

NATIONAL ASSEMBLY FOR WALES AND HOUSE OF COMMONS  
MINUTES OF EVIDENCE  
TAKEN BEFORE  
NATIONAL ASSEMBLY FOR WALES ECONOMIC DEVELOPMENT  
AND TRANSPORT COMMITTEE  
AND HOUSE OF COMMONS WELSH AFFAIRS SELECT COMMITTEE  
**JOINT SCRUTINY OF DRAFT TRANSPORT (WALES) BILL**

MONDAY 21 JUNE 2004

National Assembly for Wales

MR JOHN ARMITT, MR JOHN CURLEY, MR CHRIS AUSTIN  
and MR STEPHEN WOLSTENHOLME

MR GEORGE MUIR, MR ROGER COBBE and MR IAN BULLOCK

MR JOHN POCKETT and MR LEO MARKHAM

MR STEVE HODGETTS and MR ROY THOMAS

Evidence heard in Public

Questions 1 - 134

Oral Evidence

Taken before the National Assembly for Wales Economic Development  
and Transport Committee  
and House of Commons Welsh Affairs Select Committee  
on Monday 21 June 2004

Members present

Christine Gwyther, in the Chair  
Leighton Andrews  
Alun Cairns  
Mr Martin Caton

Janet Davies  
Dr Hywel Francis  
Lisa Francis  
Brian Gibbons  
Elin Jones  
Mr Martyn Jones  
Julie Morgan  
Lynne Neagle  
Jenny Randerson  
Hywel Williams  
Mr Roger Williams

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## **Memoranda submitted by Network Rail and Strategic Rail Authority**

### **Examination of Witnesses**

Witnesses: **Mr John Armitt**, Chief Executive, and **Mr John Curley**, Route Director, Western Region, Network Rail; and **Mr Chris Austin**, Executive Director, Community Rail Development, and **Mr Stephen Wolstenholme**, Assistant Director, Policy, Strategic Rail Authority, examined.

**Chair:** I would like to welcome everybody attending here this morning. It is the very first session of a joint meeting of this sort between the Welsh Assembly and Parliament and we are all very pleased to be here this morning and very pleased that you have come along to give evidence to us. Can I remind everybody that participants are welcome to speak in Welsh or in English and there are headsets available for the translation. I think we have a fairly full house here; I do not think we have any formal apologies. I would like, before we actually start the formal part of this meeting, to invite Martyn Jones MP just to explain briefly how this whole pilot came about.

**Mr Jones:** I think it would be a bit difficult to do it briefly, Chair, but I am personally very pleased to be here, working jointly with the Assembly. This is something which my Committee have been trying to put forward and promote since before the Assembly in fact took off and we actually had talks with the National Assembly Advisory Group about this kind of working, so I am delighted that we have got it together. It has taken some adjustment

of our collective rules both here and in Westminster, but I think with goodwill it will go forward. I have to say though that despite the newspaper reports last week, this is nothing to do with the Richard Commission; they in fact took up our recommendations and put them into their report, I am delighted to say. We have actually pushed this forward because it is common sense and we are actually talking to the same people about the same issues and what we are trying to do is get the legislation to work as well as it possibly can. Thank you very much for allowing me to say a few words, Chair. Let us get on with it.

**Q1 Chair:** Thank you very much indeed, Martyn. Can I welcome the witnesses here this morning. From Network Rail we have John Armitt, the Chief Executive, and John Curley, Route Director for the Western Region, and from the Strategic Rail Authority we have Chris Austin, who is the Executive Director, Community Rail Development, and Stephen Wolstenholme, Assistant Director of Policy. We do have a number of questions to ask you and I would like to start by asking both organisations whether you, in principle, welcome the aims of the draft Bill?

**Mr Armitt:** Good morning. We welcome the opportunity to be here today and to answer your questions. Yes, indeed we welcome the direction of the Bill. It is clearly an opportunity for greater understanding, greater co-operation, greater integration of the interests of Wales in the development and operation of the rail network and we welcome that. I think, as we have said, the particular point we would urge is that we, as the national operator, are not forgotten, as it were, in local considerations because a small change in one location can have an impact on a wider basis and, therefore, we would just be keen to ensure that we are always engaged with you in any discussions about changes which you would like to introduce, but it seems to have worked fairly well so far in Scotland, so we welcome the extension of it in Wales.

**Q2 Chair:** Thank you, that is very positive indeed. Can I ask the SRA if they feel the same?

**Mr Austin:** Yes, we welcome it as well. It will build on a very positive working relationship we have had for a number of years with the Welsh Assembly Government which has delivered a number of results for Wales, including the establishment of a Wales and Borders franchise, so we see this as a logical progression of that.

**Q3 Mr Jones:** Again to both of you, is there anything else you would have liked to have seen in this draft Bill or in any future Bill?

**Mr Austin:** No, there is not really. We have been involved in the preparation of this Bill, so we would have had an opportunity to raise that, but it seems to cover the main points which we would expect and, building on our experience in the devolved settlement in Scotland, it seems to be pretty comprehensive.

**Mr Armitt:** I think I would just make the point that we would, as I say, like to make sure that the Bill does prescribe that we are involved whether it is in a change or in proposed changes to franchises, for example, or infrastructure. The other issue which has, I think, already certainly occurred in Scotland and elsewhere is that when people are seeking to introduce particularly new enhancements to the network, we can spend a lot of time pursuing the detail of the enhancement without actually having fixed whether we have got the money in the first place, so we would, therefore, hope that for anything which we do try to do going forward, there are proper processes to identify where the money is coming from and that we get that identified before we get too far raising everybody's expectations about change.

**Q4 Janet Davies:** You have partly answered what I was going to ask, which is if in general we are talking about having something similar to Scotland, do you feel that the Scottish settlement is satisfactory from your point of view or do you see that there are any other problems besides making sure that the money is there in the first place?

**Mr Armitt:** No, I do not think so. I think one of the key points to separation is that clearly where there has been, I think, at times some, not misunderstanding, but the need for clarity is where something which is being sought is particularly local and relevant to the local network, then that is very much an issue for local funding and local support, whereas, for example, the Strategic Rail Authority are clearly going to want to be involved in it if it is something which they see as impacting the national railway and the national network. Clearly, therefore, they have in the case of Scotland, for example, said, “Yes, we will support that if it has an impact across the board back down into the national network”. If it is something which is solely local, then the financial support for that tends to come locally either through the Scottish Executive or through third parties.

**Q5 Mr Caton:** Clause 7 of the draft Bill will give the National Assembly powers of direction and guidance over the Strategic Rail Authority and this question is for the Strategic Rail Authority. I presume, from what you have already said, that you welcome that formalisation of your relationship with the Assembly, but what practical differences will it make to your current relationship?

**Mr Austin:** I think, as I said, it will build on the good work which has been done so far. It will, I think, involve an even closer working relationship because the degree of involvement is going to be that much greater and it will reflect the sort of experience we have had over the last five years in Scotland where again, as in Wales, we have just completed a new franchise arrangement which the Scottish Executive specified and we procured on their behalf. There is, therefore, going to be probably a lot more detailed involvement than there has been in the past, but it is probably a change in tone rather than style and substance because I think that working relationship is there already and the positive engagement at the level of the franchise and at the level of planning as well throughout Wales has been established and has been there for a good couple of years now.

**Q6 Mr Caton:** I am interested in what you say about the franchising process and what has happened in Scotland and the involvement of the Scottish Executive. If this legislation had been in place when the franchise for Wales and the Borders was put together, what would be different?

**Mr Austin:** I am not very good at “what if” questions. Who knows? It would depend very much on the specification which had been set and the level of funding which had been provided. The one thing which I am sure would have been the same would have been the formation of a single franchise for Wales and the Borders which we were able to deliver and that was very strongly supported by the Welsh Assembly Government and they were very helpful in putting that together, so that part of it would have been the same. In terms of specification of the service, I think it might have looked very similar. As I say, it is hard to tell that because it would have depended on the objectives which were set and the resources which were allocated to it, but in the context of the objectives we are working to and the resources we have available, I think it was a good result for Wales.

**Q7 Mr Caton:** But we do know what the Welsh Assembly’s objectives were because they put them forward and the actual franchise which came out was not very similar to the Welsh Assembly’s objectives. Surely one would hope that with this legislation one would be much closer to those objectives.

**Mr Austin:** Yes, I am not sure, in the sense that what we were able to do was deliver a level of service at a time of real cost pressures and pressure to reduce outputs all round, that we were able to deliver a level of service which was the same which had been established under the previous separated franchises which were serving Wales, which is what I meant by a good result for Wales, and also a commitment to rolling stock, particularly supporting Valley Line services, and investment in stations which, under the financial circumstances pertaining, were good. As we drew it up, we were very mindful of the objectives which were set and being

pursued by the National Assembly, and I suppose the evidence of that is the way in which we were able to add value both in working with the Assembly to deliver the Vale of Glamorgan service and to work with them, although we are not directly involved in funding, on the further development of the Ebbw Vale line, so there are some examples there where we went beyond the template which would have applied in the rest of England in order to deliver more for Wales. I think that was quite a positive development.

**Q8 Mr Williams:** Following on from the question about direction and guidance, the draft Bill gives the National Assembly power in that respect over the SRA only in terms of the services which are entirely within Wales. For the intercity services, it specifically mentions advice and no doubt those terms have got legislative meanings, but as far as the practical operation is concerned, what difference would you see between those two terms?

**Mr Austin:** I think it is quite an important difference and again it reflects the situation in Scotland where the cross-border intercity services are the subject of advice from the Scottish Executive, but not directions. The same would apply in Wales and I think that is quite important because clearly we need to take a GB-wide strategic view of those strategic services which are operated by what I might describe as “the intercity network”, First Great Western and Virgin Trains, in particular. It is entirely right and appropriate that the Welsh Assembly Government should have the powers of directions and guidance on those services which are predominantly within or to and from Wales and operated by the Wales and Borders franchise, so I think that is a good split; it leaves us with the GB-wide strategic responsibilities and it leaves Wales with the national Welsh strategic responsibilities and the opportunity to bring the two together either through directions and guidance or through advice to which we can obviously respond.

**Q9 Mr Williams:** So really the question of advice is a fairly sort of weak term in this respect. I am particularly thinking about intercity services where the Select Committee have been concerned about the fact that return trips from London leave London so early that it is almost impossible for somebody to use it for social occasions, for instance. In those circumstances, the advice presumably from the National Assembly would be that we would like to see more regular services, but how much power would that have?

**Mr Austin:** Well, I think that in terms of the strategic approach, the balance is probably right. I think when it comes down to specific individual services, I am a strong believer that people who specify services should be those who are responsible for paying for them and I think the two things are linked there. Clearly we need to take a view both on what is affordable and what is practical in operational terms and that is why I think it is right that we should have the overall strategic responsibility for the strategic network. To the extent to which there are potential conflicts between the two groups of services, we would need to resolve those with colleagues in Network Rail who will look at it from an operating and an engineering viewpoint as well, and there are usually ways around that. When it comes to specific services for specific markets, then either there is a market there which can be addressed commercially by the train operator or there is not, in which case it would require to be supported and subsidised and I think that is clearly a way of tackling that particular issue.

**Q10 Jenny Randerson:** Turning to the proposal to allow the National Assembly to appoint a member of the SRA, what are your views on that proposal and would you resist any such suggestion?

**Mr Austin:** We already have a Board member who comes from Wales, Janet Lewis-Jones, who is a very, very effective contributor on behalf of Wales and she is also Welsh-speaking, so in a sense I think my view is that it is probably not necessary to make specific provisions for that. The view up to now has also been that the Board appointed to run the SRA should

cover a broad range of skills, talents and input, not necessarily geographically based, and I think we have got quite a good mixture there in the sense that the members we have have a broad industrial experience, including Janet, but she comes from Wales, and we have a similar member who comes from Scotland, but they are appointments by the Secretary of State and that seems to work very well.

**Q11 Jenny Randerson:** You may have a satisfactory situation at the moment, but that does not give that particular member you referred to any kind of responsibility to represent Welsh interests and I think that as well as the question of skills and expertise, you might also take into account the question of knowledge of Wales and so on. Now, do you not agree that there would be an advantage in having someone who had that specific responsibility?

**Mr Austin:** Well, I think at the end of the day it is a matter for Ministers. All I can do is tell you the experience we have had so far and, apart from the existing arrangements which do give good representation of Welsh issues at Board level, we also have of course the Cardiff-based Rail Passengers' Committee which is also an important source of information, knowledge, expertise and involvement in Wales which is also part of it. I think really it is difficult to go beyond that. At the end of the day, it is not a choice for us, but a choice for Ministers. All we can do is say how it works at the moment and how it could work in the future.

**Q12 Jenny Randerson:** In your current situation with a person who is Welsh, do you use that person's knowledge and expertise of Wales?

**Mr Austin:** Yes, we do. That is certainly true. Yes, is the simple answer.

**Q13 Brian Gibbons:** Even if you were not going to have a person on the SRA, do you think an actual physical office in Wales would help, particularly if we did not have a dedicated

person to build up the knowledge base, your own staff to build up the knowledge base and the necessary networking links to liaise on a day-to-day basis with the Assembly Government and so forth?

**Mr Austin:** Certainly we have not done that up to now. We do not have any plans currently to do that, which is not to say that we would not want to review it in the light of the way the legislation worked. Why have we not done it so far? Well, there are a number of reasons really. We do have a number of our staff who spend all of their working life involved in Welsh issues. The Franchise Manager in particular, the Planning Manager, whom we have as well, and a number of the Project Managers who are working on projects like the Vale of Glamorgan spend a lot of their working life here. As to the arrangements, we have used the analogy of Scotland quite a bit. We do have one person based in Glasgow and why is that different? Well, I think it is probably principally a question of distance in that it is a lot further to get to Scotland whereas it is relatively easy to get to Cardiff; it is a two-hour train journey. You can see from what I have said that we do not have any particularly strong feelings about that and I think we would want to review that in the light of the way the arrangements under the Act worked, but it works or it appears to us to work satisfactorily at the moment and in what is a relatively small organisation, it is quite difficult to break out subsets as local offices and there is often some value in having people working direct with the single organisation in order for speed of decision-making and so on.

**Chair:** We move on then to the next topic which is the Rail Passengers' Committee Cymru Wales, and the first question is from Hywel Francis.

**Q14 Dr Francis:** This is a question for both the SRA and Network Rail. As you know, the draft Bill proposes to transfer the power of appointing the Chairman of the Committee to the National Assembly. Do you welcome this development?

**Mr Armitt:** It would seem a sensible one.

**Q15 Dr Francis:** And the SRA?

**Mr Austin:** Yes, we are quite happy for that. Again it is really a matter for Ministers and we are happy to work with whatever solution is decided. It is what happens in Scotland and it works well there. I am sure it would work well in Wales as well.

**Q16 Dr Francis:** What benefits do you think this change would offer to the Committee, the National Assembly and to yourselves?

**Mr Armitt:** Clearly as far as the Assembly is concerned, I suppose it gives them a sense of ownership if they have actually appointed the person rather than somebody else has appointed the person on their behalf, so I would have thought that that is just a natural sense of fair play. In terms of the benefit to ourselves, clearly if the RPC Chairman has been appointed by the Welsh Assembly, that gives him, I suppose, a level of credibility and greater than that which he would have if he was appointed from London. However, at the end of the day I think it is the individual which is the most important thing and the operation of the RPC in Wales which is important to us; it is the sensible and practical dialogue which is the most important thing.

**Mr Curley:** I think it actually helps to close the circle because the Welsh Assembly Government are getting powers of direction, the powers to set the transport policy and the role of the RPC is there to protect the end user, the customer, and advocate on their behalf, and clearly somewhere in this circle is the difference between whether the policy is adequate and appropriate and whether there are problems or issues with the delivery of that policy. Our role within our framework is to be part of the delivery process along with the train operators and I think actually having that chairmanship appointed from the Assembly does close that circle because some of the issues will clearly be about the strategy, the policy and the fundability of that and some of the issues will be about the delivery of it. I think if we can get clarity through these changes about what are aspirations which are real and deliverable and whether we, the industry, are meeting up to that is one issue and whether or not there are

some issues which are aspirations which ultimately are unfundable or undeliverable in a wider strategic sense is clearly an issue for the Assembly. I think somewhere in this circle, if we can get those accountabilities clear, it will help us move forward.

**Q17 Dr Francis:** I do not know whether you have seen the evidence which we have had from the Welsh Local Government Association and Neath Port Talbot County Borough Council, though I know this is not directly related to this particular appointment, but from both of them there is the wider concern about what they call “removal of democratic accountability”. This is the WLGA and Neath Port Talbot and they talk about, “These proposed measures give cause for concern because of their potential impact on local democracy and accountability”. As to the broad proposals underpinning the Bill, do you feel that these are not appropriate comments about the thrust of the Bill in relation to local government’s own place in it?

**Mr Armitt:** Well, without having seen the comments in full, it does seem slightly strange. It would seem to be the opposite of what one might have expected.

**Dr Francis:** Maybe you could respond to them once you have seen the submissions.

**Q18 Lisa Francis:** My questions are to both the SRA and to Network Rail. What safeguards do you think are in the draft Bill to ensure that the Rail Passengers’ Committee retains an awareness of the needs of customers who use the English parts of the Wales and Borders franchise? I particularly ask that question in the light of the withdrawal really of the Virgin Cross Country services which affected south Wales and Birmingham in January of last year and the lack of consultation which happened then with the Rail Passengers’ Committee.

**Mr Austin:** I think that you raise quite an important point because the boundaries of responsibility of the Welsh Committee are within Wales so that the Arriva Trains Wales services which serve stations in England, those stations come under the responsibility of the

English regional committees, so there will clearly have to be close liaison between the Welsh Assembly Government and the English regional committees in respect of service changes which might affect stations in England which are the responsibility of the West of England, Midlands and North West Regional Passengers' Committees, so I think that is quite an important issue. Yes indeed, there were lessons learned from the Virgin Cross Country changes where we had to act in a very short timescale in order to secure the change and the benefits for passengers at the next timetable change which precluded the normal consultation process for which we did apologise at the time and on several occasions subsequently as well. However, the good news is that the changes which were made have had a marked effect on the improvement of Virgin Cross Country punctuality and performance and, in particular, on that route the Central Trains' Cardiff/Birmingham/Nottingham service has performed well and has generated quite a lot of extra business, so the results were good even though the process was poor.

**Q19 Lisa Francis:** I appreciate what you are saying, but I am worried particularly that the Cambrian line has recently undergone a lot of upgrades and I am worried that inconsistencies may develop between Aberystwyth, Shrewsbury and Birmingham because the train journeys start and finish in Shrewsbury, so I anticipate that that may be a problem.

**Mr Austin:** I am not quite sure I understand the question.

**Q20 Lisa Francis:** Well, with Shrewsbury being in England, you have got train journeys there starting and finishing in England.

**Mr Austin:** Yes, but obviously the services to and from Aberystwyth continue and are part of the Arriva Trains Wales franchise. There are in addition services from Shrewsbury to Birmingham operated by other operators, like Central Trains.

**Q21 Lisa Francis:** I just wondered what partnership working you anticipated with the Rail Passengers' Committee in respect of that particular line.

**Mr Austin:** Well, what has tended to happen on other routes of joint interest is that the regional committees have formed a joint working group for those routes, so that may be one solution, but maybe that is perhaps a question more for the committees than for me.

