



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 18 April 2012

Session 4

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INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

8th Meeting 2012, Session 4

CONVENER

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

DEPUTY CONVENER

*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)

COMMITTEE MEMBERS

*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)

*Alex Johnstone (North East Scotland) (Con)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

Margaret McCulloch (Central Scotland) (Lab)

*Aileen McLeod (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Malcolm Brown (Angel Trains)

Keith Howard (Porterbrook)

Graeme Pearson (South Scotland) (Lab) (Committee Substitute)

David Simpson (Network Rail)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

Committee Room 1

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 18 April 2012

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Maureen Watt): Good morning everyone. I welcome you to the eighth meeting in 2012 of the Infrastructure and Capital Investment Committee. I remind everyone to switch off their mobile phones and BlackBerrys, as they affect the broadcasting system.

We have received apologies from Margaret McCulloch and we welcome Graeme Pearson, who is attending as a substitute.

Graeme Pearson (South Scotland) (Lab): Thank you.

The Convener: Agenda item 1 is a decision on taking business in private. Do I have the committee's agreement to take in private agenda item 4 and future discussion on the outcomes of our work on the rail franchise 2014?

Members indicated agreement.

Rail Franchise 2014

10:01

The Convener: Agenda item 2 is the committee's final evidence session on the Scottish passenger rail franchise, which is due to be renewed in 2014. The committee has been conducting a brief and focused scrutiny of the issues around the renewal of the franchise.

At its previous meetings, the committee heard from organisations that represent the interests of rail passengers; transport trade unions; and the Association of Train Operating Companies. We will hear today from the rail infrastructure providers and rolling stock companies. We will then consider how we might feed into the franchise renewal process.

I welcome the witnesses: David Simpson is route managing director Scotland for Network Rail; Malcolm Brown is chief executive officer of Angel Trains; and Keith Howard is commercial director of Porterbrook.

We will start with questions from the committee.

Aileen McLeod (South Scotland) (SNP): I will start with some general issues around the "Rail 2014" consultation. First of all, what involvement, if any, did your organisations have in the development of the proposals for rail services reform that are set out in the consultation?

David Simpson (Network Rail): Network Rail is involved in regular discussions with Transport Scotland on all aspects of running the railway in Scotland. While we were not directly involved in putting together the proposals, the issues that are contained in the proposals are those that we discuss widely and regularly with Transport Scotland—and indeed with other rail organisations—as a matter of routine.

Malcolm Brown (Angel Trains): We have regular contact with Transport Scotland and First ScotRail. We recognise the items contained in the document, although we were not directly involved in developing the document.

Keith Howard (Porterbrook): It is much the same for us—we have regular liaison meetings with Transport Scotland and ScotRail, which are fully minuted, and we discuss the issues that are covered in the proposals all the time. We have not submitted to the consultation process as such.

Aileen McLeod: Thank you. To follow up on what Keith Howard said about not formally responding to the consultation, have David Simpson and Malcolm Brown formally responded to the consultation and, if you have, could you briefly summarise some of the key points?

David Simpson: Network Rail submitted a formal response to the consultation, which contained a fair quantity of our thoughts and views on the contents of the consultation. I am happy to share a copy of that response with the committee if that would be helpful.

Broadly, we welcome the debate that the consultation has brought to the industry around the best future form for the industry in Scotland from 2014. Our response commented on a lot of the specifics, including issues such as the number of franchises, the use of Waverley station as an interchange and other elements that were highlighted as part of the consultation document.

Malcolm Brown: From memory, I believe that we have also formally responded in writing and I am happy to provide that information to the committee.

In general, our response was along the lines that we continue to seek to invest in rail in Scotland and to work closely with the franchisees that are there. There were specific points within the documentation on which it was not appropriate for us to comment. However, we looked at alternative ways of reducing the overall cost of rail in Scotland as well.

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): I have a question about stations for David Simpson. I understand that Network Rail currently owns all 350 railway stations in Scotland, the only exception being the station at Prestwick airport. I know that Prestwick airport is keen to transfer ownership to Network Rail. What is your position on that station, which is of constituency interest to me?

David Simpson: You are absolutely right—Network Rail owns and manages every station in Scotland except Prestwick airport. We directly manage Glasgow Central and Edinburgh Waverley. The rest are run on a day-to-day basis by the train operators. Prestwick airport station, as you say, is unique in that it is owned by the airport. We have been having discussions with Infratil Airports Europe, which runs Prestwick airport, about a potential transfer of ownership of Prestwick airport station to Network Rail.

