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
29th MARCH 2007

FIRST GREAT WESTERN TRAINS - FRANCHISE

Purpose of Report

1. To respond to a request of the Overview and Scrutiny Management Committee for information on the recent publicised problems with local rail services by the new franchise operator and decide what action can be taken by the County Council to maintain services and support users.

Background

2. Since privatisation of the railways under the Railways Act 1993, passenger trains have been operated by private companies under franchises from central Government. The Government specifies, among other things, a minimum level of service and the duration of the franchise. It then invites bids from the private sector. A key element of each bid is the financial profile, whereby the bidder specifies in advance how much support it will receive from the Government or how much premium it will pay to the Government in each year of the franchise. Provided that qualitative elements of the bids are satisfactory, the Government has awarded them to the companies offering the lowest support or highest premium over the whole length of the franchise.
3. Development of the so called "Greater Western" franchise covering the main and branch lines in the South West was started in 2005 (at that time the main and branch lines were franchised to separate companies). It does not include the Waterloo-Salisbury-Exeter or Waterloo-Salisbury-Bristol trains which are operated by Stagecoach South West Trains. At that time franchising was carried out by a Government agency, the Strategic Rail Authority (SRA), but since the SRA was abolished in 2005 franchising is undertaken directly by the Rail division of the Department for Transport (DfT Rail).
4. Over the years since 1995 several models for franchises have been followed with varying lengths of up to 20 years and different levels of expected investment by the franchisee. The current model, first used for the Greater Western Franchise, is for a term of around seven years with the operator required to provide relatively little investment (major schemes would be uneconomic to the franchisee given the short franchise period). The services to be run are more tightly specified than hitherto, limiting the commercial freedom of the operator.
5. Where in the first round of franchises there had been a "Public Service Requirement" that specified minimum frequencies, first and last trains, the current franchise model includes a "Service Level Commitment" (SLC) that effectively sets maximum frequencies as well as minimum. The operator is required to obtain the permission of DfT if it wishes to run more trains than specified, even if no additional Government funding is required. Clearly this has increased the direct control exercised by Government over the railway, although First Great Western (FGW) and the DfT have appeared to contradict each other in statements about how much commercial freedom remains to the operator.

6. Under the current model, franchise bids are made upon a “base case” specified by the DfT, together with a number of options that are to be individually priced. Although the bidder may also provide alternative tenders, as the DfT has stated that the bidding competition will be decided upon the base case, it is not clear how this may work. The Greater Western Invitation to Tender also requested a “High Return Alternative Tender” bid - for the lowest cost consistent with meeting the franchise objectives. Due to the confidentiality applied to the bidding process, it is not clear if elements from the alternative tenders have appeared in the final franchise agreement.
7. The franchise was awarded to FGW for a period of seven years extendible to 10. The financial profile provides for over £1.3 billion in premium payments to the Government over the life of the franchise, whereas the main-line and branch-line franchises it has replaced were both in receipt of financial support from the Government.

The Franchise Timetable

8. The origins of the current timetable can be traced to the “Route Utilisation Strategy” (RUS) published for consultation by the SRA in January 2005. This was particularly focused on increasing reliability of services on the heavily used tracks between Reading and London and was not of itself a complete timetable. Swindon-Westbury, for example, was omitted entirely from the RUS but this is not surprising or sinister as the RUS is concerned with capacity issues not “uneconomic” services.
9. As part of its consultation on the new Greater Western Franchise in July 2005, the SRA proposed a draft timetable that was apparently based on the RUS. The consultation was deliberately low-key and the actual timetable, where obtainable, was classed as confidential. The County Council, along with others consulted, pointed out in very strong terms that the timetable proposal contained many changes from the established pattern of services, was inconsistent with regional and environmental objectives and represented a very significantly reduced service to Wiltshire and indeed most of the South West. Nevertheless, the same timetable was included in the Invitations To Tender for the franchise since tendering and consultation started at the same time. The timescale for the franchise award was such that it would have been difficult to alter the timetable fundamentally if the outcome of consultation had indicated this.
10. At the beginning of 2006, after winning the franchise, FGW launched a further consultation about the details of the new timetable which would come into effect on 10th December 2006. The County Council was directly consulted, along with many other stakeholders, and the process was publicised in order to obtain the views of rail users and the general public. County officers responded pointing out various concerns. The final December 2006 timetable addressed many of the issues raised and made improvements but did not provide everything requested. Overall, it is still based on the draft franchise timetable and does not constitute a return to the previous timetable pattern, although in some areas, such as the Bedwyn service, the new features proposed have in effect been dropped.
11. When the new timetable came into effect on 10th December 2006 it very quickly emerged that there were problems with trains not turning up and overcrowding on others. This was particularly noticeable on lines with commuter flows into Bristol such as the Portsmouth to Cardiff trains. There were three reasons:
 - (i) New stopping pattern of trains not matching peak passenger flows
 - (ii) Non-availability of trains due to engineering defects
 - (iii) Trains having fewer coaches than previously either because of (ii) or because of the reduction in the overall fleet size as part of the new franchise.