**Chair:** Next we move on to consultation.

**Q22 Brian Gibbons:** This is a question just to Network Rail. Clause 2(5) requires the Assembly to consult with anyone it feels appropriate in preparing and delivering its transport strategy, which seems fairly comprehensive, but in the Network Rail memorandum you specifically say that there should be a list of prescribed organisations which should be consulted. Could you explain the rationale for that slight difference of opinion?

**Mr Armitt:** I think fundamentally we are just wanting to see a specific inclusion, particularly of ourselves as the national operator. As I said earlier, we are operating an integrated network across the whole of Britain, Wales and Scotland and in that sense it is important that adjustments and decisions which we seek to make for the benefit of one particular area do reflect back on the overall picture. I think we are simply, as I say, wishing to ensure that in our enthusiasm to achieve what we consider to be a success locally, we then discover that we have actually got a knock-on effect somewhere else which has not been taken properly into account, so in seeking to be prescribed, we are simply saying, "Please can we be inside the tent rather than looking in?"

**Q23 Brian Gibbons:** It would seem an extraordinary situation that the likes of yourselves would not be included in sort of any transport strategy development, but who else, if you feel that it is necessary to be prescriptive, would you be including in the tent with yourselves?

**Mr Armitt:** Well, clearly the current franchisees and the SRA one would expect to be involved. It is an integrated system at the end of the day which requires integrated decisions and integrated management. I guess the Rail Regulator potentially may need to be included.

**Q24 Brian Gibbons:** It is just that once you start being prescriptive, it is difficult to know, so you can see yourself being in, but who else after yourself?

**Mr Armitt:** I guess others would look after their own interests.

**Q25 Brian Gibbons:** Particularly from the rail point of view, again it would be inconceivable that you would do anything without including the regional consortia, do you not think, so if you are important enough to be in the tent, do you think they are important enough to be in the tent with you?

**Mr Curley:** I think the logic behind our position is that we have got to integrate across the network the aspirations of a number of regional bodies which in the current state of legislation have different powers. There is Scotland in one position, yourselves moving towards Scotland and then across wider Britain there is a whole range of regional groupings, county councils, et cetera, et cetera. I think what we are seeing in Wales is clearly a view that the Welsh Assembly will be communicating to us the overall strategy, bearing in mind the aspirations of all sorts of myriad groups within Wales, so I think it is for you to communicate the Welsh view and it is for us to try and assimilate that, along with the SRA, with all the other regional views and the overarching national framework. I think the other players who need to be there are clearly the SRA, the Rail Regulator and the other people who have got a statutory role in running that national network. I think that is the key point.

**Q26 Brian Gibbons:** So the closer differentiation then is whoever has got a statutory role, so there should be, if you like, a statutory obligation to consult with the statutory players?

**Mr Curley:** I think it is tying up the various legal obligations in the previous Acts, et cetera, to make sure that we have got the thing cross-knitted appropriately.

**Q27 Brian Gibbons:** Is that a problem, say, in Scotland at the minute? Maybe the SRA might like to comment.

**Mr Austin:** Yes, I think that the last couple of minutes have illustrated, as you say, Brian, the problems of producing lists of people with whom to consult. I have some sympathy with Network Rail because they actually own the network and they are a private company, so I do have some sympathy with that, but maybe the best way is to leave it open rather than try and secure these all on the face of the Bill. That certainly was not done, to the best of my knowledge, in Scotland, but again it would be inconceivable to do anything in Scotland without involving the network owner.

**Q28 Jenny Randerson:** A lot of the questions I was going to ask have been asked, but I would ask Network Rail whether there have been any problems associated with Scotland in view of the fact that it has been left more open in that situation? Secondly, do you acknowledge the problems with any legislation which includes a list of organisations which must be consulted because inevitably names change and the configurations change and it leads to endless amendments amending legislation?

**Mr Armitt:** No, I entirely accept your point and as soon as you start including, “Who have we left off?”, “Did we deliberately leave somebody out?”, in fact quite the opposite was probably intended. I suppose perhaps that this discussion alone has been sufficient to reassure us. I would say in Scotland that it is really the point I made earlier on, that sometimes what is important is to ensure that very early in the process we are actually properly understanding the aspirations and properly understanding the potential financial requirements of aspirations so that we do not suddenly get people saying, “Oh gosh, Network Rail have suddenly told us

it is going to cost £40 million whereas we thought we were going to do it for £4 million”, and this sort of thing. It is very important that these conversations take place at an early stage and that we are involved at an early stage.

**Chair:** We will be talking about finance a bit later on in this session, but next I want to move to working arrangements.

**Q29 Hywel Williams:** (Translated from **C29 Hywel Williams:** Diolch yn fawr, Welsh) Thank you, Chair. I am going to Gadeirydd. Yr wyf am siarad yn Gymraeg. speak in Welsh. Thank you very much. I have Diolch yn fawr iawn i chi. Mae gennyf a question for Network Rail. How would the gwestiwn i Network Rail. Sut fyddai'r proposals set out in the Bill affect your cynigion sydd wedi'u gosod yn y Mesur yn activities in Wales? effeithio ar eich gweithgareddau chi yng Nghymru?

**Mr Armitt:** I suspect we have covered it already. What is set out in the Bill is primarily powers of direction and those powers of direction primarily relate in the first place more to the Strategic Rail Authority than they do to Network Rail. As I said at the beginning, we do not see anything in the Bill which causes us any concern and, given the discussion we have already had about the inclusive approach which is intended to be taken, then I would simply expect it to result in better communication, better understanding and hopefully a greater degree within Wales of feeling that Welsh interests are being properly taken into account.

**Mr Curley:** I would add that I think it will now give us clearly a statutory framework to build on what we have already been doing and there has been now for a number of years a dialogue between Network Rail, Railtrack, as was, and the officers of the Welsh Assembly Government about the transport strategy for Wales and the role for the railway within that. I think this gives us a framework to build upon that and we have been having a dialogue with

Robin Shaw and his team about how start to build forward, looking at setting in place a development team to look at infrastructure enhancements and how we can work jointly to establish a medium-term plan and understand the fundability and the deliverability of that, so I think potentially this gives us a statutory framework to do some of the things we are already doing and we have a base to build on.

**Q30 Hywel Williams:** (Translated from Welsh) Therefore, I will ask you a question on your presentation. You make reference to clause 7 in the Bill, and note your concern about the word 'secure'. Then, later, you mention the inclusion of 7(2)(d) as a sub-clause, and, as a rationale for its inclusion, the need to ensure that new services do not cut across the services provided in Britain as a whole. However, in looking at your remit, you are responsible for the network itself rather than for the services. Therefore, do you have any justification from within your own remit for proposing clause 7(2)(d)? What effect would a move by the Assembly to secure a service have on your network, on the railway itself, on the equipment or tracks?

**C30 Hywel Williams:** Felly, gofynnaf cwestiwn i chi ynglŷn â'ch cyflwyniad. Yr ydych yn cyfeirio at gymal 7 yn y Mesur, ac yn nodi eich pryder ynglŷn â'r gair 'secure'. Yr ydych yn sôn yn nes ymlaen am gynnig is-gymal 7(2)(d), ac yr ydych yn cynnig, fel rhesymeg dros hynny, yr angen i wneud yn siŵr nad yw gwasanaethau newydd yn torri ar draws gwasanaethau ym Mhrydain yn gyffredinol. Ond, yr wyf yn meddwl, o edrych ar eich maes llafur, mai'r rhwydwaith ei hun yw eich gwaith chi, yn hytrach na gwasanaethau. Felly, a oes gennych unrhyw fath o gyfiawnhad o'ch maes llafur eich hun dros gynnig cymal 7(2)(d)? Pa effaith fyddai symudiad gan y Cynulliad i sicrhau rhyw wasanaeth yn ei gael ar eich rhwydwaith chi, ar y rheilffordd ei hun, ar yr offer neu'r cledrau?

**Mr Armitt:** Our activities are not only of course associated with the infrastructure itself, but also with the operation of the railway and indeed the timetable and we produce the overall timetable for the railway. One of the issues we have been discussing in a broader context with the SRA and others as part of the Rail Review is that we feel it is very important that we are involved early on in, for example, the creation and the letting of a new franchise to provide a certain level of service and perhaps a different service from the one which is provided today because that would inevitably have an impact on timetabling and the operation of the railway. It is particularly in that area, I think, that we would want to ensure that those sort of factors were taken into account because there are certain parts of the network where a changed departure timetable and the addition of extra trains can have a significant impact elsewhere on the network. The cross-country services are probably one of the most exposed services in this regard and changes to that can have an impact 200 miles away, so it is in that context.

**Q31 Hywel Williams:** (Translated from **C31 Hywel Williams:** I ddilyn hynny gydag Welsh) To follow up with one further un cwestiwn arall, pe bai gwasanaethau question, if new, or different, services were newydd, neu wasanaethau gwahanol, yn cael provided in Wales, would you expect that eu cynnig yng Nghymru, a fydddech chi yn consideration be given to the network as a disgwyl i ystyriaeth gael ei rhoi i'r effaith ar whole? Would you define a change in Wales y rhwydwaith yn gyffredinol? A fydddech chi as being something that needed consideration yn diffinio newid yng Nghymru fel rhywbeth in the context of the whole network, or could sy'n galw am ystyriaeth o ran y rhwydwaith there be some things that could happen in yn gyffredinol, ynteu a fyddai yna rai pethau Wales—this is hypothetical, of course— a allai ddigwydd yng Nghymru—yr wyf yn which would not be of interest to you or gofyn ichi ddychmygu, wrth gwrs—na which would not cause you concern? fyddai'n fater o ddiddordeb neu gonsŷrn i

chi?

**Mr Curley:** I think in practical terms we already have a large part of that understanding between ourselves and certainly the officers we work with. There are clearly parts of the network in Wales which are almost self-contained and one can look at the Valleys network as a good example. There are other parts which interface quite strongly and need to continue to interface with the wider national network, so the South Wales Mainline and freight activity is another example where it is again a national picture, so I think in practice what we would establish as partly our input to helping formulate the strategy is those parts of the network where effectively they are self-contained and free-standing and the areas where we see the interface issues, and I think if we can establish that as a *modus operandi*, that is a practical way forward.

**Q32 Hywel Williams:** (Translated from **C32 Hywel Williams:** A gaf i un cwestiwn Welsh) Could I ask one more question, arall, heb fod yn farus? Felly, yn gyffredinol, without being too greedy? So, in general, beth fyddai eich blaenoriaeth chi wrth farnu where would your priority lie in making rhwng datblygiad a fyddai'n fuddiol yng judgments on a development which would be Nghymru a datblygiad a fyddai, efallai, yn of benefit in Wales and a development which cael effaith un ffordd neu'r llall ar y could affect the network in general? What rhwydwaith yn gyffredinol? Pa flaenoriaeth would your priority be in coming to a fyddai'n arwain eich proses o ddod i decision? benderfyniad?

**Mr Curley:** I think there is clearly a balance here between the roles of the Assembly, the SRA, as the wider service specifier, and ourselves, as the infrastructure provider. Our role in

this, as the custodian of the timetable and the infrastructure, is to try and give professional advice about what services we are able to operate. The ultimate decision on the allocation of capacity certainly in the national context is with the SRA through the franchise-letting process, so I think we ultimately are proffering some advice here and looking to the SRA, without putting my colleague completely in the hot seat, ultimately to make the socio-economic priority decisions about the allocation of existing capacity.

**Q33 Alun Cairns:** Mr Armitt, what is your experience of working with the Scottish Executive who have similar powers to those contained within this draft Bill?

*Mr Armitt:* Well, our experience has been so far, I think, quite satisfactory. As I explained earlier, the primary area of discussion and debate tends to be around the allocation of finance, where are the financial resources and the extent to which they are part of the day-to-day operation of the national network, the degree to which they are a local issue for Scotland and discussions between the Scottish Executive and the SRA, getting the balance between national issues and local issues, but overall I would say that it works well. The clear benefit really, I think, at the end of the day is that it is a local discussion with local input where people can actually understand what are the real local issues. That you can only do with local knowledge.

**Q34 Alun Cairns:** Are there any areas where you have come across practical difficulties in your negotiations with the Scottish Executive which would obviously be a natural consequence within this Bill because it is modelled on that Bill itself?

*Mr Armitt:* I do not think there is anything in the Bill itself which would cause any practical difficulties or indeed has done so in Scotland.

**Q35 Alun Cairns:** Your evidence mentioned specifically the proposed establishment of the National Transport Authority in Scotland and it talks about them taking complete management responsibility rather than through local transport bodies. Are you suggesting that a National Transport Authority in Wales is a natural consequence of this Bill? Secondly, do you have difficulties in working with local transport bodies or would you have a difficulty?

**Mr Armitt:** I think, taking the first part of your question, the question of a wider remit in Scotland is something which is still under discussion and has not been finalised. We are still in discussion to understand exactly what the new authorities would be and our role in respect of those, but clearly it is heading towards a greater localisation, I suppose, and Scotland itself or the Scottish Executive wanting to feel that they themselves are not being undone by more local decisions within Scotland which prevent them taking a holistic view across Scotland as a whole. I think that at the end of the day that should be a situation where people can look at what others have been doing, but still come back to what suits them in particular and that would be a decision for the Welsh Assembly in the future as to how they wanted to handle that.

**Q36 Alun Cairns:** And the second part of my question about whether you would have difficulties in working with local transport bodies?

**Mr Armitt:** No, we already do that with the PTEs, so clearly the greater the degree to which you disaggregate something and the more interfaces you have got, the more you have to manage those interfaces to make sure that everybody is joined up. If you go to the other extreme of course of having too much integration, then you risk losing that local input, so I think it is horses for courses at the end of the day.

**Q37 Lynne Neagle:** My question is to both Network Rail and the SRA. If there was a difference of opinion between Westminster and the Assembly on the priority for infrastructure upgrades, who would have the final say? Would it be the UK Government, the Assembly, the SRA or Network Rail?

**Mr Armitt:** As John Curley said earlier on, I think that one of the most important things is that the person who is specifying something should also be the person who is actually paying the bill at the end of the day and I think that becomes the key point, the source of the funding, if it is likely to lead to the person who is providing that funding wanting to have a say in how it is spent. Now, if in fact a decision is made which says, “Well, here is a block grant and it is up to you to spend that block grant in the most appropriate way to suit your local requirements”, then clearly that is fine; that hands over that level of accountability and responsibility to spend that money appropriately on the local basis. However, if it is clearly something where it is felt that the expenditure is going to have a cross-border or more overall impact within the UK, then people in London will want to continue to have a say in the final decisions about the expenditure.

**Mr Austin:** I think that there is a broad split within the terms of the Bill which provide for directions and guidance from the Welsh Assembly Government in respect of the Wales and Borders franchise, but that they should not override directions and guidance from the Secretary of State, particularly in relation to the other cross-border services, the intercity services, so I think that the broad split is already there. Because directions and guidance are phrased in reasonably high-level terms, it is possible, I suppose, but unlikely, that you would get quite the clashing forces which you suggest in your question. It would be disappointing if it were not possible to resolve most of the specific issues within the terms of directions and guidance set by both parties based on the principle that John has enunciated about the specifier as the one that pays for the service or the facility that they are purchasing. On that

basis, it would be disappointing if those issues could not be resolved without them becoming head-to-head crunch issues, but I think the general position is reasonably well set out in the terms of the legislation

**Q38 Lynne Neagle:** Do you feel then that there is sufficient clarity about who is responsible for railway stations?

**Mr Austin:** I do at the moment, yes. John might want to add to that or either of the Johns might want to add to that in view of their specific responsibilities, but the responsibility for the structure of the station is with Network Rail, for its upkeep and maintenance with the station facility operator, and in this case it would usually be with Arriva Trains Wales and that is the way the contracts are structured, so that should work out reasonably well, I think; there is no lack of clarity there. In terms of station enhancements and buying additional things, then that is very often a matter which involves either the Welsh Assembly Government or one of the local authorities or group partnerships, like TAITH or SWITCH, and they have been very actively involved in the development of enhancements at stations, but I think the boundaries of all of that are relatively clear.

**Mr Armitt:** I have nothing to add to that. I think Chris has covered the fundamentals. John?

**Mr Curley:** No.

**Q39 Alun Cairns:** Mr Austin, I want to refer back to the answer which you just gave when you said that the clashing forces were very unlikely – I am paraphrasing – but what about the situation where there are different governments in Cardiff or different parties running the governments in Cardiff and at Westminster where there may well be conflicting priorities between those two objectives? How would you see that such a situation would be resolved?

**Mr Austin:** I certainly understand the question. My experience is that most of these issues where there is conflict is that actually it is a financial issue. It could be, but it tends not to be

a political issue. It is usually about what is affordable. Sometimes it is about what the priority should be for expenditure, but usually it is about what is actually affordable and with the working relationships we have got and the criteria we have developed both with the Westminster Government and with the Welsh Assembly Government, that was the reason I said it would be disappointing if most of these things were not resolvable.

**Q40 Mr Jones:** A related aspect of Lynne's question is of course that an awful lot of our services, particularly for Wales and London, depend on infrastructure which is solely in England. How do we, as Welsh Members, get our views in on that infrastructure spending with only one appointed member on the SRA and, as far as I know, no Welsh influence on Network Rail? Now, are you going to have to make decisions about that spending, which has a huge knock-on effect on our services, with really no input from the Assembly and all the input from UK Government, yourselves, the SRA, and Network Rail?

**Mr Austin:** The framework within which we have tried to address this is through the route utilisation strategies, so we have one, for example, on the South Wales Mainline, which we are developing, which covers the route right the way through to Swansea, so all of those issues right the way along the route, including the English sections, can be taken into account. The Welsh Assembly Government are clearly a key consultee in that, so that is one way in. The other thing to mention is that with the planning assessments we are doing, taking a much longer-term look at the English regions and at Wales, taking a ten-year view on developments within Wales and how they may impact on infrastructure, that is another way in there, and again the Welsh Assembly Government are very much involved in the development of that assessment. There are a number of mechanisms which you can use which are designed to capture all of that and get a Welsh input, but you are absolutely right to raise the issue because the majority of improvements on lines to and from Wales tend to be on the English side of the border for a whole series of reasons: that is where the scope for upgrading is; and it

is where a number of lines converge so that you get a much bigger benefit from upgrading those sections. It is important not to forget about that in terms of doing the sum as to what the investment is in Wales' railway.

**Q41 Mr Jones:** Network Rail, do you have any comments to add?

**Mr Armitt:** Not a great deal to add. The point which has just been made is absolutely right and in terms of a journey from Cardiff to Paddington, it is probably from Swindon and Reading that the maximum impact as to whether that is a successful journey or not occurs and that is why we have been spending, and continue to spend, a great deal of money on that particular part of the route. I think in terms of representation to us, clearly the Welsh Assembly are going to be able to do that, the Rail Passenger Council do it, and indeed the franchise operators are never slow in telling us what they think we should do in order to improve their particular routes, and the route utilisation studies are another factor in that. Certainly in the last couple of years of very considerable discussion and debate there has been pressure on us all the time to improve the whole and Great Western in particular, so I would hope that certainly people in Wales do not feel that so far they have been let down by the expenditure which has occurred on the English side of the route and there is a lot more to come.