Over the past couple of months, we have carried out a detailed condition survey of Prestwick airport station to establish its condition and to use the report as the basis of further discussions on transfer of ownership. We can see the benefits of Network Rail owning that station as part of the network, and we know that Prestwick has the largest proportion of rail travellers of any airport in the United Kingdom. We are keen to build on that through that proposal.

Adam Ingram: Excellent. I will watch what happens with interest.

The consultation document states that stations are crucial to ensuring that rail services are utilised optimally, so their

“location, facilities, and integration with other transport modes”

are key issues. I know that the Scottish Government is keen to improve local communities’ access to the rail network on existing routes through the provision of additional stations. One way of doing that would be through widening opportunities to fund and operate new stations to permit third parties—local authorities, regional transport partnerships, businesses and other organisations, for example—to play a part. What are your views on that suggestion? More generally, what needs to be done to optimise access to the rail network through station provision?

David Simpson: Obviously, we see stations as key, and our ambition is to grow the use of the rail network. Finding ways to increase footfall at current stations and the consideration of opportunities for new stations form a key part of our work with Transport Scotland, First ScotRail and other operators in Scotland. The track record is very good. We have opened dozens of new stations over the past 10 years, and they have operated with great success in attracting new passengers to the railway and developing the market. We welcome the involvement of other organisations in funding and running stations. We have a good track record of involving local communities in some of our stations in Scotland in urban and rural areas, which brings life and development to those locations.

As Scotland’s geography develops, we will need to look at where the stations sit and new opportunities for stations, and we will need to work with the Government, third parties and other organisations to get the network in the shape that it needs to be in, particularly in respect of stations. Access is key. The train operators work closely with other public transport operators to improve integration, and there is, of course, a role to play in providing suitable facilities for cycle and car parking and ensuring that people can get to their local station as easily and effectively as possible. It is a matter of encouraging the growth in the rail market that we want to see.

Adam Ingram: Are you keen to see third-party involvement in new station provision?

David Simpson: That helps with affordability. Obviously, there are limited funds for everything. If we can attract third-party involvement in building new stations, that will increase the likelihood of their happening. We would welcome and would be keen to be involved in that.

Adam Ingram: I understand that the vast majority of stations are operated by First ScotRail as the franchisee, but there are inconsistencies in the maintenance and development of stations for two basic reasons. First, the franchisee leases only those parts of the station that it requires to deliver its services, and secondly, the franchisee is incentivised only to maintain the facility, not necessarily to invest in improvements that will last beyond the franchise period. The deal is that the franchisee has to hand back the facility in the same condition that it got it in. What is your view of how management responsibility should be allocated?

David Simpson: There is no doubt that, at the time of privatisation in 1994, the way in which responsibility for stations was broken up meant that it was one of the more difficult parts of the industry to manage. That has led to certain situations today, as it is still not clear who is responsible for various bits of stations. That is, obviously, sub-optimal for passengers and other rail users. We are tackling that in a serious way as part of our alliancing proposals with First ScotRail.

We want to put some common sense back into who is responsible for various parts of stations. As part of that, we are thinking about which organisation is best placed to get maximum benefit from stations and improve the passenger environment. For example, Network Rail is often better placed to get good deals in terms of station retail, which we know attracts passengers to the rail network, than a train operator is, partly because of the fairly limited lifespan of train operators, which you mentioned. However, train operators are often better placed with regard to the customer-facing parts of stations, as a result of their experience of customer service.

By working together, the industry can simplify some of the more elaborate arrangements that were put in place at the time of privatisation with respect to the maintenance, repair and renewal of stations. We can also use each organisation's skills to the maximum in order to provide the maximum benefit to passengers.

The Convener: Most people assume, as I did initially, that stations are the responsibility of Network Rail—we tend to think of stations as part of the network. I understand that you are saying that the mess occurred at the time of privatisation. Are you saying that it would be much better if Network Rail were in charge of the stations? Given that the main train company in Scotland is First ScotRail, do the other companies, such as East Coast, have to pay for their trains stopping in the stations?

David Simpson: The contracts that exist between Network Rail, train operators and other operators are labyrinthine. For example, East

Coast uses some of the ScotRail stations on the line from Edinburgh to Aberdeen and pays ScotRail for train dispatch and so on at those stations.