12. Some minor changes were made to the timetable on 15th January 2007 in order to deal with (i) above. The changes to timings were all outside Wiltshire but 100 extra seats were provided by adding two coaches to the 0647 Frome to Cardiff train. Also 11 additional two-car trains have been brought in as a temporary measure to help with (ii) and these measures have had a beneficial effect on (iii). FGW has made efforts to publicise these changes through its own publications and press releases. DfT has referred enquiries to FGW.

Main Considerations for the Council

13. The franchise timetable was developed before the Regional Transport Strategy, Greater Bristol Area Sub-regional Transport Strategy or the second round of Local Transport Plans were developed and is not aligned with the need to encourage modal shift for local journeys or to improve intra-regional connectivity.
14. An important element of First's business plan for the franchise is to reduce its fleet of rolling stock whilst increasing the number of seats in the fleet, therefore increasing the productivity of its assets. To achieve this, the inter-city trains will be refurbished using airline style unidirectional seats without separate tables, which allows more seats per coach, and some regional and other trains will be removed from the fleet and returned to the leasing companies who own them. It is written into the franchise agreement that, by January 2008, the total number of seats in the inter-city train fleet will have increased by 19,618 but the total number in the regional train fleet will have reduced by 7,387. This will surely have an impact on services in Wiltshire worked by regional trains, e.g. the Cardiff-Portsmouth and Bedwyn-London corridors.
15. The greatly reduced level of train service at Melksham in the new timetable is likely to depress levels of usage to such an extent that proposed station improvement would cease to be viable. The Council has included in its Local Transport Plan an aspiration to improve Melksham station to facilitate access from the adjacent A350, integration with bus services and parking provision. This was intended to promote modal shift to rail and combat increasing road congestion. The Council successfully made representations last year to halt the open sale of adjacent land that is required for this improvement.
16. From December 2007 DfT Rail will cease to support the FGW local trains between Westbury and Southampton and instead will support a Southampton-Salisbury service operated by Stagecoach South West Trains through Eastleigh and Chandlers Ford. This leaves a gap in service between Westbury and Salisbury, considerably reducing the service at Warminster and Dilton Marsh. This situation was discussed at an informal meeting between officers of the Council, DfT and FGW on 22nd August 2006 and at informal meetings between Council officers and FGW on 15th September 2006 and 29th January 2007. Such discussions are related to the process of timetable development on the railway which is regarded as confidential. The Council has sought to encourage a solution that would mitigate the impacts on Wiltshire.
17. Whilst long distance season tickets to London are regulated fares, the (unregulated) open returns that are required for occasional travel in the peak periods have considerably increased in price.
18. The refurbishment of all the old inter-city trains, which will be completed by March 2008, also includes the fitting of modern replacement engines which will reduce emissions and noise from them. The buffet cars will be lost from the London-Bristol service but an at-seat service from a trolley is promised.

19. There will be a programme of improvements at many stations such as upgrades to waiting rooms, toilet facilities, ticket offices, more car and cycle parking and provision of new ticket machine technology. Such an upgrade is already being planned for Westbury. This is additional to the installation of lifts currently being carried out by Network Rail and is likely to take place during the 2007-08 financial year.

Risk Assessment

Western Wiltshire Sustainable Transport Strategy (WWSTS)

20. The WWSTS was developed by the County Council to cover the transport corridor linking the towns of Chippenham, Corsham, Melksham, Trowbridge, Bradford on Avon, Westbury and Warminster. It was included in the statutory Local Transport Plans for Wiltshire for the periods 2001-02 to 2005-06 and 2006-07 to 2010-11 and is recognised by Government as such.
21. As well as failing to meet the needs of Melksham, the effective loss of the passenger rail link through the heart of the WWSTS area will prevent the rail network contributing to improved public transport services or encouraging inward investment as envisaged in the WWSTS. The possible reductions in service between Westbury, Warminster and Salisbury from December 2007 will hold back development of rail use in the south of the area, thereby contributing to the problems of congestion, noise, air quality and sustainability associated with car use that the WWSTS seeks to ameliorate.

Capacity to accommodate growth

22. There is a risk that the number and capacity of regional trains will be inadequate to accommodate the growth of patronage. Information about patronage growth on individual routes is not widely available. However, recent annual growth on the Cardiff-Portsmouth route is around 8% and on the Heart of Wessex line around 12%, well above the national average of around 4%.