**Mr Curley:** I think it is a common theme to most of the discussions I have had over the last couple of years, whether it is with the RPC, the Welsh Assembly or indeed with the two committees represented here today. The key arterial link to London is a prime issue and it is exactly the same message I get if I am in Devon or Cornwall or any of the other outlying regions, and I think that is a clear focus which is high on the agenda. Certainly from our part the Renewal Strategy has focused on the core mainlines and I do not think that there is anything in this Bill which actually impacts on that one way or the other; it is already a key priority in what we are doing.

**Q42 Janet Davies:** Nevertheless, electrification of that line seems to be way over the horizon.

**Mr Armitt:** I would simply say yes.

**Q43 Janet Davies:** Both of you would say yes presumably?

**Mr Austin:** The answer is yes, it is, and I think that the question has to be, “What additional benefits would come from it compared with the way the money is currently being spent which is on upgrading the infrastructure and on the rolling stock?”, so I think it is important to ask why you would want to carry out any investment, but it is particularly true of electrification where the benefits, compared with those of the modern high-performance diesel trains, are actually pretty small and indeed for many passengers they are unaware of whether they are travelling in an electric or a diesel train because internally they look the same and their performance is very similar, so I would certainly focus the interest on what it delivers for passengers and that is usually through the quality of the rolling stock and the quality of the infrastructure rather than any particular traction type.

**Q44 Jenny Randerson:** My question is particularly to Network Rail, but it follows on directly from the comments from both organisations which take the settled view that investment in infrastructure is going to go on mainly in England. Now, it would not be surprising, therefore, if the National Assembly took the view that track upgrades were going to be a priority in Wales and if that view was taken, would you be able to meet the increased demand for your resources? If the answer to that is that you would not, how would you prioritise your work?

**Mr Curley:** Well, I think there are two key issues here from our point of view. The first one is the planning horizon and I touched earlier on the work we have been doing with the Welsh Assembly and its officers to try and establish an understanding of the medium-term

aspirations, and I think the framework which this Bill provides gives us a much better way of doing that, but clearly the Welsh Transport Strategy, the funding of that and an understanding of what infrastructure works which you may want us to provide and in which years is the first part of ensuring that we can apply the necessary resources to do it. With the right notice and the right planning, anything is doable. The second aspect of it, as you are probably aware, is that we have agreed, and are working again with your officers, on the Western Valley Scheme where in effect we have said that we do not wish to be the contractor and we are allowing you to look outside for an external way of actually delivering the work and that in fact on the Ebbw Vale Scheme our role at the minute is minimal to the extent of actually managing the interface with the existing railway. Now, we are doing that quite intentionally because there was a desire from the Welsh Assembly to see if there was a cheaper way of delivering infrastructure, particularly on what is effectively a greenfield site, than paying what were seen to be some expensive charges from ourselves, and I believe we have been quite constructive and proactive in saying, "Let's look and see if there is a better way of doing it". So I think there are two models going forward and if that really does deliver something on that particular scheme, there may be other greenfield sites where that approach is appropriate. Where we are talking about things which interface heavily with the existing operational railway, then I think we would see ourselves as being heavily involved and, on the right planning horizon, we can make the necessary resources available to deliver what is wanted.

**Q45 Chair:** Before we leave that issue, can you just amplify really the sort of differences between operating on a brownfield or a greenfield can make to costs?

**Mr Curley:** Well, I think that could be a very long discussion. The view held by your officers was a large amount because we are "extortionately expensive". I think the view held by ourselves was not a lot because we think we are quite efficient. I think the emerging experience that we are both having from working in a very constructive fashion on the Ebbw

Vale Scheme is that actually it is 50 of one and 50 of the other. There is, I would suggest, perhaps a bit of rose-tinted spectacles from your side and a bit of corporate fat from our side and if the reality is that out of Ebbw we both learn something about how to do these things more effectively both in terms of yourselves as specifiers and us as deliverers and where it is appropriate to bring in third-party contractors or whatever, well that is great because our shared objective in this has got to be finding the most cost-effective way of delivering the enhancements we would all like to see. I think we are supporting that scheme in a positive way, I think we are all learning from it and if at the end of it we get some better models for going forward, it is a win all round.

**Q46 Jenny Randerson:** Can I ask for the answer to the second part of my question. Resources are always scarce, so how would you prioritise your resources if there were conflicting demands from the National Assembly and from the English side of the border?

**Mr Armitt:** It depends, I think, whether we are talking about financial resources or people resources, but at the end of the day we have to look at the network as a whole. We have to look at the end of the day at the efficiency of our expenditure in relation to demand and we will at the end of the day on a national basis have to say, “Well, it’s right that we should focus our resources where the maximum number of passengers are travelling”. Now, at the same time clearly the SRA, in determining the outputs that it seeks and the directions which are given to the Rail Regulator and in determining the financial resources required on the railway, will take into account the wider socio-economic picture. The process starts really with the periodic review which the railway is subjected to, or we are subjected to, from the Government’s side and the SRA, and clearly the Welsh Assembly, with their ability to input into that process, set out what they want the railway to be in the future, the level of resource and level of capability of the railway, that then has to be taken into account in setting directions to the Rail Regulator who would then set what he sees as being the right level of

track access charges and financing required in order for us to be able efficiently to provide the railway which meets those aspirations which are set in output terms in the first place.

**Mr Austin:** Could I just add to that from the experience which we have in Scotland because there it has actually worked very effectively to provide more through the engagement and involvement of the Scottish Executive than would have been possible for us on our own, and I am thinking in particular of a fairly major project covering the central belt with some additional trains funded by the Scottish Executive, going along with platform lengthening in order to run longer trains which was part-funded by them and part-funded by us. In overall GB terms it would not have been a priority for us and in funding terms it would not have been affordable, but the fact that the Scottish Executive was there and had a clear priority for that project in their own transport-planning-for-Scotland terms and was able to match it with funding allowed a very major development to happen which would otherwise not have taken place, so the experience so far has been one of incremental value rather than conflict over use of resources.

**Chair:** We will move on now to financial arrangements.

**Q47 Janet Davies:** This question is to both of you, but perhaps the SRA would like to reply first and it does sort of come out of what has been said in the last two questions. Clause 10 gives the National Assembly the power to enter into financial arrangements with the SRA. Could you tell me how you see those arrangements working in practice?

**Mr Wolstenholme:** I think clause 10 is a specific provision about entering contracts and the SRA using its franchise functions in a particular way to support investment by the Assembly. On the more general question of how funding arrangements for the franchise will work in practice, my answer to that would be to say very similar to the arrangements currently between the Scottish Executive and the SRA. The intention is that there will be a resource transfer to the Assembly for those Welsh franchise services which operate within and to and

from Wales and that the SRA would retain the sum needed to support the few Arriva Trains Wales services which operate wholly within England. The Assembly would then, I think, use its powers under Section 85 of the Government of Wales Act to pay to the SRA its share of the subsidy payments which the SRA passes on to the ATW franchise. The question of how the detailed split and transfers would be made is yet to be discussed. We have had some very preliminary discussions on the principles of this, but in general we think that the practical problems of allocating the subsidy between the services can be overcome by discussion between the relevant parties.

**Q48 Janet Davies:** Do Network Rail want to add anything to that?

**Mr Armitt:** No.

**Q49 Janet Davies:** One concern which I have is that there is this provision for financial input from the Assembly itself and clearly in order to gain extra benefits, that is very, very important. However, I am also concerned that there is a danger that the Assembly could find itself funding what might be part of the fairly basic provisions out of the block grant. Do you think there should be any addition to the Bill to guard against the National Assembly finding itself in this situation? It would be more likely to happen if there were governments of different political complexions in Westminster and Cardiff, but it is a danger and it is a concern which I do have.

**Mr Wolstenholme:** I think the Assembly would be responsible for funding all those services currently operated by the Wales and Borders franchise other than those ones which operate wholly within England. That would be a complete responsibility and the SRA and the Westminster Government would have no responsibility under the Bill for funding those services.

**Q50 Janet Davies:** You may not like “what if” questions, but I am going to ask one anyway. What if the expenditure for Wales at some time in the future was in real terms reduced, the SRA’s expenditure, and the only way we could keep what we now consider to be fairly basic services was by putting extra money in from the Assembly or the infrastructure declined to such a condition that the Assembly felt obliged to do that? Do we not need some safeguards in this Bill to guard against that happening?

**Mr Curley:** From the infrastructure point of view, you have got a pretty strong safeguard in the Office of the Rail Regulator, which is a statutory, independent regulatory authority there to ensure that Network Rail do exactly what you have just suggested, so in terms of our obligation to maintain the core existing infrastructure with its current level of functionality, asset condition, et cetera, that is the role of the Office of the Rail Regulator and I think it has demonstrated in the last ten years that it is a pretty powerful regulator for that purpose, so I think you have a statutory safeguard on the infrastructure front.

**Q51 Janet Davies:** But at some point, referring to the Ebbw Vale line, I think you referred to some unrealistic expectations as to the cost of it or something to that effect, and I think that at times pre-tendering briefs have not always recognised the full cost which is going to be incurred for very valid reasons for the work which is to be done. If that situation were to occur, who is going to pick up the difference?

**Mr Curley:** Well, I think if we are separating out now talking about our basic operate, maintain and renew responsibility, which is the thing which I said is ultimately protected by the Rail Regulator, in terms of some of the historic difficulties over the enhancement schemes, I think there are two parallel courses of action. One is the work we have been doing over the last couple of years with your officers in trying to work more closely together in terms of joint development and taking projects through a very tightly controlled stage-gate process so that at each development phase we understand the emerging costs and the degree

of accuracy attached to those costs and that in fact we do not jump into a long-term commitment until we have actually got a set of very firm costs around which we can contract with some confidence. A lot of the grief from some of the previous schemes has been getting into fixed-price commitments on one side or both sides around too early a stage in the project, so I think the key thing is a development process which enables us to work up projects jointly, to understand what are the elements which are driving costs up and what are the opportunities for bringing them down again, but actually not to get to a firm commitment until we have jointly got to a stage in the process development where we have a very high degree of certainty. Now, sometimes that careful and thorough project development comes up against the pressure of the political imperative to do something sooner rather than later and again one of the things, going back to my remarks about closing the circle of responsibility, is that we have got to make sure that, as the policy driver in the new framework, the Welsh Assembly Government are aware and help us strike that right balance. The best way to avoid unexpected surprises on project cost is by a structured, thorough project development and avoiding a commitment that we will definitely do something until we have got to the stage of very firm prices and a clear understanding that it is worth doing, so I think there are some lessons in there for all of us.

**Q52 Elin Jones:** This is to both organisations. Do you believe that the National Assembly have the power under clause 10 again to franchise directly with the train operator, not via the Strategic Rail Authority, as it does, in my understanding, on Merseyside?

**Mr Austin:** Yes, I think there are a number of differences between the situation in Wales and the situation in Merseyside, not least because Merseyside is a very small, tightly defined network where the track is almost totally used by Merseyrail Trains and there is very little incursion from other operators. It is a very different situation from that in Wales where most of the network is a busy, mixed-traffic railway with a number of operators running on it. I

think it would be perfectly possible to conceive of a situation where another body became the franchising authority. In practice, what happened both on Merseyside and in Scotland is that the two authorities charged with the franchising responsibility actually asked us to do it on an agency basis in much the same way as we do for the Welsh Assembly Government on freight facility grants, for example, so you could well see a situation where the responsibility transferred, but it is still more efficient or convenient to do it through us as an agency because we are carrying out franchising and we have the expertise to draw up the franchise agreements and to manage the franchise contracts throughout. It would be quite conceivable to consider doing it the other way, but all I am saying is that in practice each of those other bodies with the devolved authority has actually asked us to do it on an agency basis.

**Q53 Chair:** John, did you want to come in?

**Mr Armitt:** I have nothing to add really. It is fundamentally an issue for the SRA and whoever is letting the franchise and, as I said earlier, we would just like to be involved in understanding that franchise at an early stage.

**Mr Wolstenholme:** Could I just add as well that in the Merseyrail case, the devolution of Mersey Rail involved removing the eligibility of the services for refranchising to coincide with the time that the franchise was due to be renewed, and that was obviously a great help in facilitating that change. Obviously that approach would not be practicable now in the case of the Arriva Trains Wales franchise as that has just been re-let and I think that is an important difference as well.

**Q54 Mr Williams:** I understand that there has been a suggestion that some of the more rural services could actually be run by community groups and I have had representations from various people who have said that they could actually do some of the repairs and maintenance work a lot more cheaply than it is being done at the moment. Is there anything in this Bill

which would either hinder or encourage such a development? I am thinking particularly of the Heart of Wales Line which has huge local and user support?

**Mr Austin:** Yes, there is nothing specifically about this in the Bill, but it is a strategy which I am working on separately for community railways throughout Britain. There is certainly great scope for more community involvement and engagement, both local authorities, user groups and individuals, in things like station adoption. It is not quite the volunteers coming in, manning the station and painting it, but forming the basis of a Community Rail Partnership to support the line, as happens with the Heart of Wales Line Forum, which is exactly the sort of thing which works well and can generate a lot of additional valuable business for the railway. You can actually take that a stage further and form a development company which can carry out a trading function and do some of those things, like staffing stations, providing on-train catering and so on, so there are various degrees of involvement which can be a real benefit to some of these rural lines. That is the sort of thing I am developing and encouraging and I would certainly like to continue to work with the Welsh Assembly Government on that. We did not bring Welsh schemes to the fore in the development of the outline paper on which we have consulted because it coincided with the re-letting of the franchise, so we wanted to let the franchise bed down and for that to start to work properly, but I know that the management of Arriva Trains Wales are very supportive of the concept and have already started the process of station adoption, for example, so I think yes, there is a lot of scope to do more on that and to add value and to develop a lot of these routes, particularly those which have got quite a lot of spare capacity to offer.

**Chair:** Well, on that positive note, unless any members have anything burning to say in the last couple of seconds, I would like to bring this session to a close. Can I thank you very warmly for your evidence here this morning; it has been very, very useful. I am sure you will

be following the track of this Bill through Parliament even more intently than we will. Thank you very much.

**Memoranda submitted by Association of Train Operating Companies  
and Arriva Trains Wales**

Witnesses: **Mr George Muir**, Director General, Association of Train Operating Companies, **Mr Roger Cobbe**, Commercial Director, Arriva Trains Limited and **Mr Ian Bullock**, Customer Services Director Council, Arriva Trains Wales, examined.

**Q55 Chair:** This is our second session today of our evidence taking in support of the draft Welsh Transport Bill and I am delighted to welcome to this session George Muir, Director General of ATOC, Roger Cobbe, Commercial Director of Arriva Trains Limited and Ian Bullock, Customer Services Director of Arriva Trains Wales. I would like to ask both organisations if you in principle welcome the aims of the draft Bill.

**Mr Cobbe:** Perhaps I should take that question first as the local train operator. We certainly very much support the draft aims of the Bill; we think it is a very natural development of the powers of the National Assembly and recognise, as stated in the accompanying material, that at the moment its powers are unclear and that the last drafting would bring clarity to the Assembly's ability to set policies and to devolve those policies through the local authorities and divide the SRA and the franchisee to be the rail services.

**Mr Muir:** I would second these remarks. Rail transport serves many markets. It serves a local market: sometimes people are travelling only a mile or two or a few miles; and it serves an intercity market: in the case of United Kingdom journeys, 100, 200 or 400 miles. To be successful, rail has to reflect the demands of these different markets of different scale. In the case of Wales, it is very important that rail responds properly to the markets in Wales as well as the markets elsewhere and this we are quite sure can be done well through the powers that are in this Bill through the Welsh Assembly. It is about ensuring that rail responds properly and hears the correct messages and priorities from the people of Wales.

**Q56 Mr Jones:** Is there anything else you would have liked to see in this Bill?

*Mr Cobbe:* The question as to whether there is anything else that should be in there is quite complicated. Probably the area I am wondering about relates to relationships with Network Rail. I think there is clarity in the Bill in how policies can be enacted via local authorities; there is clarity in terms of direction and guidance to the SRA and indeed the ability for the Assembly Government to contract directly with the train operator. I think it is less clear how requirements which relate to provision of a network will be brought about other than on a voluntary basis and one does worry that sometimes that does not always prove sufficient to bring things about, particularly in a complex industry such as the rail industry. I think it may be relevant to look not necessarily as part of a Bill, there may be other mechanisms that are required as well, so maybe it is within the Bill or maybe it is not, but some ability to bring about the policies via Network Rail as necessary.

**Q57 Mr Jones:** So, you would like to see something in the Bill that would actually specify the relationship between yourselves and Network Rail or who and Network Rail?

*Mr Cobbe:* I believe that the relationship between ourselves and Network Rail is quite satisfactory.

**Q58 Mr Jones:** It is well established.

*Mr Cobbe:* I was more concerned with the National Assembly and its Government as to what exactly their relationship would be with Network Rail. Clearly, they will come in a position where there will be a Welsh transport strategy and one of the agencies which would have to take actions to fulfil that strategy would be Network Rail. The mechanism is unclear other than by voluntary agreement within the Bill as currently drafted. This is a difficult one because Network Rail's status makes it quite difficult given it is a private sector company limited by guarantee and it is possible that the route to achieve this may be slightly

convoluted via the Regulator and the conditions of Network Rail's network licence. I believe that is an area which perhaps needs to be explored a little further to ensure that the Regulator perhaps has a duty to have regard to the Assembly's transport policy and, having had that regard, to amend Network Rail's licence to also have regard to the Assembly's policies.

**Q59 Mr Jones:** I can see the problems but it did seem to be necessary. We spoke to Network Rail earlier and one of the problems of course is that investment in England has needed to keep our services between Wales and London for example going, but you definitely think there is a problem?

**Mr Cobbe:** I am discussing really the mechanisms rather than the total quantum of money which requires to be spent. That is a complicated enough issue in its own right and perhaps not one for today. Looking merely at mechanisms, I do not see the clarity of a mechanism to see the Assembly's transport strategy enacted by Network Rail.

**Q60 Mr Jones:** Mr Muir, do you have anything that you want to say?

**Mr Muir:** I would echo that. The Strategic Rail Authority has been, in the last year or so, promoting correctly the concept of route utilisation strategies. A route utilisation strategy is rather what its name would imply which is that you choose a route and develop the strategy around the route. These have taken quite a long time to get developed. There has, I think, been one published so far, a very simple one for the Midland mainline, but work is continuing on other ones. I am sure that route utilisation strategies should be developed for the main routes into Wales and within Wales and it might be that these are vehicles which could be used to secure the transparency of costing from Network Rail which you may need to do.

**Chair:** We are going to move into the specifics of the draft Bill now and deal firstly with the powers and direction of the SRA.

**Q61 Mr Williams:** Could I ask the representatives of Arriva about the powers of direction and guidance that the draft Bill indicates for the Assembly over the SRA and that applies just to the rail services that are entirely within Wales and I think the term is advice for those intercity services that obviously link Wales and England. What benefits and dis-benefits are there to this proposal?

**Mr Cobbe:** I think the directions and guidance mechanism is a very effective one; it creates a clarity between the Assembly setting its transport policies and the SRA as an agency involved in letting and managing franchises. It is a mechanism that has been used elsewhere in the country to date and seems to work quite satisfactorily. So, I would see this as something which should work well. I think within the Bill there is the clarity also of three categories of services, so there are those wholly within Wales, there are those which are not wholly within Wales but are provided within the same franchise and there are those which are to and from Wales where, as you rightly say, the role of the Assembly Government is limited to advice but, in the first two categories, there is direction and guidance and that is a mechanism by which the Authority's transport strategy can be achieved and I think that the SRA recognise and have worked to that system. We would say that it is very satisfactory.