Network Rail is considering whether there is a more sensible arrangement, particularly with regard to the fabric of the stations, for repair, renewal and so on. We are trialling various arrangements in other parts of the United Kingdom to see what gives a more efficient and improved service at the station.

I am not suggesting that Network Rail should run the customer-facing parts of the stations—I think that the train operators are well placed to do that. However, as we move towards 2014, the industry should consider ways of clarifying the responsibility for the station fabric. That will provide efficiencies and a more focused approach to that activity, which will benefit passengers.

Adam Ingram: You are advocating a partnership approach between yourselves and the train operating company, rather than you or the franchisee taking all the responsibility for the station.

David Simpson: Very much so. I am suggesting that each organisation should play to its strengths and that that should be aligned with a simplification of the current complex arrangements for stations that we inherited in 1994. That includes stations such as Edinburgh Waverley, where there are five train operators. I believe that there is potential to simplify the running of the station and to give passengers a much more consistent service from one team rather than five.

Adam Ingram: There is a question about sub-leasing the operation of stations. Would that come into that mix?

David Simpson: I believe that simplifying the current arrangements will bring great opportunities. At Waverley, for example, there are two first-class lounges, three customer reception areas and five different sets of uniforms. Of course, all those companies sub-lease and let different parts of the station. That cannot be the most efficient arrangement, nor the best arrangement for the passenger.

Since we became devolved as a Scotland route, we have been thinking about alliancing proposals as a way in which we can simplify the current arrangements and make them simpler to operate, which will make it easier for customers to use the rail service.

10:15

Adam Ingram: How does Network Rail intend to improve the accessibility of Scotland's railway stations in the next few years? According to the

statistics, approximately 73 per cent of stations have step-free access to and between platforms and can be considered accessible. However, I still receive complaints from constituents—for example, about transferring at Ayr station, which is one of the bigger and busier stations on the network. Passengers must cross between platforms 3 and 4 over an old-fashioned metal bridge, which is not convenient for a range of people. What are your intentions on that front?

David Simpson: We have worked hard over the past few years to target expenditure in the access for all fund, which is a UK fund, on stations in Scotland that would benefit most from improved access. We have delivered a number of schemes; we currently intend to deliver four schemes; and five or six schemes are still to be developed. Those schemes account for only a small proportion of the number of stations that still have steps and so forth.

There is an opportunity for us to look at how we can improve access to more stations. We think that we have tackled the busiest stations, although I take your point about the footbridge at Ayr, where people have a long way to walk between platforms if they cannot use the steps. There is the potential to do more at stations such as Ayr, which are key interchanges for other modes of transport such as ferries, and we are keen to work with the industry on making progress in that regard.

Adam Ingram: Do you have a forward programme in the public domain that people can check?

David Simpson: Our programme is driven by the access for all scheme, which currently involves nine stations. Beyond that, we have had discussions with Transport Scotland, which controls how the fund is spent, to identify further opportunities on the basis of passenger usage, interchange and the current condition of stations.

The Convener: Has any work been done on how much those inefficiencies—at Waverley, for example, with the duplication of so many services—are costing? We know that the railway system in the UK is grossly inefficient in comparison with other countries. Has anybody costed how much we are wasting on that duplication?

David Simpson: If you look at Network Rail's track record, you will see that we have delivered 27 per cent efficiencies in our most recent five-year control period. We are on target to reach 23 per cent in the current control period, and we think that we can reach 16 per cent in the next period.

Many of the comparisons with Europe do not involve apples and apples; if you look at the detail, you will see that we are not grossly inefficient, as some observers suggest. There are areas in which

we are very efficient, but we recognise that there are areas in which we have work to do.

We have taken the approach of devolving accountability for our routes, so Scotland is now fully devolved as a self-contained route. As part of that, we are working on a number of alliancing initiatives with our customers to identify more opportunities for efficiencies by knocking out the duplication that exists. One such initiative involves looking at the potential efficiency benefits for Waverley from simplifying and sorting out what is in place; work is going on around that.

The McNulty report suggested that there was an opportunity to make around 30 per cent efficiencies in the network as a whole, but that varies from route to route depending on the current situation. It is a big focus for us.

The Convener: Other operators have to work with ScotRail and pay it to stop at stations. Does that mean that companies other than ScotRail are less willing to stop on the route?

David Simpson: I have seen no evidence of that. Companies stop where there is demand, and where there is justification for doing so. From looking at the calling patterns for the four cross-border operations in Scotland, it appears that companies call where they get the maximum benefit for their services. I do not believe that the access charge is a deterrent to calling at a particular station.