Fares

23. The franchise agreement allows regulated fares such as season tickets, Savers or Cheap Day Returns to rise by 1% above the rate of inflation. In the past FGW has raised the price of unregulated fares by considerably more whilst introducing new or increased restrictions on the use of the cheaper tickets. Although some very cheap book-ahead fares exist, it is a concern that the need to generate a £1.3 billion premium for the Government will drive fares ever higher, once again discouraging modal shift to public transport despite local, regional and national policies to encourage it.

Options Considered

24. The Council has made efforts to present these rather complex issues to the public at large and to local MPs. As long ago as July 2005 the Cabinet Member for Environment, Transport and Economic Development wrote to the local press highlighting the possible reduction of train services in Wiltshire. There has been sporadic press coverage of these matters but press attention has tended to focus on the Bristol-Waterloo service which is, perhaps, a simpler story to tell.
25. There are also a number of local interest groups and campaigns such as the highly successful lobbying by the Parish Council and the public at Bedwyn, the "Save our Train" campaign at Melksham (which first met on 20th September 2005 following the Cabinet Member's letter), the Melksham Railway Development Group and the West Wiltshire Rail Users Group. Local MPs have also been supportive of the need to retain rail services. Council officers have been in contact with these organisations to supply information requested.

26. The County Council also pursues the following activities in order to encourage use of rail services:

(i) Investments in physical improvement at transport interchanges

Recent examples include the new station forecourt and bus shelters at Chippenham, pedestrian signing to Westbury town centre and provision of cycle shelters at various stations.

(ii) Pressing for rail services that meet Wiltshire's needs

Although consulted about certain things by Train Operating Companies, Network Rail, DfT Rail and the Office of Rail Regulation, the County Council has no powers to direct the rail industry and can only seek to persuade and influence the actual decision makers. For instance Council officers have been working with FGW to improve understanding of the potential business available from a better service on the Swindon-Melksham-Westbury corridor by making available County Council data and analysis at the meetings with DfT and FGW mentioned in paragraph 16.

(iii) Community Rail Partnership

As a member of the Heart of Wessex Community Rail Partnership, the Council seeks to support, promote and enhance the rail line from Bristol to Weymouth through improving awareness of the rail service, encouraging further use of it and promoting local attractions that are accessible from the line.

27. The option of financial support for rail services is not considered feasible in the Wiltshire context because of the high cost of rail service support relative to the Public Transport budget. As the statutory responsibility for supporting rail services lies with central Government the levels of funding provided for County Councils do not anticipate them undertaking such funding.

Next Steps

28. Development of the timetable for December 2007 is already under-way. Timetable development is a national process, led by Network Rail, and there is a schedule to which the train operating companies must adhere. The timetable must be settled 16 weeks before it comes into effect and it becomes increasingly difficult to make changes as that date approaches. The key dates remaining are as follows:

2007	ACTIVITY
2 nd April	FGW review and approval of its timetable bid
6 th April to 13 th June	Detailed timetable bid discussed with Network Rail
15 th June to 3 rd August	Final timetable bid and discussions with Network Rail
17 th August	Timetable finalised
9 th December	Timetable comes into effect
December	Work starts on December 2008 timetable

29. Other important forthcoming events include publication by the Government of the High Level Output Statement in July 2007 and the Statement of Funds available that will lead up to the next five-year financial settlement for the railways from April 2009.

30. A review of the RUS by DfT Rail is anticipated in 2008. It will be important for the County Council to make its views known to the Government and to GFW at every opportunity in order to attempt to influence developments.

Conclusion

31. The new franchise reduces the net cost of the railway to the taxpayer. However, the new timetable and associated changes to the train fleet introduced as a consequence have been an upheaval for travellers, particularly as FGW experienced “teething troubles” with its new arrangements. Despite a positive effort by FGW to fine tune the new timetable, it is less convenient in many parts of the South West including Wiltshire. It is likely that First will make further changes to the timetable in response to demand and public expectations but it is constrained by the financial conditions of the new franchise. There is concern that the financial terms of the franchise will force fares to rise. Nevertheless there is no suggestion of any closure proposals, even though the service at Melksham has been reduced to a vestige.
32. There are areas where the Council can play a positive role in developing the rail service, often in partnership with FGW and other organisations. These include promoting the need for improvements when consulting with railway and Government organisations, investing in improving stations, promoting the railway through community rail partnership and general dissemination of information. It is not considered feasible for the County Council to become directly involved in funding rail service enhancements under current Council policies and budgetary provisions.

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The following unpublished documents have been relied on in the preparation of this Report:

Papers prepared for the Heart of Wessex Community Rail Partnership

Consultation responses to various organisations in respect of the Greater Western franchise area

Complaints and other correspondence with rail users