**Q62 Mr Williams:** How would you, in practice, see the difference between direction and guidance and advice?

**Mr Cobbe:** I think it is fairly clear that direction and guidance can give rise to a spending obligation if it results in something different from what the SRA might have done if left to their own devices. I think essentially that is the nub of the relationship. On the other hand, it equally does ensure that rail services within Wales and to and from Wales can actually be made to be different via this mechanism which surely must be the crux of what is being sought as part of this devolution of powers. So, I think it is only natural then that if we have the ability to make something different, there will of course be financial consequences to

consider at the time. It was evident in letting the franchise to us that it was very much the SRA who were deciding what was in the franchise. Obviously consultations took place but, at the end of the day, the SRA bought what they wished to buy whereas this would clearly move the balance of responsibility to the Assembly and its Government to decide what they felt was required to meet the transport and economic needs of Wales.

**Q63 Mr Williams:** Do you think that these proposed powers for the Assembly will assist Arriva in the provision of rail services in Wales?

**Mr Cobbe:** We certainly believe that the Assembly and its Government are very much focused on what Wales requires in a way which cannot possibly be achieved by the UK Government based in London. I think that, as a national transport strategy for Wales is developed, that will in itself bring better integration. The SRA does not have the same responsibilities to integrate transport as the Assembly will take to itself. So, I think to see a rail franchise which is set amidst an integrated transport strategy knowing that it will link up with bus services, with air services and with the way the highways are managed and bus priorities are managed will mean that we will see better value for money for the taxpayer who will see a better service for the passenger. So, I welcome the framework. Arriva believes that it will be very positive indeed.

**Q64 Leighton Andrews:** Supposing the Assembly were given these powers under the Bill and we decided that we wanted to increase the service levels for your franchise; would that be straightforward for you to respond to?

**Mr Cobbe:** We are naturally very keen to promote train services within the franchise as let. It is certainly our aim to raise the quality of services and to attract many extra passengers. We have already designed and proposed our own new timetable which is designed to increase the level of business but we are mindful that there are many more things that we would like to do

which at the present time we do not see the clarity of funding to achieve them. We would be delighted to set out our stall to the Assembly of the ways in which train services can be developed in Wales to make a greater contribution to economic development and to make a greater contribution to integrating the transport system of Wales. So, yes, we do believe there are many cost-effective projects to develop train services. They will have varying timescales for their development and implementation and that, I think, will be part of a growing relationship between the Assembly and Arriva, so we will be delighted to join in a dialogue to say, “Yes, this can be done to that timescale and that can be done to another timescale”, to discuss priorities and spending plans and hopefully achieve the best solution for the people of Wales.

**Q65 Leighton Andrews:** But there is nothing stopping you having that dialogue with the National Assembly currently, is there?

**Mr Cobbe:** My understanding at the moment is that there is and I can see the considerable confusion over precisely what the National Assembly’s powers are in relation to train travel and their abilities to support projects. We certainly had a very positive dialogue with the Assembly members and also with the Assembly Government prior to letting a franchise and since it commenced. We believe that is a great foundation but it would be even better still if it could be built into an integrated transport strategy for Wales and I think then it would be much clearer as to what was going to happen this year, next year and the year after and what we are all trying to achieve together. So, yes, there already is a good relationship and schemes are being implemented at the moment but I think the parties will gain clarity and a clear shared objective by working together.

**Q66 Leighton Andrews:** Do you think, following the Bill, you will have more opportunity to develop a wider range of services that the Assembly might have wanted to see previously?

**Mr Cobbe:** I think that the Bill will enable this dialogue to take place on a more structured basis linked into an overall transport strategy. That will give us the help to decide what sort of proposals are most likely to meet the Assembly's transport strategies; it will enable us to explain things like the way the railway timetable development process works, the constraints of infrastructure where, as we have shown with our new standard pattern timetable, it is possible to improve some services with the infrastructure as it is now and, in other cases such as the proposal to improve the service to Aberystwyth to hourly, it requires quite significant investment and we would be able to explain the processes and timescales and help the Assembly make a considered choice as to whether it wished to take forward schemes like that. So, we would see a very positive dialogue. Naturally, we would hope that would lead to additional investment in train services but we recognise that, at the end of the day, it is the role of governments to choose between spending priorities but we would definitely be making the case for rail. We know that trains could achieve a lot more in Wales and we are very keen to demonstrate how that can be done and to implement such schemes.

**Q67 Hywel Williams:** (Translated from **C67 Hywel Williams:** Diolch yn fawr, Welsh) Thank you, Chair. Following your earlier comments about developing a relationship between yourselves and the National Assembly, it may be a provocative question to ask whether an SLA between the national provider and the national purchaser—between yourselves and the Assembly—is necessary.

**Mr Cobbe:** I think the best way to answer that is to say, as I did a short while ago, that it is a proven mechanism. We know that the process of issuing directions and guidance to a national

agency to form part of a franchise is a method which works. I think we can see on Merseyside a franchise which Arriva used to operate but unfortunately no longer does, those powers have in fact been devolved down to, in that case, the Passenger Transport Executive, Merseytravel, so one can also see that there is a mechanism for the devolution of the SRA's powers that has also proved very workable. So, that is perhaps an area which might be explored but certainly the relationship as proposed in the draft Bill is a workable relationship. We believe the SRA are content to work to that arrangement, they understand what their responsibilities are and recognising that the franchise has been awarded for 15 years, it is going to be a very long time before the issue of a re-award comes up and it is perhaps not necessary to consider the minutiae of that at this stage.

**Q68 Janet Davies:** Mr Cobbe, you mentioned that an integrated transport strategy could lead to more cost-effective services and it may be that, in order to achieve them, the Assembly would need to have a financial input. So, who then would benefit from any cost savings? Do you think there should be some provision in the Bill to cover that?

**Mr Cobbe:** The way I read the Bill that would emerge but, if the arrangements proposed gave rise to savings, that would flow backwards or be reinvested or ploughed back into additional service improvement. There is nothing that I read in the draft Bill which would suggest that there is a sort of one-way financial relationship there. It seems to me that it does work in either direction. Naturally, we would hope that if savings were achieved in one area, they would in fact lead to improved services elsewhere.

**Q69 Mr Caton:** I would like to move to Mr Muir and services other than the Arriva Wales and Border franchise but, before that, I would like to ask Mr Cobbe a question on some of the things that he has just said. I felt implicit in one of the answers you gave, Mr Cobbe, was that if this legislation had been in place when the Wales and Borders franchise was up for grabs if

you like, we would have probably have ended up with quite a different franchise. Do you think that is true and what differences do you think there would be?

**Mr Cobbe:** That is one of those wonderful hypothetical questions which one should generally avoid answering! You have to say “it all depends”. I do not think that the SRA was in any way malevolently inclined towards Wales. I think they are reflecting a genuine and extremely severe financial problem in the rail industry as a whole. It is no secret – I have said this at previous meetings here – that earlier proposals in the franchise would have led to a higher level of service than the franchise as finally signed reflected the SRA’s financial situation. I am not in a position to know whether the Assembly would have been able to do anything different. That truly is a hypothetical case which has come and gone. It is a matter of spending priorities here and I would not presume to say that they would necessarily have spent more, merely that they would have had the opportunity to consider doing so.

**Q70 Mr Caton:** Do you believe that is the only way you would have got substantial difference is if they could have put more money into the pot?

**Mr Cobbe:** We certainly believe that the proposal we put forward ... I have to assume that this is perhaps the reason why we were awarded the franchise because we squeezed every single thing that was possible out of the level of funding that was available and indeed measures like our new standard pattern timetable demonstrating how, with the same level of support, we could actually run more train services and carry more passengers, thereby generating extra revenue to pay for them, showed that we did everything we possibly could to get as much train services for Wales within the constraints available. Clearly, if additional funding becomes possible, this is not something where the door is shut, the mechanism proposed would work going into the future but, if the Assembly is able to fund additional train services, we would be delighted to discuss with them the priorities and the costs and work out a programme to implement things to meet their new transport strategy.

**Q71 Mr Caton:** I come to you now, Mr Muir. We have been talking about the Assembly's powers of direction and guidance over Wales and the Borders so far, but if we can move on to their advisory role over the SRA in relation to other rail services, for example the intercity services. How do you see that new relationship affecting train operating companies such as Virgin and First Great Western?

**Mr Muir:** It would clearly in principle be possible to specify services in Wales that did actually impede intercity services. I cannot for the moment see why you should because Wales depends on intercity services, but it certainly has happened elsewhere that local services ... The conflict between local services and local stopping patterns and long distance and intercity stopping patterns is almost a classic conundrum of the railway. Long distance trains require fast paths and stopping trains require stopping paths and one of the most difficult things in the railway is to juggle the balance between fast intercity trains and the local stopping patterns. If you have the luxury of a four-track railway, which you do not very much in Wales, though there is a little four track, then you can run stopping patterns and fast but, if you do not, it is a classic conundrum and much will depend on the good service and skill of the people involved.

**Q72 Mr Caton:** In your written submission to us, you say that the powers of the Assembly should be carried out in such a way that a train operator serving Wales does not experience conflicting signals from two masters. Do you see anything in the Bill as drafted at the moment that leads you to believe that that could be the end result?

**Mr Muir:** No, I do not. Indeed, before coming down here, I went and spoke with the people managing the franchise in Scotland to see what issues they had and I spoke to people managing the franchise in the north of England where there is a range of PTEs who specify services. In general, the feedback from both was positive but with the caveat simply that it depends on the skill and good sense of the people doing it. So, I do not see anything in the

Bill itself and there is nothing in the practice that I see but it is simply a warning that it is impossible to specify things or demand things that are unreasonable or will not work.

**Q73 Jenny Randerson:** The draft Bill proposed a system of governance very similar to the one in Scotland. What is your experience of working under the system of governance in Scotland?

**Mr Cobbe:** Our experience in Scotland is that we have not actually operated train services there although we were involved as a bidder for the re-award of Scot Rail and therefore have seen at first hand the directions and guidance process working. I would say that we are entirely satisfied with it; it seems a good mechanism. It was very clear to us that the Scottish Executive, on behalf of the Parliament there, was setting its policies and its requirements were franchise and the SRA was an agency involved in letting it. We managed the Mersey Rail Franchise prior to its re-award recently and we currently manage Arriva Trains Northern which has involvement with a number of PTEs as George has just indicated. In both cases, we found a very satisfactory relationship because, in each case, the local party is bringing detailed knowledge of the transport requirements of their area. These are major organisations, either national parliaments or substantial groupings of local authorities with statutory powers and we found in each case a level of professionalism, a level of knowledge of the services and the economic and local issues of their area which they can then communicate to us via their powers to direct the SRA. The SRA have not seen any problem in that relationship; they are quite happy; they seem to recognise that it is useful to have such an agency to give them that additional local knowledge, so it is a good mechanism and it works.

**Mr Muir:** If I can mention two positive points that emerged though the point is in a sense so general. The awareness of local issues and our colleagues in Scotland are aware that their dealings with the Scottish Executive and the local knowledge of the Scottish Executive have been positive and the Strategic Rail Authority has to cover such a wide range that they

inevitably do not have the local knowledge which is important to running a train service. It has also been the case that, in Scotland, the awareness of the Scottish Executive is more able to take account of social benefits and, as a result of that, an order for new trains was added in Scotland which would not have happened had there not been this awareness of social benefits. On the down side – with pluses there are often down sides – the comment was that possibly expectations had been raised too high. There was a thought that because they had the ability to control and direct and give local guidance, there would be a bigger change than in fact there was. So, the warning here is just be careful about raising expectations too high. The second point which has been mentioned earlier by Mr Cobbe was a need to get transparency of cost particularly from Network Rail which can be difficult. It is a controversial area, as you may have discovered this morning when talking to Network Rail, as to the extent to which they do disaggregate cost and are able to present local accounts. Thirdly, simply there is a need for the people carrying it out to acquire expertise and, in the early months, the expertise by the people carrying it out was not very great but they learnt very fast.

**Q74 Jenny Randerson:** The Scottish Executive is about to set up a national transport authority; do you think that is an inevitable outcome/development?

**Mr Muir:** I had not been aware of that as such, so I cannot really comment on it. Is that not what they are?

**Q75 Jenny Randerson:** Yes, exactly. They are putting a party in between them ... They are establishing a body that will specifically deal with capital investment and so on and coordinate it.

**Mr Muir:** I met a colleague of mine who is part of a small group of a few people – and I am now putting two and two together – and they are contracting to build some new lines. They are not long lines, they are essentially spur lines, but there is 10/20 miles of new track being

contracted in four or five different schemes. So, what I imagine is the case is that this rather informal grouping is perhaps acquiring a formal remit round it. That seemed to be going well.

**Q76 Brian Gibbons:** In your evidence, you just stated that you were very impressed with the sensitivity of the SRA's local knowledge in Scotland. Do you feel that the same level of knowledge exists in Wales and, if it does not, what is the difference?

**Mr Cobbe:** Certainly in the discussions we have had with the Assembly Government, we believe they do have detailed knowledge and what I will also say is that we have worked very closely with the four regional transport consortia: we found them extremely helpful and very committed both at member and officer level. That is on the basis of the current voluntary arrangements; we believe that those become more formalised and, if the transport consortia are actually knitted into an overall Welsh transport strategy, then these arrangements will work even better. If you put all that local knowledge, skill and enthusiasm together into an integrated network, the Assembly Government will be more than able to fulfil that role. Yes, I have every confidence that the structure will in fact achieve a much better end product.

**Q77 Brian Gibbons:** Mr Muir said that currently the situation in Scotland has arrived at this desirable state whereas your answer would suggest that it has not quite arrived there yet from the point of the view of the SRA. Do you think the qualitative difference is the fact that Scotland has the necessary legislative power? It was stated this morning that the SRA has a very small physical presence in Scotland which it does not have in Wales. Could that be an additional contributory factor? I do not know whether you have a view on that.

**Mr Cobbe:** I certainly feel that whether the SRA do or do not have one or two people is not really the point. I think the point is that, in Scotland, there are the powers of direction and guidance and, in a sense, the SRA do not themselves try to have that local knowledge. I think the point is that they have set up a mechanism to draw through the Scottish Executive the

local knowledge which they know to exist out there. So, I think that is the mechanism we are seeking to reproduce here and, from that point of view, I really do not think it matters a lot whether the SRA do or do not have one person sitting in Cardiff because it is not the expertise of that outbased SRA person which will be important but it will be the connections they draw upon through the Assembly Government and the transport consortia which is actually what is going to deliver the goods through the directions and guidance mechanism.

**Alun Cairns:** I want to return to one of the responses Mr Muir gave in relation to Jenny Randerson's question about the national transport authority that has been formed in Scotland. Can I ask Mr Muir, after we finish the meeting, to look at the comments relating to Clause 9 on Network Rail's submission to the Committee and give his consideration thereafter, namely in written form.

**Chair:** We move on now to the Wales Transport Strategy.

**Q78 Lisa Francis:** Clause 2 of the draft Bill places a duty on the National Assembly to provide a strategic plan for an integrated transport network. Part of that will be provided for by either directing councils to work together or by the establishment of new joint transport authorities. Do you envisage any difficulties in providing rail services within such a network particularly, as you mentioned previously Mr Cobbe, working with regional consortia? I do not know if you are aware of it but SWITC, South-West Wales Integrated Transport Consortium, have said that they do not support the establishment of JTAs because they believe it will sever the link between democratically elected members and the delivery of locally targeted areas and will have an adverse impact on local accountability. Would you agree with that?

**Mr Cobbe:** I think we would perhaps need to look at this in several stages. We may, from a rail industry, come at this from a slightly different perspective in that very, very few of the services we operate are contained within a single local authority area whereas quite a number

are contained within a consortium area although some of them in fact stretch through several of the consortia or indeed serve the whole of Wales. So, I think that the scale of train services is something which requires activity at a level above that of any individual local authority. So, we are naturally predisposed to a mechanism which encourages them to work together because, in practice, you do have to look at issues across boundaries and you have to, on occasions, balance the needs of different towns and other communities along a route and reach the best overall solution for the rail passenger. I think the question of whether, having said there will be a consortia structure which we very strongly favour, it is voluntary, statutory or progresses to a board is really a matter between the Assembly Government and the local authorities. From our point of view, we are quite convinced that there needs to be a regional consortia approach as long as it delivers the goods. We do not have a view on how it should be set up legally. I think that is something we are happy to stand and watch the debate on providing it does what it says on the tin.

**Mr Muir:** It may be that it depends on the kind of thing you are talking about. In some areas, the local community is very anxious to address something which is very, very local – for example, the manning of the station and that clearly can be done at local level – or indeed local integration. I am going to make a distinction in the second. There are some things that can clearly be done locally, both the manning at the station and indeed the facilities at the station and, across the whole of Britain, train companies have generally worked very well with local authorities in trying to put packages of money together to improve connections at a station but that is different from the pattern of the train service itself, the stopping pattern of the train service itself, and you should be very careful before you allow a local interest to determine the stopping pattern of a train service because that has knock-on implications on everybody else. So, in a sense, it is horses for courses.

**Q79 Brian Gibbons:** The draft Bill states at Clause 2(5) that the Assembly must consult any person it considers appropriate in preparing or revising the Wales Transport Strategy. We have already heard evidence this morning that this was a little too weak and that there should be a prescribed list of consultees. Are you satisfied with the clause or do you feel that there does need to be a prescribed list of consultees and, if you think there should be a prescribed list, who do you think should be on it?

**Mr Cobbe:** The danger of a prescribed list is exactly that, that immediately creates the potential that a name which is not on the list is not consulted or is seen to be less important than a name which is on the list. This is quite a difficult one but I would have thought that if there is an obligation to consider all those people who reasonably should be consulted, there is always the chance that the bodies who are not consulted challenge the actions of the body who has left them out of the consultation. It does not give me enormous worries to see a draft in that way, it seems to me to be quite an inclusive way of doing it and perhaps more powerful than to have just two or three actual named groups and leaving the suggestion that that would be sufficient.

**Mr Muir:** I am going to take exactly the same line. There is that phrase and the same phrase in Clause 9, that is “any other person the Assembly thinks appropriate.” I cannot get fussed about that. I think it would be inconceivable that the Assembly would not consult the local train company. If it did, it only has itself to blame!

**Brian Gibbons:** I would have taken that view myself.

**Chair:** We will move on now to cross border issues.

**Q80 Hywel Williams:** (Translated from **C80 Hywel Williams:** Diolch yn fawr. Yr Welsh) Thank you. I wanted to ask you oeddwn am eich holi am flaenoriaethau'r about the Assembly's priorities and Cynulliad a San Steffan. Mewn sefyllfa lle Westminster's priorities. In a situation where byddai gan y Cynulliad flaenoriaethau

the Assembly's priorities differed from those of Westminster, how easy would it be for the SRA to respond to both institutions appropriately? Is the SRA in a strong enough position or even capable of responding to both institutions if they were not to see eye to eye?