Alex Johnstone (North East Scotland) (Con): That reminds me that one man's duplication is another man's competition, but we will not go there at the moment.

Sticking with stations, Network Rail is responsible for the work on station development. What is it doing to deal with the train capacity issues at major stations? Work is being done at Waverley, but the major pinchpoint in the network now appears to be Queen Street high-level station. What can be done to improve that situation?

David Simpson: A lot of work is going on. At Glasgow Central, in the past two or three years, two new platforms have been built; that has improved capacity, and we have increased the concourse area to cope with more passengers. As those who use Waverley station know, a lot of work is going on there to improve access, such as the installation of the Waverley steps escalator and lifts. The roof is being refurbished and more space is being created to cope with growth.

At Queen Street station, we are working with a third-party developer on a proposal to significantly increase the concourse size and to provide access from the east side through the Buchanan Galleries extension. Allied with our proposals for the track

as part of the Edinburgh to Glasgow improvement programme, the work at Queen Street will provide more capacity for trains, more capacity for passengers to use the station and a much more pleasant environment than the current one.

Alex Johnstone: It is good to hear that there are plans.

I will move on to a different subject that is close to my heart. We talk a lot about journey times in relation to cross-border traffic, but my concern about journey times relates to travel between the central belt and places such as Aberdeen and Inverness. Often, the track is the limiting factor in that. Can anything more be done in the short to medium term to improve journey times without taking the radical step of simply drawing a straight line on the map and building a new railway? If you cannot go there, what can you do in the meantime?

David Simpson: There are a number of issues around journey times. Inevitably, calling pattern comes into the equation. We could easily speed up the journey from the central belt to Inverness by not stopping at many of the stations en route, but that would not be the best option for passengers who want to use those stations. We try to balance issues such as journey time, calling pattern and service frequency as much as possible to get the best compromise that serves all the users of a route.

As part of our industry plan for control period 5, we have proposed an enhancement scheme on the Perth to Inverness part of the Highland main line that would allow more frequent services and a faster journey time up to the Highlands. We also have proposals for the Aberdeen to Inverness route, which suffers from similar capacity constraints. That scheme is included in our "Initial Industry Plan", which sets out what the industry feels it would be good to deliver during CP5.

We keep the issue under constant review. We understand the importance of journey time to passengers. As road competition improves, with new motorways and so forth, we know that rail has to stay competitive. We try to do what we can in that regard.

Alex Johnstone: Is any work being done on the pattern of services? I am well aware of the changes between Edinburgh and Aberdeen, as a result of which long-distance trains do not stop particularly often south of Dundee, which has speeded things up. Can any more be done in that respect?

David Simpson: That is a good example of the trade-off that is involved. As you say, we have speeded up the Edinburgh to Aberdeen route by adding additional local services between Edinburgh and Dundee, which avoids the need for

the Aberdeen trains to call at local stations. For the next industry timetable change, in December 2012, we propose modest improvements on the Highland main line, which will provide journey time improvements and, we hope, a better service. Nothing more fundamental is planned at this stage until we can deliver the enhancements that I have spoken about in CP5.

The Convener: Loops were to be put in place to speed up the Aberdeen to Inverness route. Do we have any timetable for that? Some people say that the work keeps being shunted back because of a lack of funding. Is that the case?

David Simpson: The industry has developed that proposal, which is awaiting funding. As soon as funding is confirmed, we can give a timescale for construction.

The Convener: So the engineering work and planning have all been done and the project is ready to go.

David Simpson: The initial development work has been around for many years. There is a good understanding of what needs to be done in relation to passing loops and line speed, and of the timetable that the work would offer to passengers. As I said, we await the funding to take the project to the constructability point and, we hope, delivery.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I want to look ahead to the next control period, which will begin in 2014. The Scottish Government sets out the high-level strategy for Network Rail operations in Scotland through the high-level output specification. The document sets out the outputs that the Scottish Government wishes to purchase from the rail industry. Will you give an outline of the work that Network Rail has undertaken for the next control period, particularly your engagement with the Scottish Government on the development of the HLOS?

David Simpson: Network Rail has done significant work on the way that it expects the network to grow over future years for CP5—which runs from 2014 to 2019—and beyond.

Over the past five years, we have published two route utilisation strategies for Scotland, which outline where we believe the growth will be and our proposals for tackling that growth through additions to the network, whether additional track, additional stations or other capacity improvements.

The industry submitted a plan for CP5. Network Rail led the development of that plan, but it was consulted on widely and the industry and Transport Scotland were involved. It contains the industry's view on what CP5 should contain and the funding that is required to deliver that. That takes into account our work on growth through the

route utilisation strategies and the views of our customers and other industry stakeholders on where the growth will be and how best to deliver it across the network.

There has been extensive discussion within the industry, which has fed into the development work for the HLOS and CP5.

Gordon MacDonald: The McNulty report carried out an international benchmarking exercise that compared British railways with those in four European countries. The cost per passenger per kilometre would need to be reduced by about 40 per cent to hit the benchmark of those four European countries. How do you intend to make the savings that the McNulty review identified in Scotland?

David Simpson: We are working to understand those comparisons so that we can really understand where the opportunities are.

There are three elements to Network Rail's strategy to deliver efficiency. One is devolution, which is giving the accountability for delivering parts of the network to the local routes. For example, Scotland was devolved from the rest of the UK network last May. I will give you a feel for what that means: my budget for Scotland went from £30 million for day-to-day running of the network to £550 million, which includes funding for all the renewal and enhancement work that goes on across the network. That is now controlled and decided upon in Scotland, which gives us a much better opportunity to target the investment and renewal work much more efficiently than when it was controlled from London.

The second part of the strategy is alliancing with our customers. Last December, we signed an alliance framework agreement with ScotRail, which provides the opportunity for us to work more closely with ScotRail in identifying opportunities to be more efficient, better deliver what passengers want and tackle some of the complexities with stations to which I referred earlier, which were part of privatisation.

We are making good progress with ScotRail on alliancing. For example, we propose to electrify the Paisley Canal line in Glasgow, which is currently a diesel service. The original cost for the project was scoped at £28 million, but we think that we can deliver it for £12 million as a result of the alliancing approach to the project with ScotRail.

The third part of the strategy is contestability. Only this week, we created a new business within Network Rail called Network Rail infrastructure projects, which aims to compete with the rest of the market in delivering schemes and demonstrate that Network Rail's ability to build projects on time,

to budget and for an efficient cost is equal to that of other parts of the industry.

Devolution, alliancing and contestability will prove that we can drive the efficiencies, build on the 27 per cent that we achieved in CP3, the 23 per cent that is forecast for CP4 and the 16 per cent that has been identified for CP5 and get to efficiency levels that are thought to be among the European best.

Gordon MacDonald: Is there any room for manoeuvre on the fixed track access charges or the variable track usage charges? Some of them seemed to vary markedly. The charge for electric traction units can go from 4.5p per mile up to 9.5p per mile. Why is there such a variation in access charges?

David Simpson: Access charges are predominantly for the Office of Rail Regulation to decide. It is consulting on how track access charges should be constructed for CP5.

There are incentives in the track access charges within the current regime. For example, vehicles that cause less wear and tear on the track attract a lower variable track access charge than those that have heavy axles and, perhaps, damage the track more.

We are also considering the regime with respect to, for example, electricity regeneration, which some trains are able to do, so that we attract trains with the right kind of environmental potential to the network.

Access charges are predominantly a question for the ORR, but Network Rail advises on them and discusses with its customers what the best outcomes are on the charges.

10:30

The Convener: As there are no other questions on the network, we will move on to rolling stock.

Passenger groups and committee members have commented on the unsuitability of some of the current rolling stock. In particular, they have made the point that rolling stock that is used for the 40-minute journey, or whatever it is, between Glasgow and Edinburgh is not also appropriate for journeys of more than two hours between the central belt and Aberdeen or Inverness.

The submission from Angel Trains states that it would be more efficient

"if the UK could move towards greater commonality of rolling stock, reducing the variety of trains from the current 56 to something closer up to 6."

First, how did we reach a point at which there are 56 types of train?

Malcolm Brown: You will be pleased to hear that there are not 56 types of train in Scotland.

The Convener: Yes—I realise that.

Malcolm Brown: It is probably a relief to us all.

The tendency has been continually to procure different versions of trains without sitting back and taking a long, hard look at the full-life cost of owning the train. That was also the case pre-privatisation; it is not something that has happened only since privatisation. Rolling stock operating companies own trains for the 30 years, or whatever, of their estimated or anticipated life.