**Mr Cobbe:** The draft Bill seems to make it much clearer that the SRA can resolve the problem if there is some detrimental effect to passengers in England or to services carrying passengers in England. So, from that point of view, it seems to be more of a kind of tripwire type approach which is perhaps reasonable in the sense that it is allowing the Assembly Government to take whatever steps it feels appropriate as long as that does not create an adverse impact on either train services or train passengers in England and that seems to be a fair approach; I do not see a fundamental problem with that. With the requirements for consultation prior to the decision by the Assembly, then I think there is a protection and I am thinking particularly of the border counties in England where they firstly have to be consulted and their views have to be taken into account and, secondly, the SRA has the ability to reject directions and guidance which cause an adverse impact on services in England.

**Q81 Hywel Williams:** (Translated from Welsh) The impression I got from the SRA's evidence this morning was that the authority could do as it pleased in Wales as long as it did not interfere with the network or the

**C81 Hywel Williams:** Yr argraff a gefais fore heddiw o dystiolaeth yr SRA oedd y gallai'r corff wneud beth bynnag y dymunai yng Nghymru cyhyd â bod hynny ddim yn ymyrryd â'r rhwydwaith neu â'r amserlen yn

timetable in England and as long as we were prepared to pay for it. I thought that we were already aware of this. I get the impression that the SRA is looking from a London perspective at this situation, and I am concerned about its ability to represent appropriately the interests of the railways in Wales as well as the interests of the network in England. That was a comment rather than a question, but, if you wish to respond, I would be interested to hear what you have to say.

Lloegr a chyhyd â'n bod ni yn barod i dalu amdano. Yr oeddwn yn meddwl ein bod yn gwybod hynny eisoes. Caf yr argraff fod yr SRA yn edrych o safbwynt Llundain i'r cyfeiriad hwn, a phoenaf am allu'r awdurdod i gynrychioli'n briodol diddordebau rheilffyrdd yng Nghymru ynghyd â diddordebau'r rhwydwaith yn Lloegr. Sylw oedd hynny yn hytrach na chwestiwn, ond, pe baech yn dymuno ymateb, byddwn yn falch o glywed yr hyn sydd gennych i'w ddweud.

**Mr Cobbe:** I think it is perhaps inevitable that if you create a mechanism for directions and guidance to be given by another agency, whether that be another government or a passenger transport authority or something like that, the SRA will perhaps take a step back from what they might otherwise have done in terms of trying to understand the needs of an area themselves. I do not think there is anything wrong with that and I think it is probably better than having two organisations trying to come up with potentially conflicting analyses of local needs. So, yes, if I did not make that clear, I certainly would say that my expectation is that the SRA would regard the Assembly's directions and guidance as definitive as regards services within Wales and would merely seek to try and iron out any imperfections which arise on blending things in in terms of timetable development across the border with other operators.

**Mr Muir:** The border around Wales is in a sense in another sense a borderline issue. If I can explain that by contrasting the position within Wales with the position in London. The Mayor has similar powers to give directions and guidance but the outcome is completely different because the railway in London is not substantially within London. I have been thinking in the last few days, what is it that has led to quite different outcomes in London from Scotland and Wales? It may be that the answer is self-evident. In the case of Scotland and Wales, the railway is predominantly in Scotland or in Wales and, in the case of London, it simply is not. In a sense, there is one dominant influence in a particular region. So, in Scotland, there is an evolving dominant influence which is the Scottish Executive and, in London, there is one dominant influence and it is the SRA. If you started trying to get two people with sort of 50% dominant influence, you will just end up with shambles. It is helpful to be one or other. There obviously are borderline areas and there are clearly borderline areas on the edge of Wales. I must say that, in the neighbouring counties into Wales, I expect it is largely a sort of “connected with Wales” but, if you go too far – the point is just too obvious – you can end up with two people with both equal interest trying to specify different things. Just be sensible!

**Q82 Dr Francis:** If we could continue on this theme of cross-border issues, are you satisfied that the draft Bill retains sufficient awareness of the English dimensions of your operations that will come under the authority of the National Assembly?

**Mr Cobbe:** Looking at, within Section 9, the amendments to the Transport Act, I think the third paragraph seems to make very clear that there is a specific duty to have regard to that area and I also notice within the regulatory impact assessment the statement of an intention to have a rail stakeholders’ forum. So, it seems to me that there is a very strong indication both in the legislation and in the supporting material of intention to take seriously the borders issue. We welcome that from our perspective. We like to think that the border counties of England, at least for rail purpose, have a position not dissimilar to a fifth local authority

consortium. Obviously, it cannot be constituted in the same formal way but we would hope that this does provide a mechanism for the views, requirements and local needs of those border countries to be brought into this decision-making framework. I believe that the border in terms of railway travel is in fact a little way east of the political border and the fact that our principal north/south route actually runs through a large part of England in order to join up Wales, well it is just one of those things. I think we can create a mechanism which can actually deliver something which is to the benefit of those border counties so that they will actually see the benefits of our franchise just as much as the people who live in Wales.

**Q83 Dr Francis:** I wonder if you could comment on evidence that related to this in a way. It may be just a drafting issue but I was struck by the written evidence from the Shrewsbury and Aberystwyth Rail Passenger Association in which they tell us that different paragraphs in the text suggest that the Assembly would only be able to direct and guide the SRA about rail services which “both start and finish in Wales or start or finish in Wales and are operated by the Wales and Borders franchise.” They pose the question, “Which is correct? If it is the former, there is only a very limited list of services which apply.”

**Mr Cobbe:** I believe that they possibly have not read it carefully enough although you do have to take this one slowly and maybe read it twice. Certainly looking slightly above where I was a moment ago in 1(b) of those amendments to the Transport Act 2000, it seems to me that that would naturally include the sort of services we are talking about. They are clearly concerned with the Aberystwyth/Birmingham service and that would most definitely fall within one which the National Assembly could give directions and guidance to because it is certainly either starting or ending and making at least one stop and operated by somebody, ie us, who is operating the franchise agreement referred to under sub-section (a). So, from my point of view, I do not think they should have any worries at all.

**Q84 Janet Davies:** I do not think this question specifically applies to cross-border issues though clearly they are a major issue, but what do you see as the main challenges that train operating companies will face as a result of this draft Bill?

**Mr Cobbe:** I think it is a challenge we welcome in that I think it is a challenge to take part in forming a national transport strategy for a very important European country. Arriva works in a number of countries across Europe through a variety of different contractual frameworks. We welcome the opportunity to contribute train services as part of an overall strategy by the relevant authority linked to their other strategies and I think this one is actually a very attractive structure being proposed whereby there is a national transport strategy for Wales linked through the local authorities in whatever form the consortia finally take but also linked to the train franchise. It seems to be an attractive model for integrated transport and one which we hope will be able to go round the rest of Europe saying, “Well, you want to look at how things are organised in our franchise. We really have our finger on how to deliver the best in terms of an integrated transport network.” We would very much hope that we will be able to show it as best practice in other countries.

**Q85 Janet Davies:** I hope you will too. Mr Muir?

**Mr Muir:** I am afraid I was going to lower the tone a bit! I think the challenge is about cost. Railways are expensive and I think that forming your strategy will be to work out and understand real costs, real trade-offs, what you really want to do and to what extent you are going to try to minimise as appropriate the cost of the railway in Wales even though it is being paid for by the SRA. Indeed, I do not quite know where this debate has gone to because clearly, over the years, there has been a general wish by Government to move decision making on rail costs locally to help resolve difficult conundrum. Some railway services are extraordinarily expensive; some rural lines are extraordinarily expensive to run and I think that one of the challenges that the Welsh Assembly will have will be to form a

view on those. I am not presuming what the view should be but to form a view on that and defend it.

**Q86 Janet Davies:** Were you listening to this morning's evidence?

**Mr Muir:** No, I was not.

**Q87 Janet Davies:** There is one specific question that I want to take out of that. There is a movement proposed to set up an intra-Wales air service which will be subsidised, if the European Commission gives permission. Do you see this as a challenge to the Welsh rail services?

**Mr Muir:** It might but, speaking as someone in railways, I do not mind. The important thing is that transport is provided in the right way. I carry no predisposition that it has to be rail. If for any particular service rail is the wrong thing and it is better and cheaper and environmentally better for it to be air, then let it be air. It would be a very short-term view of someone who works in the railway who says, "It has to be rail just because I work in rail." Whether in fact it would be a challenge to rail, I do not know. Certainly air has quite a large market share on Edinburgh/London because it is 400 miles. There is a fairly well understood graph that shows market share by time. So, a rail journey up to, say, a hour long, there will be no flights; two hours long, there will be very little flights; three to four hours long and at four hours long, you will have 50% market share on flights. That is just life! I am sure that Roger knows more about the specifics.

**Mr Cobbe:** I think it is important to see that each of the modes has something to offer in building up an integrated network and we would certainly want to see the integration achieved through hubs which enable people to link up a train journey with a flight or a bus journey with a train journey or altogether or to take their car for that part of the journey which is necessary and then to move on to one of the other modes. I think naturally we would like to see

investment put into developing a train service but not if there is a better solution by another mode that is more cost effective. We would in that case say, “Okay, can people do a journey in which they take this internal flight and then go on by train to where they need to get to? Do the train services link to the airport? What can be done to improve the facilities at the airports and the closest station and to get rail links into airports as a long-term aim?” We would like to see a hierarchy develop within the integrated travel network in order that people can make their journey, whether it is just a local journey or whether it is a journey across Europe by the best combination of modes for that particular journey.

**Chair:** Thank you all very much, Ian Bullock – you have had a very good afternoon! – Roger Cobbe and George Muir for your evidence here. I am sure you will be following the track of this Bill through Parliament even more closely than we are.

**Memoranda submitted by Confederation of Passenger Transport (Wales) and  
National Federation of Bus Users**

Witnesses: **Mr John Pockett** and **Mr Justin Davies**, Confederation of Passenger Transport (Wales), and **Mr Leo Markham**, Officer for Wales, National Federation of Bus Users, examined.

**Q88 Chair:** I would like to welcome our next panel of witnesses: Leo Markham who is the Officer for Wales of the National Federation of Bus Users, and John Pockett and Justin Davies from the Confederation of Passenger Transport (Wales). A warm welcome to this afternoon's proceedings. First of all, I would like to ask all three of you if you in principle welcome the aims of the draft Bill.

**Mr Markham:** From my perspective, I welcome the broad proposals. The potential for far greater involvement of the Assembly Government in the affairs of the Department for Transport in Wales. There are obviously a number of issues that need to be thought through in greater detail but my overall view is that this is a very welcome improvement and a move in the right direction.

**Mr Pockett:** Our submission is what we have said. We welcome the importance the Assembly Government puts on transport by putting this forward as well as for the limited number of measures that they can apply primary legislation for and I think that meets very much with our approval and I do not think I need say any more than that.

**Q89 Mr Jones:** We seem to be seeing the same people we have seen in the last few months and years about our inquiries into transport. It is nice to see you again. Is there anything you think should have been included in the draft Bill which you would like to see included in it?

**Mr Davies:** The main issue from the CPT's point of view is that we would have liked to have seen provision for a separate traffic commissioner for Wales included within the Bill. The current traffic commissioner's arrangements are that it is a joint authority with West Midlands which is an extremely large area for the traffic commissioner to cover with a very vast urban conurbation in the West Midlands and then our own situation. We believe there would be a much more useful focus for a traffic commissioner both for the industry and for the users of the industry if we had a separate traffic commissioner who could focus on the issues that we have in Wales and that would certainly, we believe, streamline communication which is quite difficult now with the traffic commissioner. He is extremely good, he is always willing to come and visit us but inevitably you cannot just pop in and see him because you have to go to Birmingham and that is not a simple thing to do.

**Q90 Mr Jones:** Given that one of the major problems we have in Wales in terms of transport is the fact that we have a long border with England and it has already been said that our north/south rail links go through England, a traffic commissioner for essentially that area including England might not be a bad idea. So, it may not be a bad idea that we have a transport commissioner who covers the West Midlands and Wales.

**Mr Davies:** I see it more of a volume of work issue. We have certainly found in recent years that that traffic commissioners have a number of issues going on. They have been trying to go down the line of electronic bus service registrations for example and inevitably I think in the Civil Service there is a reasonable churn of the staff below the traffic commissioner as people progress in and out of the Civil Service which means that there is not a consistency of people at that level. Certainly we have had communications over a number of years with several different people who all have done the same job which means that you are not getting that consistency. You could say that, in the modern era with electronic communications and things, the traffic commissioners could sit in the outer isles of Scotland and still be effective

but I think that face-to-face communication is always very important and also gives a feel for the place you are working in and gives a feel of the community you are working for and I think we would benefit if we had our own traffic commissioner.

**Q91 Mr Jones:** Mr Markham, is there anything you would like to see in the Bill that is not there?

**Mr Markham:** I certainly would like to echo Justin's comments that I believe the fact that the traffic commissioner is not based in Wales is an issue but it is an issue, particularly as Justin said, about communication and about the fact, in some cases, of lack of local knowledge and I am aware of that happening from various sources. I have major concerns about the resources that are available to the traffic commissioner and that is the reason why I felt it would be sensible to include it in the Bill because it may give the Assembly Government powers to increase the monitoring resources that are available to the commissioner because, despite the fact that two thirds of the monitoring resource in Wales is actually paid for by the Assembly Government at the moment, it is still very, very adequate and that is still leading to services not being adequately monitored. If there were a mechanism as well that would increase the powers of the traffic commissioner so that, when operators do get seriously out of hand as it is known that they can do from time to time, I would not say that "retribution" is the right word but actually putting matters right can be done more speedily than is currently the case if the law is challenged.

**Chair:** We will move on now to some of the specifics of the draft Bill and first of all the Wales Transport Strategy.

**Q92 Brian Gibbons:** The draft Bill suggests that the Assembly should consult with any person it considers appropriate in preparing or revising the Wales Transport Strategy but it has also been submitted to us in evidence that this is not good enough and that we should have

a prescribed list of consultees. What is your view on that? Should there be a prescribed list of consultees and, if there is going to be a prescribed list of consultees, who should be on that list? One of the suggestions we have had is that the prescribed list of consultees should include statutory organisations which might include the RPCN which might leave the National Bus Users Federation out. I am just wondering whether or not you feel that the present form of words is adequate or whether we should have a prescribed list to make sure that consultation has that firm footing.

**Mr Markham:** My answer to that is fairly obvious, I am sure. I am a little unclear about whether there does need to be a prescribed list providing NFBU is on the list and is not necessarily prescribed, if I can put it like that. I think, as was said by Arriva Trains earlier, there is always a danger that, if there is a prescribed list, whoever is not on it is going to be a little unhappy if they have not been consulted and things turn out not necessarily to their advantage. The only thing I would say is that, at the moment, the consultation process, I feel, is perfectly adequate and there is not a prescribed list.

**Mr Davies:** There are only two comments that I would particularly wish to make. The first is that the NFBU should be on a list, certainly on an equal par with the RPC. The NFBU, I think all operators would say, is an important organisation as representing the users of bus services and it would be therefore entirely inappropriate if they were not being consulted on the strategy going forward and a view on strategy as it exists. In terms of a prescribed list, I think that as long as, certainly from the industry's point of view, we and the industry are represented on that list, that is what is important. Certainly in the past, where there have been local transport plans and the bus strategies, we may have been on the list but I would not say that we have always been consulted. So, if we are going to have a list, we should be on a list where we are actually consulted. I would agree generally with Leo that the danger of a prescribed list is that you potentially leave somebody out.

**Mr Pockett:** I think probably a pragmatic approach is that you may have a prescribed list but that does not mean that everybody else is prohibited and perhaps it need to be visited on every occasion that there is a consultation going on. I think that would probably be a sensible approach and then you are less likely to get gripes if the people have been omitted.

**Chair:** We will now move on to local transport plans.

**Q93 Mr Caton:** Clauses 4 and 5 of the draft Bill confer on the National Assembly powers to direct local authorities and establish joint transport authorities in pursuit of its strategic transport policy. What role do you envisage your organisations playing in those authorities?

**Mr Davies:** We would envisage that CPT would represent the bus industry in those authorities in a consultation process that would take place hopefully in those authorities. We already have what might be described as the informal pairings and bringing together of the local authorities under SWITC, South-East Wales transport board, Mid-Wales partnership and TAITH, but there is not always automatically representation in those – certainly TAITH, I know, has had some issues with that – and we would certainly have some views upon the way that these early partnerships have been working and very much welcome a strengthening of those as proposed in the Transport Bill. We certainly see a role, a formal role depending on how they were structured, in a broad fashion or in a regular meeting fashion where CPT would represent the industry to the local authority partnership that was taking place.

**Mr Markham:** I think my views are very much the same. I am a little confused, having read the Bill, whether the intention is to maintain a situation where there are 22 local transport plans and then four regional transport plans on top of those. If that is the case, then I see that as very bureaucratic and top-heavy. I would hope and like to think that eventually there will be four regional transport plans and not 26 transport plans, local or regional. As far as consultation goes, I think it certainly would be easier from the NFBU perspective if we were consulted on four regional transport plans and not 26 regional and local ones.

**Q94 Mr Caton:** In your recent submission, Mr Markham, you were very prescient because you said that it is accepted that constituent local authorities could be likely to resist removal of powers and certainly the substantial weight of evidence we have had from different local authorities and the WLGA suggests that you have got it spot on there, but you also say later on in your submission about JTAs that it is not considered that a statutory body is necessarily required as the existing relationship with local authorities, JTAs and bus operators are generally very good. Similarly, CPT Wales, you say, “Consideration may be appropriate for these Regional Authorities or consortia to be given full powers, on an agreed basis, over Highways and Transportation functions currently exercised by individual local authorities.” Is it realistic that this is going to happen on a voluntary basis in all cases?

**Mr Pockett:** The idea of an agreed basis was that, if you were to go down that route on a statutory basis, as I think you rightly say, local authorities would oppose that. If we can find heads of agreement, if you like, the longer process is going to cause greater delay. So, if we could look at items on which we could agree, without suggesting what they may be, that would hopefully make any delay rather less.

**Mr Davies:** The point I would seek is this: obviously in different local authorities, you may have differing views upon the way that particular authority wants to develop itself and different views upon the strategic transport network, be it highway, be it bus services, be it rail services. There are different views. One of the benefits we feel will come from a joint transport authority is that you start to get cross-border planning. So, what we are looking at is the economic and transport development across a wide area where realistically the journey to work flow does not follow political boundaries, it follows the economic boundaries. Llanelli, Swansea, Neath, Port Talbot, just an example from our own area, are all places where people move between for employment; they move between for leisure and pleasure. There are cross-boundary issues that exist between those authorities, so the smooth operation of bus services

in Llanelli and going to Carmarthen is actually affected by what is happening at Forest Fawch in Swansea and the increased amount of traffic congestion at traffic lights there. So, resolution of that problem would actually lead to improvement in the transport facilities leading up to Carmarthen. Vice-versa at junction 45 on the M4. If the improvement is there, be it in one authority or actually flowing into another authority. There needs to be an overall vision of seeing that flow of transport development, be it highway improvement or be it bus priority, would actually help economic development across the broader spectrum.