We take a long-term view. It is clear that adding variants to the mix increases costs because we must have more parts and different pools of parts, so it would be better if we were to move to a position of consistency. The reason why we suggest that there should be six types of trains is that—as the convener rightly said—trains that are suitable for short-hop commutes are not suitable for long-haul journeys, so there has to be variety. The figure also allows for gradual improvement, because we have to move forward as innovations are made and so on. However, we should do that in a controlled way so that we are not continually reinventing the wheel and are not adding costs to the industry. One piece of feedback that we gave to the McNulty study is that if we procure trains in a considered manner that looks at the whole-life cost, we can reduce the cost to the industry.

The Convener: You suggest that extending the life of existing trains offers better value for money than procuring new trains. Given that there are now higher environmental standards and so on, is it always possible to upgrade existing trains rather than to put on new ones?

Malcolm Brown: No. My point is about having a mix whereby we can procure new trains and look sensibly at existing trains to see what we can do to enhance them. For example, we put a new type of engine—the MTU engine—in the high-speed trains that run to Aberdeen on the east coast line. That engine uses 15 per cent less fuel than the previous one, so we immediately have fuel efficiency, which is environmentally good, and there is an economic benefit to the train operator because the engines use less fuel. Regenerative braking can be added to some trains—although not all—so that when the brakes are applied electricity is generated, which can be returned to the network for Network Rail.

I do not claim to be an engineer, but I know that something as simple as changing the construction of the bogie to improve the ride of the train can lessen damage to the track. When Angel Trains has done that, there are examples of the train operator making savings on Network Rail's track access charges, which has been mentioned. We

must not forget that the aim is to benefit the passenger; as a result of that change, they get a far better ride on the train. There is an opportunity to improve a number, but not all, of the existing fleets.

The Convener: I feel that on many trains there is less legroom than there used to be—I am not necessarily getting any bigger, myself. Do you decide on the legroom that is available or do you do so in conjunction with First ScotRail? Is it similar to what happens on certain types of charter aircraft, on which people get crammed in?

Malcolm Brown: We decide that in conjunction with the train operator, but the train operator takes the lead on that aspect of the passenger environment—after all, the operator is closer to the passenger. I know for a fact that ScotRail does it in conjunction with Transport Scotland and the user groups. However, there is an economic factor, in that the more seats you provide, the more paying passengers you have on the train.

Keith Howard: It is very much a balancing act. As well as having enough seats on the train, we have to have enough space on the train. In many cases, operators try to ensure that they can provide a number of services with the trains that they have. I know that the convener has a view on the class 170s that are used for services up to Aberdeen, which also run backwards and forwards between Edinburgh and Glasgow. To get the flexibility that allows ScotRail to operate those trains in both those environments, it is necessary to have some form of compromise.

When it comes to the legroom that is provided on trains, fairly reasonable standards tend to be worked to, and there are other standards that we adhere to when we put in priority seating for people with reduced mobility. All those factors are taken into consideration when a train is purchased. That is done in conjunction with the operator, because the operator knows what type of operation it wishes to deliver.

The Convener: The Minister for Housing and Transport has said that it would cost loads to provide a better type of train on the routes between Aberdeen and the central belt. Is rolling stock available elsewhere in the United Kingdom that could be transferred in order to upgrade the stock on those routes? Would it cost a huge amount to upgrade the type of train that is used?

Keith Howard: ScotRail currently operates almost entirely multiple units, with the exception of the sleeper coaches. I realise that the committee knows about these things and that it understands what a multiple unit is. A multiple unit is extremely flexible, in that it is possible to change a three-car service to a six-car—or, theoretically, even longer—service very quickly. That has allowed

quite a cost saving to be delivered in comparison with the alternative, which is loco-hauled coaches.

As a rough guide, to replace the multiple units that operate between Edinburgh and Aberdeen with a loco-hauled service such as the one that East Coast provides, it would be necessary to have seven or eight—these are rough numbers—full-length loco-hauled sets. That would probably release about four multiple units. It is easy enough to do a calculation and work out the difference in cost between seven or eight loco-hauled sets and four multiple units.

Are any loco-hauled sets available? At the moment, there is none available that could be operated on that route, although that position will change when the new intercity express train is delivered. We are still not sure exactly when that will happen. We think that it will be in 2017-ish. Is that right, Malcolm?

Malcolm Brown: Yes.

Keith Howard: In 2017, a number of HST sets, which are the ones that East Coast runs up to Aberdeen, will become available. A choice would have to be made based on whether they would deliver a better service than the Turbostars—the class 170s—that currently deliver the service and on whether they would do so economically.