**Mr Markham:** I think the difficulty lies in the voluntary agreements – although I accept that if it is workable, let us not fiddle with it – in that, if the local authority feels that certain measures are being imposed upon it that it does not necessarily want at local level, if it is imposed by the Joint Transport Authority or by the Assembly Government, then the important parts of local authority functions that have a very profound impact on the public transport, such as land use planning and those sort of issues, I fear could perhaps be something that the local authority might use as some sort of way of abdicating its responsibility for dealing with things in a regional manner. So, I think it is a very difficult issue and I think it is something where the Joint Transport Authority have to tread very carefully but I do believe that there may come a time where it will be necessary to impose solutions for the sort of points that Justin has quite rightly made but I do think, unless there are other things that are included in the Transport Bill, how you include things like land use planning in Transport Bills I am not sure of at all but I am not a politician or a civil servant, I think there is that danger and I think it is something that has to be thought through very carefully because I am aware of the resistance that there can be amongst local authorities and certainly some of the work I have been doing with what is now called SEWTA does suggest that there is such a huge diversity of approach and commitment to public transport amongst even ten local authorities that it

really does need bringing up to a proper level in order that everyone is at the same improved level.

**Q95 Janet Davies:** My question is concerned with the finances of the local transport plans. The draft Bill would give the National Assembly the power to provide financial assistance to local authorities and joint transport authorities for passenger transport services and for air services, but the explanatory notes to the Bill indicate that these funds would have to come out of existing budgets. Do you think that there are sufficient existing funds to provide the necessary assistance?

**Mr Markham:** No, absolutely not. I think there seems to run through the draft the principle that this is not going to cost any more. My belief is – and it is my certain knowledge – that if we are going to have a proper high-quality public transport network that people would want to use and choose to use, it does require considerably more funding from whatever source and however it is managed, but there is a serious/grave lack of funding at the present time.

**Mr Davies:** I have two issues. I think it is very important that, if we are going to have these joint authorities, they are manned and staffed on a professional basis with full-time people dedicated to the role and it is important that they are able to attract the very best in transport planners to these roles to ensure that we get the best quality in Wales in terms of transport development and transport planning. In terms of funding for actual projects, it has been disappointing that I think most years have been in under spend in the money allocated to transport which meant that funds have been returned to the Assembly: I think it was £25 million at one stage. That is extremely disappointing. It means that that money has not been spent on the projects envisaged it would be spent on. I would suggest that is probably a function of the form of transport planning that is taking place today that needs to be smoothed, the barriers cleared and let us get on to the projects. I would agree with Leo that we need to have an ongoing programme of expenditure because there are so many issues that

we need to overcome, but my first priority would be to have these authorities properly funded and properly staffed with an adequate resource to do the job they are being asked to do.

**Q96 Janet Davies:** So, you would see the problems of perhaps some lack of professional people within planning as the reason for the under spend. It is always of great concern to me that transport is not having to fight for its little bit of the Assembly budget but, at the same time on the other hand, there has, as you say, been this under spend. So, you are really saying that the professional expertise is the absolutely crucial ingredient that is missing at the moment.

**Mr Davies:** The situation at the moment is unfortunate because we have a large number of relatively small authorities and they have not been able to have enough people adequately dedicated to the role of getting on with the public transport agenda and that is simply because 22 separate authorities formed out of the original larger authorities inevitably meant that the talent was dissipated. There is, as I think is well recognised in the United Kingdom, a shortage of people with the necessary skill sets in transport. I believe that is one of the fundamental reasons why we have not pushed on further and actually got the projects rolled out. You have some very dedicated people who have been trying their very best under difficult circumstances to get these things through. There is only so much that in some authorities literally one or two people can do. They cannot do everything.

**Chair:** We are going to move on now to funding for transport organisations.

**Q97 Lisa Francis:** Mr Markham, your organisation has highlighted concerns that rail transport appears to be getting the lion's share of funding for transport while only providing 20% of passenger travel. What funding do both your organisations receive and what more could you offer, or perhaps it would be better to say would you like to see offered, if you received similar funding to the Rail Passengers Committee?

**Mr Markham:** I have not put a figure on it but the funding we currently have or we have started to have for this year and next year, two years, from the Assembly Government is £63,000 for each year plus an upfront sum to buy capital equipment, that is office equipment. That has enabled us to advertise the position of a full-time deputy officer and that person will essentially do the administrative work. The importance of it is that it will enable us to publicise a telephone number which we are currently unable to do because my role is only part time and I am very often out of my office for a great deal of the time. By providing a telephone number and a 9.00 to 5.00 five days a week contact, it will enable us to raise our profile and I believe that, at the end of two years, our profile will have increased very significantly and it will uncover a great deal of frustrated demand for our facility. I would like to see us established on a regional basis that mirrors, if you like, the joint transport authorities, so that there hopefully might be four offices for Wales, each with its own administrative facility. We are also putting in place some local eyes and ears, six people spread across the country because I very often do not have the faintest idea what is going on in North Wales until things go wrong. So, we are certainly moving in the right direction but I think that, with more funding, we can just continue to build on the strengths that we have already achieved in the last three years. I would not like to put a figure on what the cost of that would be but I do not imagine that it would be anything like the cost of the RPC as it currently is.

**Mr Pockett:** That is essentially a question for the NFBU. We are a trade association. If you want to throw money at us, both of us will hold our hands out and welcome it. We are a trade association and I think that is essentially a question for Leo.

**Chair:** That is very pragmatic of you. We will move on now to integrated transport policies.

**Q98 Lynne Neagle:** How easy do you think it will be to dovetail bus and train services across Wales and do you feel that the draft Bill gives the Assembly sufficient powers to achieve that aim?

**Mr Davies:** There are several issues regarding bus/rail integration. Firstly, the best form of bus/rail integration is generally where you have a high frequency bus service that passes the railway station, be it Swansea, Cardiff, Pontypridd, somewhere like that, which inevitably means that if there is a delay in the train of any of these or a delay in the bus, there is a frequent service that the passenger can cross to. The greater complication starts to arrive in achieving integrated transport in somewhere like, for example, Carmarthen. Carmarthen is an important rail head for West Wales and a large area of the hinterland where there is no rail service. A number of the bus services provided into Carmarthenshire are linked to some extent during the day to a school or college movement and they are trying to achieve, during their journey, several different objectives. They are in part a local bus service, they are in part a longer distance bus service and they are in part a connection between bus and train. Carmarthenshire County Council, for example, have spent a long time making sure that the services are divided with funding from themselves and inevitably that is most in Carmarthenshire and do meet the train in some form or other at Carmarthen Station. Those bus services are already set up; they are meeting the times at the college; they are meeting the times at the school; and they are meeting the needs of the local residents along the route. If you then get a situation where, for very good reasons, the train timetable may swing by 20/30/40 minutes – and Arriva are currently consulting on their timetable for December 2005 which has some fairly fundamental changes to the rail network across Wales – what you may well find is that the train service has been altered and has benefited the rail passengers but the bus service may well then just miss the train, may miss the train by more than it does today, may involve the passenger in a longer wait but, because it is fulfilling its local need to the

community, you cannot swing the college time, you cannot swing the school time and it is unwise, as a general rule, to start moving the times that passengers are used to the bus running. Therefore, integration is not always as easy as it seems because you are trying to put two modes together and there is a need for bus and train services to meet undoubtedly, but they are two very different beasts to some extent and, where you have an infrequent bus service trying to meet what may be a relatively infrequent train service, for example hourly, that connection is not always that easy to make.

**Mr Markham:** It really is a very major problem in a number of places and I would like to highlight something that is happening at the moment which is the long distance bus and coach network that the Assembly Government is looking at. If you construct a timetable for services that go, say, between Brecon and Newtown, you can provide a link to Brecon with Abergavenny rail services, when those services change in 2005, that is the rail services, that rail service time dictates the time of the bus in Brecon. If you then have a convenient interchange between the Abergavenny to Brecon service and the Brecon to Newtown service, there is no guarantee that you will be able to get to Newtown at the same time as would make a convenient connection with the trains. The only way that you can really construct the sort of principle that they use in Switzerland is to have a very, very inefficient network that might perhaps require three buses to operate a regular service so that it does meet the trains when in actual fact the need is only for one for the local people's needs. So, it is something that has to be thought through rather carefully. It is put forward as the sort of Mecca that we all want to get to but I do not think that it is in itself particularly important. What is important are things like the people who live in Swansea. The majority of people in Swansea live on the west side of the station, in other words they live on the opposite side of the town centre from where the rail station is because of an act of history. It is very, very difficult to get, in fact it is impossible almost, a bus from anywhere in West Swansea to the railway station without a

change at the Quadrant and that really comes about very much as a result of traffic congestion in Swansea where it has become so inefficient and so difficult to operate services reliably through the city centre congestion that the whole thing has just been long forgotten as a practical proposition. Something like integration with the majority bus network in Swansea, for instance, is absolutely crucial and it is something that is going to be very, very difficult. I do not see it happening in certainly my lifetime.

**Q99 Lynne Neagle:** You have both articulated the difficulties but you have not really commented on whether you feel that the Bill we are discussing is actually going to be able to take us forward on this issue. Do you have some comments on that?

**Mr Davies:** Inevitably, if you have a joint planning authority, you are going to concentrate more effort on issues such as that and that is no bad thing. If a joint authority within what is currently the SWITC area decided that it really wanted to achieve cross-town services in Swansea and therefore there is a deliberate policy of more bus lanes and bus priority through the city centre of Swansea, so an economic bus operation between West and East Swansea became a viable proposition and that was one of their targets, then that would obviously be a benefit that would come out of such an authority. So, yes, it comes back to what I think I was saying earlier that, by having a concentration of professionals working on the transport issues, that will push forward issues such as the one that Leo has raised and say, "That is where we want to concentrate the effort, let us get the provision in" and it is that professionalism and the quality of time spent on transport issues which I think will be the main benefit.

**Mr Markham:** And the funding to do it with!

**Chair:** We move on now to the same theme more or less, the joint transport authority.

**Q100 Mr Williams:** I think you may have addressed the advantages of joint transport authorities in achieving integrated transport systems but I have to tell you that a best journey

from Brecon to Newport now involves three separate journeys and two changes and it is not necessarily so that the connecting bus will be there when you arrive wherever you are making that change. We have had some evidence from the Brecon Beacons National Park, for whom I think Mr Markham worked or gave advice to at some stage, that they work with four regional consortia and they highlight the problem of those regional consortia, as they are now, working together to develop an integrated system. Does that not in some way indicate that perhaps we should be looking for a national transport authority to get a really integrated system within Wales?

**Mr Markham:** My gut reaction is “yes”. I have long felt that there should be because Wales is a small country in terms of population though very difficult geographically. I have long felt that perhaps an all Wales transport authority might be the way to pursue it. I backed off from that because I think the difficulties in actually having some fair degree of local knowledge might dictate that it might not be able to do as much as it could otherwise do. There is a need for local knowledge, there is a need for regional knowledge, there is no doubt about that, and I think that one of the things that is important in the joint transport authorities is that they are not seen as four local authorities and that their boundary ends at Bridgend or wherever it ends and that what happens next door is nothing to do with the price of fish! I think it is very important and I am glad that you highlighted the National Parks in particular because I did raise that with them when I saw the Transport Bill because at the moment, as you know, they are in seven local authority areas and they are going to be in three joint transport areas and I think that does create its own difficulties. I do not really feel very qualified that I can pass too much comment on an All Wales transport authority but there does need to be a mechanism whereby there is pressure put on the regional authorities when they are established that they do work together in order that you do not have one set of criteria that completely mitigates against the benefits that you might get in the other area. I am thinking of things like car park

management, for instance, where Swansea and Cardiff will play each other off in terms of car parking charges because one will see it as better to have lower car parking charges because it attracts more shoppers and that has its own dis-benefits in terms of car movements and all the other things that go on. So, I do think that if it is not an All Wales transport authority, there is clearly a very strong need to make sure that the four individual transport authorities do work together.

*Mr Davies:* I think the maxim would be big enough to matter and small enough to care. I think an All Wales authority would simply be too big trying to do a great job over what are vastly, vastly different areas. In one of my past jobs, I worked with the Passenger Transport Executive in West Yorkshire which was the one authority which dealt with public transport across the whole of the West Yorkshire conurbation, a massive area for transport provision, but essentially it was one type of area: urban mass requiring high frequency bus services in general and high frequency rail services. So, although it seemed a very large area, it had very many common features to it. I think that realistically an All Wales authority would be dealing with very different types of transport requirements across the country from the needs of a national park such as Snowdonia and such as Brecon down to the urban transport requirements of south South-East Wales and then moving into the deep rural areas of Ceredigion, Pembrokeshire and Carmarthenshire. I actually wonder whether such a large authority would be really able to get into that detail because most public transport movements, particularly by bus, are actually the same people going backwards and forwards, backwards and forwards and backwards and forwards on one or two routes all the time. There are a tremendous number of people doing that. What they want is what happens on their bus route that affects their journey and you have to be able to get to that level of detail as well as what we are seeking by supporting proposals is a global overview in order that you are

looking at the big picture and trying to enhance economic development and the prospects for all across a geographical area.

**Q101 Alun Cairns:** Roger Williams just highlighted the national transport authority and there was some sympathies and a mixed response overall, but is it not the case that this Bill will now complete the process of making the National Assembly the National Transport Authority?

**Mr Davies:** My personal opinion is hopefully, yes, in that I think certainly most members of CPT would say that what we have been seeking for a long time is a clear direction of where we want to go in transport terms. There should be some clear strategy laid out, some clear views and then delivery at the local level, whatever size the local level is going to be. We certainly believe that this is what we want to do in terms of promoting bus travel, this is what we want to do in terms of promoting rail transport or, in highway terms, we are going to provide highway capacity or we are not going to provide highway capacity and either point is equally valid. Are we going to enhance the M4 between Newport and Cardiff? Are you going to do something about Bringlass Tunnels? A view on that will affect what happens in terms of local public transport or the rail network. I firmly believe that is what the Assembly should do.

**Mr Markham:** I would echo that. As I read the Bill, it ultimately gives the Assembly Government the power to insist that the joint transport authorities do its bidding and I think that can only be good.

**Q102 Alun Cairns:** What I was really getting at is would the establishment of a national transport authority take the decision making that much further away or the implementation that much further way from where the decision making is? You highlighted, for example, the Bringlass Tunnels. It is only a ministerial decision that can take that and the establishment of

a national transport authority, yet another quango, not only politically unacceptable but actually impractical in delivering.

**Mr Davies:** The point I was seeking to make was that there are certain strategic points and certain strategic views that need to be expressed and thought about. As I said making my point earlier, you have to have small enough authorities at a local level to deliver. You cannot deliver from this building here, but what you can do is set a structure, set a view and set a form that you are wishing to see and I think it is important that that takes place, but then, that is up to delivery at a local level and I do not necessarily see that, if you are saying, “Right, we are effectively becoming the national transport body” a big, overarching authority, that probably is absolutely the wrong touch and what you need is a light touch at the top but setting the broad headlines and then, at the more strategic local level, down where you are going to deliver the goodies on the ground, a close relationship between what the customer wants, what we need in economic terms to develop the country, be it in local specifics or on a grander scale, and what can actually be practically delivered at a reasonable cost down on the ground.

**Mr Markham:** I was not intending to imply that this is just another quango, but there are things that need to be, as Justin rightly says, set strategically and I think there does need to be the mechanism such that if the transport authorities are not achieving targets, for instance, let us say traffic reduction – you will achieve 20% traffic reduction by 2010, let us say – the means should be there for the Assembly Government to make that happen if a joint transport authority is not achieving that without good reason.

**Q103 Jenny Randerson:** In London, Transport for London has the power to franchise routes and does not have the free-for-all that we have in Wales. There is not such a power included in the current Bill for Wales; is it your view that there would be merit in having that power?

**Mr Markham:** My view is that there would be considerable merit in that. There are a number of disadvantages that arise from, as you rightly put it, the free-for-all. However, I think it would be very dependent on the points that Justin was rightly making earlier about the need to have proper professional expertise actually doing these things because I would not want to see franchises that did not meet people's needs, for instance, and that does mean that transport planners have to be able to identify demand. I think that the potential for franchising to get away from the free-for-all and to get some sort of consistency and some sort of freedom from the incessant change that drives people up the wall when they turn up on a Monday morning and find that their bus services have changed or that the fares have gone up – and franchising appears to be about the only one that does offer that sort of possibility – and any mechanism that can do that has to be welcome. So, yes, I would welcome some franchising provision within the Bill.

**Mr Davies:** This is probably the moment we part the unity of the past few minutes! London is a very unique situation in that it was set up entirely differently in the 1985 Transport Act to start with. Secondly, the transport difficulties in London are very different to the transport issues in Wales. Thirdly, it has been interesting to note recently that the Chairman of the Integrated Transport Authority has said that, if you want to see a more realistic picture of what “franchising” might produce, go to Dublin because Dublin has a state owned transport authority designed to work in the city and I think the point he was making – and I do not have the papers in front of me – is that effectively you have a static and declining market for bus travel in Dublin, extreme amounts of congestion in the city that are not being answered by the solution that is in place in Dublin which is effectively one company, state controlled virtual franchise in place. If you look in recent times in Wales and across the country since the introduction of the free fares for pensioners and disabled people, passenger numbers in Wales have been consistently rising on local bus operations and that is virtually everywhere that my

members tell me and we have reported on a regular basis to the Transport Minister. On the back of that expanding transport market, you are getting more and more bus services put on the road, so there are more bus services operating today than there were prior to the introduction of free concessionary fares in Wales. We seem to be moving towards the prospect of additional benefits being given to young people on bus transport and I think every operator will say to you that that should enhance further the number of people who are going to travel on local bus services and the effect of that will be to have more services out on the road again. There are existing provisions in terms of quality partnerships, statutory quality partnerships and ultimately the quality contract, all of which are, if you want to call it, avenues or stages on the potential way towards franchising. Certainly, I do not think that the membership of CPT at this stage would support franchising because, let us be honest about it, their only asset is their business, it is something which they have and which they have developed. You are not in the same situation in London where essentially the routes were never privatised and it was always that you essentially had the bus map and it was who ran the bits of the bus map. There is a long way you can go in terms of statutory quality partnerships and ultimately statutory quality contracts that take you a long, long way down the line of controlling quality on the road in terms of the most important thing which is preserving and enhancing the availability of the highway to the bus because this is the big problem at the current time: the availability of highway space to the bus out on the road. That is the biggest problem we have and the biggest barrier to expanding and developing the bus services today.

**Q104 Jenny Randerson:** I recall the deregulation of the bus services and so on in the eighties and clearly the situation in London was never disturbed in the way it has been elsewhere. If you take the situation in Cardiff, for example, where you have a council-owned bus company which actually operates the overwhelming majority of services in the city, you do not have, in terms of type, such a totally different concept from the concept in London, but

what you do have from time to time is another operator who comes along and creams off a bit. What I would be interested in is knowing a little more about why you think that quality partnerships and quality contracts would be a more satisfactory solution than franchising.

**Mr Davies:** The ability of a quality contract and a quality partnership is that particularly a statutory quality partnership, which is effectively a legal document, sets in stone what the bus service is going to be along a particular corridor or a particular area. It effectively “eliminates” that damaging competitive element which you have just described, but it also ensures that you have quality aspects built into that partnership which both the bus company and the local authority or local highway authority have to meet. For example, if the bus company says that it is going to provide low-floor buses, driver training etc, etc, that is actually there set in stone and they have to do that. If the local authority says, “We are going to provide a bus lane” or “we are going to provide priority at junctions or priority at traffic lights” and does not police it or does not do it and fails to deliver that, they too are failing on the partnership. So, both those elements there have that ability to come together and work together in that. You are asking how that is better than franchising. I think the reality is to move to a franchising situation, as I said previously, it is today somebody’s commercial business. They own the assets, they own the buildings, structures and everything. I do not understand sitting here today how the mechanism could occur whereby you basically take away somebody’s business and put it into another mode whereas, if you go down the quality contract/statutory quality partnership mode, you actually get the best of both worlds out of it because you keep the commerciality of an operator who is seeking to enhance and develop the business and you get delivery from the local authority’s point of view in terms of enhanced bus services and meeting the need, as they would jointly say, of the people in that community.