To pick up on the convener's point about seats, it might surprise you to learn that the seat pitch on the Turbostars that you travel on is slightly greater than the seat pitch on the HSTs. I am talking about standard class coaches; the position in first class is slightly different.

The Convener: I think that that applies to the groups of four seats that have a table in the middle rather than to the bus-type seats.

Keith Howard: No—I am talking about the aircraft-style seats. They are slightly further apart than the equivalent seats on the HSTs.

The Convener: I know that there is a difficulty at commuter times compared to other times, but because of these units of three cars, on the Aberdeen-Inverness line for example, at commuter times there are people standing from halfway along that route in either direction. Are you saying that the choice is between one set of three or two sets of three, and that you cannot just put on one extra carriage, which could make a great deal of difference?

Keith Howard: You are absolutely right: we need to go up in multiples of three. On the other hand, however, one might decide to operate the services with a loco-haul. An HST set is normally formed of two locomotives with seven, eight or nine coaches in the middle. If that is what you fix at, you cannot change it during the day—in fact, it is quite a procedure to change it overnight. It is

possible to run units of three and to join them to make six, but if you are running an HST with eight coaches, that is what you are fixed at for the day—probably for a few days—and you would run it empty a lot of the time.

David Simpson: We and ScotRail are aware of the particular problem on the Aberdeen-Inverness route at peak times. We have used a mixture of two and three-car units, and now run a seven-car train on that stretch at peak times, which is the longest diesel set we run in Scotland. We attempt to tackle the issue that you describe by using a combination of ScotRail's two and three-car fleets.

The Convener: We want more people to travel by rail, but they will not do so if they know that they will be standing for the whole journey. It is a problem that we must tackle.

Malcolm Brown: These are rough figures, but the UK fleet has increased by about 14 per cent by replacing old stock and introducing new. However, at the same time, passenger numbers have increased by about 60 per cent. We can weigh that up and see its impact.

Since privatisation, we have invested more than £3 billion in new rolling stock; Keith Howard's organisation is not far off the same amount. We continue to look at different ways to invest in the current fleet. We have put £7 million into the ScotRail fleet in the past five years and we buy new trains so that we can provide a service.

The rail industry in the UK is doing quite well at the moment. ScotRail returned 94 per cent in its public performance measure target last quarter, which is thanks to the work of Network Rail and ScotRail. We are attracting more passengers, and it is a challenge to get an affordable railway to carry those passengers.

The Convener: Yes. Although you want to reduce the variety of rolling stock from 56 types of train to six, we still need flexibility. We have a varied network in Scotland. For example, on tourist routes—tourism is hugely important to the Scottish economy—we need to provide space for more luggage and for bikes and so on. How will we meet all those needs?

Malcolm Brown: The suggested six types of train allows for that; it is a wish, if not yet a reality. At the end of the day, we are talking about the engine, the bogies and so on. In effect, you then have a steel tube that you can align as and how you wish—within reason—depending on passenger needs and the needs of the train operators. Toilets and so on are a little harder to move. You can create bike space, but if you take seats out to do that, when that train is used for commuters you will have commuters standing in a space where a bike would be.

Graeme Pearson: For the record, as a substitute committee member today, I declare that I have no interests in connection with the questions that I will ask.

On the standardisation plea that you have set out, I presume that your organisation has a strategic plan, should you decide to move towards the six types of train, which would have a timescale and some kind of projection of cost savings. If such a plan exists, will you share some of the detail with us?

You talked earlier about the economic benefits to train operators. How does the Government benefit from those through reduced subsidy? Is there a transparent way in which, when economic benefits are identified and you achieve savings, the Government is made aware of the level of those savings and can, therefore, reduce subsidy?

10:45

Malcolm Brown: Various estimates are made of the cost reductions that could be made by creating a degree of standardisation on platforms, including savings on parts of about 20 per cent.

I think that we all wish that there was a long-term plan for rolling stock in the UK. Ultimately, Transport Scotland and the Department for Transport are the procurers of rail services for the public and they set the agenda. I would desperately like such a plan. We have variations of it, but they are only our variations based on passenger growth numbers.

Graeme Pearson: You mentioned a percentage, but what savings are you talking about in terms of pounds, shillings and pence?

Malcolm Brown: We are into significant sums—millions, rather than pounds, shillings and pence. I can provide you with information after the meeting.

Graeme Pearson: Is the saving £1 million, tens of millions or hundreds of millions?

Malcolm Brown: I will not be drawn on exactly how much the saving would be, but I can certainly provide the information after the meeting. It is a significant amount.