**Q105 Brian Gibbons:** The one thing in what Justin Davies has been saying is that quality partnerships and contracts are not actually happening to any great extent in Wales and I do not

think the reason for that is because we have such a cracking service that we do not need it! I think there is a fatal flaw in the case you are making at the moment and I am just wondering how you would tie those up, the fact that the partnerships and contracts are not happening even though the service is not as good as it should be, and again maybe Mr Markham would want to respond to that and also to possibly explain why he feels that franchise is better than partnerships and quality partnerships and contracts which we have at the moment and again why he feels they are not happening. I think the last thing one would want is four different sets of legal authority because it will create total confusion.

**Mr Markham:** I think the reason why there are no statutory quality partnerships in Wales has been because they tend to fall into the more difficult category and I think the point that was made earlier was that there always remains the ability for Fred Bloggs or somebody to come in and cream off the best of what is there. I think that is not in anybody's interests. It does happen, it continues to happen and it is rampant in South Wales and getting worse where poor quality operators will come in with no intention whatsoever of providing anything like basic public service and act against the better interests of any sort of partnership that might already exist between the operator and local authority. I would like to stress however in considering franchising – and I made the point earlier – that I think it is absolutely essential that, if I can put it in simple terms, whoever develops a franchise and whoever designs a franchise – and I am talking about the routes – has to have considerable commercial acumen and I think that it is possibly the only way to marry the benefits that you get from public sector control with the entrepreneurial and commercial approach from the private sector. The point you made earlier about ownership of bus operating companies I believe is also relevant but that is a slightly separate issue.

**Q106 Brian Gibbons:** I think that the CPT public announcements have been pretty lukewarm about partnerships and contracts in any event or maybe I am wrong. It seems to me

that one of the reasons why they do not happen is that the bureaucratic process to actually establishing them and implementing them seems to be, as you say, too hard to actually implement in practice and maybe a way forward might be a more simplified procedure to implement quality partnerships on contracts and I wonder whether you feel there is a way forward in that direction rather than inventing a new system and that we should just use the present system but make it much more simple to implement.

*Mr Davies:* One of the reasons that perhaps quality partnerships have not flourished to a great extent is again what I was saying earlier on about the number and availability of transport professionals within the local authorities to aid delivery. Again, I come back to the point: 22 local authorities, some of them with one or two individuals working extremely hard every year with a multitude of tendered school services perhaps to re-tender for example and a great number of other issues falling on their plate besides public transport provision inevitably means that they do not have the ability to concentrate on the delivery of what, as you rightly say, can be a fairly complex document with a quality partnership. Again, I come back to the point about professionalism and the right number of people to actually take transport policy forward. It comes back to the point that sometimes it can take a long time for a process within the local council to actually work its way through from an officer-led idea, acceptable by members and then delivery out on the ground floor. In Swansea, it has taken us 18 months or more to move from the idea of a transport board involving NFBU operators, the police and the trade unions to actually have one meeting which I think took place about a month or so ago. That literally has taken from the very simple idea 18 months to two years to deliver and that is not actually delivering a better bus service on the ground, it is just actually having a shop where we sit round and say, “We want to deliver a better bus service on the ground.” I am fairly convinced that in terms of people concentrating on what people want in terms of transport delivery, then the statutory quality partnership can be the way forward. If you go,

for example, to Leeds and look at the East Leeds corridor where you have a large volume of urban bus guide-way delivered by essentially three partners: the Passenger Transport Executive, Metro and two main bus operators, Arriva and First, delivered large lengths of guided bus-way which has been delivering passenger growth, all of them put money in the pot to deliver there and it is open to every operator to use it if they wish to use it but overall you have an enhanced environment for passenger transport. That is because people got together and worked together to deliver it.

**Chair:** Can I thank all three witnesses very warmly for your evidence this afternoon.

## **Memorandum submitted by Cardiff International Airport**

Witnesses: **Mr Steve Hodgetts**, Head of Business Development, Cardiff International Airport, and **Mr Roy Thomas**, Managing Director, Air Wales, examined.

**Q107 Chair:** I welcome our next witnesses who are Steve Hodgetts, Head of Business Development from Cardiff International Airport and Roy Thomas, Managing Director of Air Wales. Welcome to this afternoon's proceedings. I would first like to ask both of you whether, in principle, you welcome the draft Bill. It is a rather open-ended question.

**Mr Hodgetts:** It is, but we very much welcome the Bill. It brings transport to a high position on Wales's national agenda, it has some excellent pieces of integrated thinking in there and it has a couple of clauses that Mr Thomas and myself are particularly keen to see brought forward.

**Q108 Chair:** Would you like to amplify what those clauses might be.

**Mr Hodgetts:** Clause 11 in particular, the air transport clauses. We are also very keen on the powers for the Strategic Rail Authority to receive advice and direction. It is key to Cardiff Airport's quest to change its modal access means.

**Mr Thomas:** I concur with Steve. PSO and route development fund is very, very important for the sustainability of an airline for Wales. At the moment, we are considering moving two aircraft off to England which is a little bit of tragedy considering that we have just had to pull of the Brussels route and are contemplating a Cardiff/Aberdeen route but are wary of the cost implications before it can become anywhere near successful. Our compatriots, shall we say, in Ireland and in Scotland have the benefit of public sector obligation and route development and, for Wales, for the economy and for the socialising life of Wales, the tourism economy, I

think this is really highly beneficial that the Assembly recognises that assistance is needed for air transport within Wales.

**Q109 Mr Jones:** You are very happy with the air transport clauses but is there anything you think might have been included that you would have liked to have seen?

**Mr Hodgetts:** Generally, no. I think it is a very comprehensive Bill, if the powers are used correctly, particularly in terms of creating integrated strategy. We would like to see some more forms of joint transport boards put together. One of the concerns that we have, given that we have an extensive catchment area across the whole of South and West Wales, is the fragmentation of decision making particularly in relation to transport. I would also say that is true probably of planning but that is outside this Committee's view. So, certainly we believe those are beneficial. I think the key factor that this brings forward is to raise transport's position in the national awareness. It also gives us a much higher stake and claim on national resources because, when you place a bill like this on the statute book, there is an expectation that you will use it.

**Q110 Mr Jones:** I thought you were going to add the word "wisely".

**Mr Hodgetts:** I would not comment on that.

**Mr Thomas:** Specifically, I agree with what Steve has said; I cannot add anything further on that.

**Chair:** We will start going through some of the specifics now of the draft Bill. Firstly, air transport services.

**Q111 Dr Francis:** Clause 11 of the draft Bill will allow the National Assembly to provide financial assistance to those who provide air transport services in Wales. How important do you think that assistance is for the provision of air services in Wales?

**Mr Thomas:** It is absolutely essential. A major indication is that Air Wales commenced on 28 April 2003 Swansea to Cardiff to London City. We were flying seven days a week and we have now pulled it back as from 1 August to two days a week. That is a very sad indication because very, very many people, both for tourism and for business, were using the route but not sufficient or indeed not sufficient at the right price. At one stage, in order to create a balance, the businessman would pay the higher fare and the most important leg would be going from South Wales to London City in the morning. The average person using it just for pure transport, the lower fare would be on the return leg, so they could pick their own time to create the lower fare. So, the highest fare became £75 and the lower was £59 one-way including taxes. The volume dropped. Unfortunately, at this moment in time – I might sell a few tickets here today – the one and only fare is £49 from Cardiff or Swansea including all taxes. It cannot exist on that basis. The numbers have picked up but not sufficiently. Very sadly, I have cut the days down to two days. This is going to be from 1 August, so it will be down thereafter to just a Monday and a Friday. That is really sad for Wales because, as a side issue, I was invited to the American Ambassador's residence one night only because Air Wales provides transport between London City and various of their employees, for business and socially, use the link between London City Airport and South Wales. Really, it is of utmost importance because eventually the link could be extinguished because it is so economically unviable to the extent that, in one year, it has been subsidised by between £1.25 million and £1.5 million. For a private company to do that, it is really a little over the top, to be honest with you. The main essence is that Air Wales itself survives and it is supporting routes that have such a sustainable loss that it is just could not be viable. Therefore, there is a prime example of the benefit that could be attributed to the Assembly bringing in such legislation.

**Q112 Dr Francis:** You may have answered this question already by the way in which you responded to the first question but have you made any assessment of the necessary costs to make such a service viable?

**Mr Thomas:** Possibly. To be pragmatic, a cost of subsidising that route could possibly be £0.5 million a year. That would make one heck of a difference. One could get really into the technicalities of it and down to the nitty-gritty.

**Q113 Dr Francis:** Clause 11(3) of the draft Bill says that the Assembly may attach conditions to financial assistance under this section. Could you comment on those conditions. What kind of conditions would they be?

**Mr Thomas:** Would that come from the Assembly?

**Q114 Dr Francis:** Yes.

**Mr Thomas:** I would not know what the conditions would be but whatever conditions apply, provided that they were fair and reasonable, Air Wales would have no problem whatsoever in complying with them.

**Q115 Dr Francis:** Have you had any pleasant surprises by the market between London and Wales particularly in relation to the Millennium Stadium and the FA Cup? I hear all kinds of amazing stories about the numbers coming down.

**Mr Thomas:** Yes, we have had over-capacity but that is on very few situations obviously. Recently, some have come from Amsterdam to London City and then London City down to South Wales and they said that they saw the Welsh dragon landing in Amsterdam late that evening and they saw it again at London City and they felt quite proud of that. It has benefited a lot of people. We, like any other airline through weather conditions or through technical problems, have our problems which is a major part of the industry. Safety is 100%

number one priority. Therefore, in certain circumstances, one cannot fly for fog or all sorts of reasons. However, at the end of the day, there are a great number of letters of support – “Our baggage was lost” which is due to the handlers or “we could not want to fly because of the weather but we want to support you, we want Wales to have an airline.” I have to admit that, without route support which the development section would give or PSO ... For instance, with regard to Ireland, Aer Arann are the main regional carrier in Ireland and they would not exist without the PSO routes which they have which enable them to grow and sustain and commence other routes. Air Wales is in a position where it has been very, very much on its own which is pretty difficult, I can assure you.

**Q116 Leighton Andrews:** Apart from reasons of pride and sentimentality, why should you have a subsidy?

**Mr Thomas:** For economic and social benefit. We need all modes of transport – we need road, rail, sea and we also need air. There are, to put it simply, horses for courses. Very many business people, shall we say from the economic point of view, do not want to spend four hours in a motor vehicle or do not want to be on the train for three-and-a-half hours. They want to be able to leave London City, come in from maybe Frankfurt into London City or from London City itself, and be in Cardiff within 55 minutes and they want to return in the evening. Very often, due to rail and road, they cannot do that. Therefore, there is undoubtedly a terrific economic benefit for Wales to have a link up between Cardiff and London City and Swansea at present. To take it a step further, if you are talking about intra-Wales services, principally one is talking about Valley up in North Wales and Wthybush in West Wales, those, in those themselves, intra-Wales would be of terrific benefit. One could also link up those particular areas into outside Wales, for instance Dublin to Wthybush to Cardiff or Dublin into Valley to Cardiff etc. There is terrific advantage to be gained. For Air Wales itself, there is pride in flying the flag but, at the end of the day, it has to be economical

and, to date, it has cost £15 to £20 million. Therefore, it is one heck of an investment to carry forward as an individual private company.

**Q117 Leighton Andrews:** Are you not therefore talking about giving substantial subsidies to a very small number of people? At the end of the day, the National Assembly is going to make judgments about where it is going to put public money as part of its transport strategy and it has to ensure that the widest number of people are served.

**Mr Thomas:** Yes, I agree with that but, at the end of the day, a managing director or president from a London based company deciding whether they are going to create business in South Wales for instance – and we have already heard that it is so far from the WDA and from the development of SA1 in Swansea which is what I personally deal with – people are now taking more of an interest because of the London link. Therefore, it is not purely looking after a number of persons on a particular aircraft, it is the viability and the increased commercialisation of certain areas by bringing business people into those areas where the economy of time is highly relevant.

**Mr Hodgetts:** If I could expand on that for just a moment. If you look at the experience of Scotland, who have a very well established route development fund and a very well established PSO, public service obligation, sector into the islands in particular, they are very keen to see routes grow which have business potential, not simply about mass market movement between Scotland and other points and, at the moment, the Scottish Executive are lobbying the Department for Transport to try and get the Inverness/London route PSO subsidised and that, I think, shows a much more open approach to the value of air services than would be exemplified by saying that London City is currently a very elite route.

**Q118 Leighton Andrews:** Does it not really illustrate that Inverness is one hell of a long way from London and our route is not as far?

**Mr Hodgetts:** I would argue that that is a very good point and I would have to say that London City would obviously be a decision for the Assembly to make. There are lots of other network opportunities out there which they may decide are higher priorities. The route development fund is not simply about London City, it is about lifting opportunities in a whole variety of sectors, be it Aberdeen or be it Brussels which is a route that I think we have all missed since it went from British Airways.

**Q119 Mr Williams:** A number of low cost carriers have run into some problems over subsidy in recent times. Is there a difference between this type of subsidy and their type of subsidy?

**Mr Hodgetts:** Apparently so. The fund has been established in Scotland for two years now and it has already been cleared through the European Commission. Northern Ireland has been established for about six or seven months. So far, Scotland has supported 19 routes in that period and Northern Ireland have now subsidised six. So, there has clearly been no issue coming back in terms of the Charleroi decision or any other decision at present. So, it would seem to be a very clean form of assistance.

**Q120 Mr Williams:** A number of my colleagues are involved with these PSO issues in Scotland and I can understand that but I would hardly have thought that the same criteria applied to Wales.

**Mr Hodgetts:** If you look at where travel occurs, most of the real pull in Wales is on an east-west axis but more likely to be a west-east axis. All the historic transport routes were developed along those axes, whether it is 150 years ago by Brunel and Stephenson or whatever. Those pulls are still there today and if you look at where traffic to fly goes from, North Wales goes out of Liverpool and Manchester and Mid-Wales largely out of Birmingham. For South Wales, Cardiff attracts about half the available traffic with 34% still

going on to London airports and 11% going to Bristol, for example. So, there is a very heavy pull out of Wales. I would like to see Wales serve as much of its own market as it possibly could. There is also the factor – and, as a recent immigrant, I can possibly make this joke – that Wales is a nation divided between North and South by geography, language and everything else like that. I believe one of the quickest and cheapest ways of linking North and South Wales effectively will be by air transport. As a cost, it is substantially cheaper than improving road and rail. It has certainly a much quicker journey time and therefore the potential, ie you can link on to onward journeys from Cardiff, for example if you run a north/south air link. I think there will also be tangible evidence of real effort to link North Wales to where the decision making tends to happen which is here.

**Q121 Hywel Williams:** (Translated from **C121 Hywel Williams:** Diolch yn fawr. Welsh) Thank you very much. I would like Hoffwn ofyn cwestiynau ichi yn Gymraeg. to ask you questions in Welsh. Perhaps I am Efallai fy mod yn dadlau yn fy erbyn fy hun, arguing against myself, but I spent four hours ond treuliais bedair awr ar y trêrn y bore yma on the train this morning coming down from yn dod i lawr o Fangor, yn dechrau am 6.00 Bangor, starting at 6.00 a.m.. However, a.m.. Fodd bynnag, yn dadlau yn fy erbyn fy arguing against myself, you talk about hun, yr ydych yn sôn am dystiolaeth bod pobl evidence that people want to travel from eisiau teithio o Lundain i Gaerdydd, neu o London to Cardiff, or from Cardiff to Gaerdydd i Withybush neu lle bynnag. A oes Withybush or wherever. Has any hard ymchwil caled wedi cael ei wneud ar hyn? research been done on this? I noticed that Sylwais bod astudiaeth ar hyn o bryd ynglŷn there is a study at present on RAF Valley. ag RAF Fali. Nid ydych byth yn mentro ar You would not undertake a commercial rywbeth masnachol heb rifau ac yn y blaen. venture without numbers and so on. In Yn ychwanegol at hynny, a oes rhywun wedi addition to that, has anyone done any kind of gwneud unrhyw fath o astudiaeth, hyd y

study, as far as you know, of the economic effects that arise as a result of establishing an airport? We know that Heathrow, for example, has created hundreds of thousands of jobs. Is there any study of the consequences of that for Cardiff, Withybush, or even, if I may say so, Caernarfon?

gwyddoch, o'r effeithiau economaidd sy'n dod yn sgîl sefydlu maes awyr? Gwyddom fod Heathrow, er enghraifft, yn cynhyrchu cannoedd o filoedd o swyddi. A oes unrhyw astudiaeth o sgîl-effeithiau hynny i Gaerdydd, Withybush, neu hyd yn oed, os caf ddweud, i Gaernarfon?

**Mr Hodgetts:** There is a very substantial report which was put together for the intra-Wales air study by the Assembly and I would commend you to have a look at that. It has all the detail. There is an awful lot of route network figures in there that have been put together independently of the airports. There are also elements on the economic and tourism benefits as well. Whilst none of them have Heathrow-style effects – you would not expect that – they do argue that there would be a benefit to North and West Wales in bringing these services forward. Hence the reason the consultation went out, to gauge whether there was any substantial disagreement about the position and I understand that the consultation review will be out very shortly. Once that comes out, we will have a clear understanding of how both the market, the affected areas and the Welsh Assembly Government then view the benefits that could accrue from that sort of development. Certainly a great deal of work has already been done so far before consultation.

**Mr Thomas:** I would concur totally with what Steve has just said. We will have to wait for the current report under review to come out before we can make conclusions.

**Q122 Alun Cairns:** While the National Assembly may have the authority to provide such assistance, the draft Bill does not provide for additional funds for that assistance. Do you think that the Assembly's existing expenditure can incorporate this additional cost?

**Mr Hodgetts:** I would hate to be involved in a discussion about where national priorities lie. I would like to see funding provided and I have no detailed knowledge of how the Scottish Executive, for example, have funded or how the Northern Ireland Executive have funded their networks. I certainly believe that I would not want to be involved in a squabble between schools and hospitals versus air transport. However, I do believe that if we are looking at transport funding generally, air transport currently has a very low share of that and probably could do more and be quite effective for a lot less money than road and rail improvements.

**Mr Thomas:** Purely a matter of priority, most definitely within the transport budget, I agree with Steve that to chip away at the health or education or any other budgets, which obviously have to have priority, would undoubtedly be down to the decision of you good people to rejig, shall we say, the transport budget and perhaps there are certain elements that the general public are against, perhaps route networks for road, whereby there would be a fair bias in saying, "Okay, we will not build a bypass somewhere and this will support air transport for quite a few years to come." It is about judgment for you elected people really.

**Q123 Alun Cairns:** The intra-Wales air transport study talks about the cost being in the region of £10 million in the first four years at least. That is a bald figure depending on which routes and so on are used. A significant amount of subsidy will be offered to buses or to maybe even build roads for £10 million, it is certainly not insignificant. How would you reconcile the small number of people who would be using the air links in comparison to the road that would be built? Secondly, is it not the case that we could well end up subsidising empty airlines if the demand is not actually there?

**Mr Hodgetts:** The routes will ultimately have to have a commercial decision made about them. No one will fly empty aircraft around forever, no matter how much the subsidy is. The subsidy will probably not cover the entire operating cost, so there will have to be a commercial basis of benefit from the service to continue to sustain it. In terms of £10 million, I know from discussions about improving road access to Cardiff Airport that £10 million buys you very little in terms of road and rail improvements. So, I think again it has to be balanced about what the effective use of that money would be in making real substantial improvements to journey times between North and South Wales. Ten million pounds will not buy you enough trains to provide a high-speed service even if the track was in the right condition and certainly will not do enough to improve all the road bottlenecks between Mid-Wales and West Wales and Cardiff, for example. Again, it comes back to the judgments that will have to be made about where the national priorities lie but, if you are looking to improve accessibility between North and South Wales, there is clear evidence from the examples of both Scotland and Northern Ireland that air can be an effective system.

**Mr Thomas:** I would only really add to that the economic benefits that would be brought from additional employment within Wales at airports and through the carriers themselves not only in Wales but to various communities together with the benefit of people commuting, say, from North to South even. Really, it is not such a narrow concept to evaluate; there is a much broader picture really. I think, as has been recognised in Scotland and Ireland, PSO have had their benefits and have allowed the air infrastructure for Ireland to communities which were, say, at too far a distance for daily transport, to greatly benefit and has obviously been recognised and it has been successful. I think that we have to learn and take a view on the results from Scotland and from Ireland. I agree with Steve that nobody wants a lame duck industry and I do not want to be involved in an airline which becomes, going back many, many years and with respect, like the coal or the steel industry. We have to be an efficient

industry and we have to be able to compete with other airlines and with other international airlines when we leave Wales and I would rather be up for that sort of fight rather than be subsidised but, if it is going to benefit Wales and benefit communications within Wales, I think it is a general benefit.

**Q124 Mr Caton:** Mr Hodgetts, in your written submission, you compare and contrast with Bristol where you make the point about your catchment area and you argue that one of the reasons why you would like to see intra-Wales flights is to enlarge the catchment area to include North Wales and further West Wales especially. Realistically, to actually have an impact on air travel, how many flights within Wales are we talking about and what sort of subsidy would that require?

**Mr Hodgetts:** I have a sanguine view about the future. I like a long-term view, to be frank. I moved into Wales hopefully to see Cardiff grow at the same level as my previous airport which was Birmingham and, at the 15 years I was at Birmingham, it grew from about 1.5 million to a 7.5 million passenger airport – it is currently about nine million. Somewhere along that growth curve lies the future for Cardiff as Wales’s premier international airport. There would not be a huge quantum shift in catchment area by the first tranche of PSO but it is part of a balanced approach to driving the catchment area wider which includes the use of rail for which this Bill is also very advantageous. We have to look at the road access, but really the key volume growth will come from retaining Cardiff’s own market that it currently loses and that is the example that I think will be set. Therefore, the route development fund has a much higher impact, particularly in the early years in growing both the network and therefore the reach that Cardiff can apply. So, I think it is part of a complete balanced approach. PSO is a factor; it is not the overwhelming factor. Route development will probably bring greater benefit in the early years.

**Q125 Brian Gibbons:** In principle, it would be nice if air were part of the overall package of transport options that are available. We cannot really do it for reasons of sentimentality or even having a macho national symbol on an aeroplane. The Assembly does have a statutory duty for environmental sustainability and I would like to ask whether or not the type of aircraft that could be used does affect the economics in all of this. In other words, that if we were to have jet planes flying around Wales, the environmental cost would be presumably significantly greater than just the ordinary propeller planes. Is that a factor in terms of the economic sustainability versus the environmental sustainability?

**Mr Thomas:** I believe that, per kilometre, there is less environmental detrimental impact per aircraft than those numbers of passengers travelling by car. Within the foreseeable future, Air Wales – and I can only speak for Air Wales – is building its fleet of ATR42s, which are propeller type, and we cannot within the foreseeable future move into jets. The routes within Wales are more viable relative to an ATR42 which are twin-prop aircraft. I cannot comment on any other airline which might appear that would want to fly jets north/south or east/west. They are very, very expensive aircraft and the economy of scale is the amount of time that you actually spend in the air rather than taking off and landing. So, actually, for within Wales, the ATR42 if perhaps hopefully the right aircraft.

**Q126 Brian Gibbons:** You are obviously an industry person and I do not know whether Mr Hodgetts will disagree with what you said, but let us put it the other way. Let us suppose that there was a requirement that all intra-Wales air travel had to be by propeller – I do not know if we will be able to do that – and we would not allow jet transport within an intra-Wales service possibly for environmental reasons, do you think that would be the kiss of death for trying to set up a service?

**Mr Hodgetts:** I do not believe so. At the effective level that the routes would operate in terms of numbers, a turbo-prop aircraft could operate 72 seats and the only question you then

have is about whether you increase frequency and what the environmental penalty of that would be. There is a lot of talk at the moment about the effect of emissions but that is largely from high-flying jet aircraft and it is largely on the longer haul routes that the greatest environmental impact occurs because they are higher within the atmosphere. There have been a whole host of initiatives put forward about how that should be dealt with, whether it is part of the emissions trading package or whatever. Our view is that air transport has to be sustainable, not simply about the aircraft that fly but the access and everything else that goes into it. Mobility is clearly something that people give up only under extreme duress. I think we have to look at what is the most effective and least environmental penalising way of encouraging mobility and, on that basis, air transport at the moment does not seem to have as heavy as penalty as does road, for example.

**Q127 Leighton Andrews:** Both of you have now made the point that road transport is less environmentally friendly than air transport but what real hard evidence do you have of the potential and substitutability of air transport and road transport given certain kinds of subsidy?

**Mr Hodgetts:** I do not think we have any great in-depth studies of that at the moment. It is not something that has been driven by any of the airports that have been involved. It is something that could certainly be looked at as part of the mechanism to support and I do not believe that we are asking for an open handout here, we are quite happy to justify why we go forward. The work that has been done historically in justifying PSO routes in particular has talked about the economic benefit more than substitutability but clearly there is an element of substitution in any service patterns that develop.

**Q128 Janet Davies:** It seems to me that you are making a strong case for the PSO subsidies. Do you think there would be any objections from Bristol Airport if that gave you a competitive edge?

**Mr Hodgetts:** If Bristol had the opportunity to develop PSO routes within the UK, they would undoubtedly take it. They have already initiated discussions with the Department for Transport about a route development fund for the South West which would cover Bristol, Plymouth and Exeter. I think the benefit we have at the moment is that route development is higher in the national consciousness here than it is in the regional consciousness in the South West for example, but certainly they would play all the hands in the deck as well. PSOs have tended to work within defined geographical regions which have clear topographical and geographical problems in transporting people from north to south or east to west. In Ireland, it is largely from the west into Dublin that PSO routes work.

**Chair:** We will home in on finance now.

**Q129 Lisa Francis:** In respect of Clause 11, the £64 million question, if such financial assistance were available, where would you choose to direct the funds?

**Mr Hodgetts:** For me, I think we have a wide range of network opportunities that could develop. Brussels is a key route that we would love to bring back on. It has not proved to be economically viable. There are certain routes in the UK, for example Aberdeen, which are certainly very close to being viable with some level of support. If you look at 19 routes that Scotland has brought in, you have destinations such as Stockholm, Cologne, Milan, Geneva and Zurich which have all come through on that basis, all of which would be of great benefit. We would like to see Munich restored, for example. There is the question of long-haul routes. Scotland have committed substantial funds to supporting the Emirates routes, Dubai out of Glasgow, and the continental route to New York out of Edinburgh and again where those fit into the national priorities would be a discussion that would go on but it is clear that

we have a range of opportunities. If you look at our route network in comparison with Bristol's for example, we carry about half the destinations and I believe that a large proportion of those destinations currently held at Bristol would be viable out of Cardiff with an element of support in the early years.

**Q130 Lisa Francis:** Would you prioritise spending in Cardiff say on a new terminal building and an extended runway given that 13% of all traffic going through Bristol originates in Wales anyway?

**Mr Hodgetts:** I would like to see Cardiff Airport attract as much of the Welsh traffic as possible. I think that should be a fairly open aspiration for us all. We lose a lot of service and valuable services out of this country already and I think it is one of the areas where we can actually stem those losses. We do not need a longer runway for the markets we are looking at, we do not even need a long runway to fly New York – that, I think, is unnecessary – and therefore we are not likely to create any great environmental and land-take impact in the development of services. Our terminal building is essentially very flexible and we can live within the existing curtilage. Up to five million passengers I believe is a viable objective for Cardiff Airport and fortunately coincides with the Department for Transport's views in the Aviation White Paper. I just have a different view on what the timescale is; I would like to see it achieved well before 2030. Again, I think we can be very efficient. In terms of environmental impact on residents, we already have a very good approach system: we can largely come in over the bay or over the RAF base, so we have very few properties that are affected by noise or emissions and it is difficult to see how our future growth patterns would expand that to any point where we would have significant impact. Bristol already carries environmental restrictions precisely because it has those negative impacts. If we are going to develop traffic, I think that Cardiff has less impact on the localities around it than does Bristol, for example.

**Mr Thomas:** I concur with what Steve has said but he is speaking generally on behalf of Cardiff Airport obviously whereas I take the narrower view of Air Wales. Steve mentioned two routes: one to Brussels and one to Aberdeen. As you might be aware, we attempted Brussels for several months and it just did not work. It was really haemorrhaging major cost. In the medium to long term, it could have worked, but the detrimental costs involved were such that the decision was to pull the route. So, the passengers that we were bringing on board and we could have built up if the route had had development support now obviously go to Bristol and, for the economy of Wales, that is not good. Similarly, Aberdeen. We have at the moment engaged with a route development company; we are looking again at Cardiff to Liverpool to Aberdeen. If there were a route development grant available on that, it would be of major assistance. It is very much in the balance and it is so immediately relevant that, within several weeks, I will have to take a decision whether we go for Aberdeen or whether two aircraft out of the fleet of five are relocated to another English airport. That is a tragedy because each aircraft itself needs to turn over five million a year, so that is ten million a year out of Wales principally besides the movement of passengers in and out and the business that is lost. For instance, for Aberdeen, most people now will go at 4.00 in the morning to Heathrow to get to Aberdeen from South Wales whereas if a route such as Cardiff or Aberdeen maybe via Liverpool could be brought forward, I think there would be great benefits both from the social point of view and from the economic point of view. I have to take the narrower view for Air Wales and it is very, very realistic because I am on the frontline without a shadow of a doubt, so I can speak from the heart as well as very realistically, to be honest with you. So, I think it would be of great assistance.

**Q131 Lisa Francis:** It seems that, on the whole, you are saying that route development is where you would like to prioritise spending but I just wondered what you both thought about spending on the infrastructure surrounding Cardiff like a station at Rhoose, a dedicated bus

link and an express rail way between Cardiff and Swansea. Would you give that second priority?

**Mr Hodgetts:** I would like to see a balanced approach taken. We need to increase our accessibility. That will help us attract traffic. It is clear that Bristol's accessibility issues are not going to be easily solved and their road access is no better than Cardiff's. What that does not give us is a marketable advantage over Bristol. They currently have the density of route network, the frequency and the fare advantages. We have to play other cards as well. So, having accessibility advantages gives Cardiff another card to play. We have already agreed to support the shuttle bus link and we will actually dedicate that service to meet all the trains at Rhoose, although I would prefer it to be "Cardiff International Airport (Rhoose)" simply because it is easier to market and it comes up quickly on the search engines wherever you are travelling from. We have already been in preliminary talks with the Welsh Assembly Government about the proposed Miskin park and ride which is a medium-term proposition. It is currently set up for commuter traffic and it may also be next to a parkway station, but it would also work if the proposed road to the south to link Cardiff at junction 33 were brought into play because that would also give us the opportunity to create a park and ride solution to Cardiff Airport. What we would be loath to do is have unlimited land-take for parking, for example, because we know how unpopular that is. By working to deliver alternative scenarios like that allows us to create the passenger growth, to accept that the majority of access will still be by road. If you look at airports such as Birmingham and Manchester which have very mature public transport policies, we are still only talking 20 to 25% of the passengers arriving on public transport, then I think we have to accept that the majority will continue to come by road and we have to make sure that we can actually deal with those by having more public transport links that give us an alternative scenario to people driving.

**Q132 Hywel Williams:** (Translated from Welsh) Thank you very much, Chair. To refer back to the Bill, it allows for financial assistance to be provided to those providing airports directly. Where, in your opinion, would be best to spend that kind of money? If I can be parochial for a second, and perhaps mention north Wales, as we have been talking about Cardiff, where would you like to see that money going?

**C132 Hywel Williams:** Diolch yn fawr iawn, Gadeirydd. I gyfeirio'n ôl at y Mesur, mae'n caniatâu rhoi cymorth ariannol i bobl sy'n darparu meysydd awyr yn uniongyrchol. Ym mhle, yn eich barn chi, fyddai'n well gwario arian o'r math yna? Os caf fod yn blwyfol am eiliad, ac efallai sôn am y Gogledd, gan ein bod wedi bod yn sôn am Gaerdydd, i ble hoffech weld yr arian yn mynd?

**Mr Hodgetts:** I believe that we have very little need of any capital funding. We are quite happy to develop the airport at our expense providing we can get the traffic to cover that and TBI have spent around £25 million on the airport since they bought it nine years ago. I believe that Valley or Caernarfon – I would not want to make that decision for the Assembly, is an obvious traffic point. It has to be on the basis of what is the most effective use of funding and, looking at the initial study, Valley came out as a cost-effective option and Withybush again, I think, has to be the priority for the intra-Wales services beyond that and again that would be a priority of where funding should go. The other location that I would like to see developed where I realise that it would have issues for Airbus is Broughton because that would cover North-East Wales very effectively and I believe so far insufficient pressure has been brought on Airbus to actually recognise that.

**Mr Thomas:** I can concur with what Steven has said once again insofar as the decision would be between Valley and Caernarfon has to be taken up north, without a shadow of doubt, but

there would be great benefit. There would additionally have to be the revenue cost of the enhanced security these days and whatever, so that is going to be a very important decision to make that one can put the capital infrastructure into place but the running cost. No doubt many politicians have realised that you can put the monument there but, to safeguard the monument these days is very, very expensive. I think that is a major part of the ongoing running costs and the certainty that the funds will be there to support whichever airport is chosen to have the infrastructure capital put into it.

**Chair:** We will now move on to the Wales transport strategy overall.

**Q133 Elin Jones:** (Translated from Welsh) **C133 Elin Jones:** Diolch Gadeirydd. Prif Thank you, Chair. The main objective of this amcan y Mesur drafft hwn yw rhoi pwerau draft Bill is to give the necessary powers to angenrheidiol i'r Cynulliad Cenedlaethol i the National Assembly to establish an sefydlu system drafnidiaeth integredig yng integrated transport system in Wales. There Nghymru. Mae rhywfaint o drafod wedi bod has been some discussion on this already, but ar hyn yn barod, ond sut yn benodol yr ydych how specifically do you see air transport chi'n gweld trafndiaeth awyr yn chwarae playing a role in developing an integrated rhan mewn datblygu system drafnidiaeth transport system across Wales? integredig ar hyd a lled Cymru?

**Mr Hodgetts:** I believe it is about across and into Wales, it is about creating the access into Wales for economic growth. We have been very successful in a global economy and I know that is a priority still for the Assembly to make sure that continues. That really comes back to not simply accessibility within Wales but to and from Wales and that I think is where air transport has the biggest impact. That is where we integrate into Wales itself and it is about how we distribute that traffic throughout Wales. We see air transport as not providing the

only distribution method. As I have said already, we are very keen to support rail and we are very keen to support public transport initiatives. From our point of view, we would like to grow the number of what we call B-originating passengers. Currently, the majority of our passengers originate in Wales and fly out and fly back. What we would like to do is achieve parity between those who are originating and at the destination of the route. That therefore requires greater distribution than we currently have and rail is very important on that. The B-originating passengers tend to use rail quite a lot. So, we are looking at how we integrate into those processes. We already have very good discussions on the rail network and we still have plans that we would like to develop going forward about bringing greater integration to Cardiff Airport. Currently, when the service opens next year, it will be one an hour basic railway service. It needs to enhance to at least two an hour to give us an effective tool to market modal change. It is currently a shuttle between Bridgend and Pontypridd, so we are already working with Arriva about connectability and how we advertise that. We are talking to First Great Western about how they actually advertise the connectability of Cardiff, simply “Change here for Cardiff International Airport” would be a great start with ticketing etc. So, we have a whole host of strategic initiatives to try and integrate ourselves into the transport system. We also need to affect local change because, quite frankly, we are going to grow to five million, I would not like 90% of them still to be coming by road because the impact on the local road networks and on the M4 itself would be quite catastrophic. So, again, we have to look at how we can integrate ourselves into developments there. Ultimately, I would like to see Cardiff International Airport Station Rhoose linked into the cross-country and the intercity networks which would require some further track improvements on the line and that would give greater effective reach, it would encourage greater distribution by rail and I certainly think that the north/south rail link through Hereford etc will be an early start that we would look for plus probably the one for Bristol Templemeads which comes up through Bath

and originates in Portsmouth Harbour. All those areas we would like to work with. The other area where integration is very important on is how we attract our workforce. Every airport attracts around 1,000 people for one million passengers. What we will need to do is pull to a more extensive catchment area for work as well and again I would not like to think that we are putting an extra 2,500 movements in the morning onto the local road network if we can put it somewhere else and I believe there is an example of bringing back the old works bus that I remember affectionately as a child that took everybody to the pithead, or the Austin Rover factory in my case, bringing back an initiative such as that to move away from the normal corridor aspects of public transport.

**Mr Thomas:** I think Steve has made the main points. It is more relevant to Cardiff Airport than it is to Air Wales. From what we are discussing today, from the PSO which is relative to the internal flights as against the route development which is relevant to external, in both cases, for instance, whether we bring people in from Aberdeen or from Brussels or people into W(?) from Cardiff and from London City, there has to be transport therefore. Air Wales can only identify what it has to do within its capabilities but it has to be part of a larger structure whereby there are viable communications basically from the airports from which we bring in our passengers.

**Q134 Mr Williams:** I think there is a growing enthusiasm for a regional Welsh air system but very often the discussion concentrates on this north/south service and I do not minimise the need for that at all but there are other parts of Wales and I think experience in the Irish Republic has shown how, in rural areas, the local economy can improve very much by that facility. We talk about a hub and a spoke system; I think a hub needs more than one spoke and it would be quite good if we had more areas served. Have you any ideas and could you share those with us?

**Mr Hodgetts:** I think Withybush is a very early example. It has reasonable distance to make the air travel leg attractive and get reasonable journey times. As I have said, I still think that North-East Wales needs one and probably Welshpool could be on that service as well. If you had a network that picked up all those points, you would give greater accessibility from all the key regions that currently do not have accessibility south to Cardiff.

**Chair:** Thank you very much indeed for your evidence this afternoon. That concludes the formal part of our evidence taking today.