I am sorry—what was your final question?

Graeme Pearson: The economic benefit is recognised by the operators. How does the Government side get to see that benefit and share in it by reducing the subsidies that it offers?

Malcolm Brown: At the end of the day, the relationship between the Government, the train operator and the subsidy is between the Government, the train operator and the subsidy. I could not possibly comment on that because we

are not directly involved in it. However, on many occasions, Angel Trains works with Network Rail, the train operator and either the Department for Transport or Transport Scotland, so there is an holistic view of what is going on. We all contribute to the investment: we all have some skin in the game, and it can work quite well.

Graeme Pearson: So, your understanding is that there is a mechanism.

Malcolm Brown: There is no reason why what you suggested could not be done.

Keith Howard: I will give you a couple of numbers that might interest you. They are numbers that we submitted to the McNulty review. The point goes back to what was said earlier about the need to invest in the continual service operation of the rolling stock that we have, as opposed to necessarily replacing old with new.

In the UK, approximately 5,000 pieces of rolling stock equipment—carriages, if you like—out of the total fleet of about 12,500 will need modification to make them compliant with the European legislation that is due on 1 January 2020 on carrying people with reduced mobility. We have estimated the cost of that modification work. We have already agreed with the Department for Transport every single piece of work that needs to be done, and we have priced it, so we know more or less what it will cost to do that work and enhance the rolling stock at the same time—to change the interiors and refurbish. We believe that the cost will be about £500 million to £600 million. To replace the carriages with new ones would cost £8 billion.

The deadline is 1 January 2020. Between now and then, which is not that far away in the world of rolling stock, we have to make the necessary decisions to start spending the money to enhance the rolling stock and keep it in operation for longer. It is unviable to spend £8 billion to replace the carriages. In reality, we think that the cost will be between the two figures that I have mentioned, because we will need to buy some new rolling stock. It is unrealistic to think that we can keep everything going.

I return to what Malcolm Brown said—we need a plan. We need to know the best thing to do. We need to know which rolling stock we should enhance and which we should replace.

We can say what to do, when to do it and what that will cost, but only after we have had an opportunity to discuss it with the franchisee, because our contracts are with the franchisee. That is a correction to something that one of the gentlemen from the unions said to the committee. We have no contractual arrangement with Transport Scotland; all our leases are with ScotRail—the franchisee. We must talk to those

people, set things out and plan. If we do not plan, trains will not operate on 1 January 2020.

The Convener: When trains and carriages are refurbished and upgraded, does ScotRail automatically ask for wi-fi, for example? Are such things always an afterthought?

Keith Howard: We are already trialling wi-fi on four units. If that works—I am sure that you know that the problem is not necessarily with the train but with the infrastructure outside the train—we can roll it out quickly. At my meeting with ScotRail only a few weeks ago, it was said that we expect to do that in this franchise.

There are other features, such as closed-circuit television, which is essential for passenger safety, and forward-facing CCTV in case there are accidents or obstructions on the line. All such things—whether it is installing air conditioning or renewing the bogies, as Malcolm Brown said—can be done. We are spending quite a lot of money on trialling a new gearbox that increases acceleration and reduces fuel consumption and which will certainly fit across the 158 and 156 fleets. We are doing all those things, but we need to get in there and do it—we cannot wait too much longer.

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): Before I ask questions about the new electric rolling stock, I will say that one of the main issues on which we are trying to get a handle is how cost savings can be made. An issue in the Angel Trains submission that has not been covered is the idea of a consistent order flow. Another issue is customisation. I am trying to get a handle on the savings that could be achieved if the recommendations in Angel's paper on a consistent order flow and not having customisation were carried out. Could significant savings be made?

Malcolm Brown: I will describe our proposal, which we submitted to McNulty. Let me take a step back. Trains are capital-intensive and complex pieces of heavy engineering that take a while to build. We are procuring Pendolino trains that will run up to Glasgow. From signing the contract for the 106 vehicles, it has taken two years to get the first train on the track—that is how long such processes take. It takes a long while to set up the production line and to get consistency and quality.

If we in the UK keep stopping and starting the production line, we will simply incur costs. About 5 or 8 per cent of the overall cost of a train is associated with starting and stopping the production line. That does not mean that one contract must be given to one organisation—whether that is Angel, Porterbrook or Eversholt. However, we can say that we will have a build flow of a type of train over a long period, which we can intervene in and call off at different points. The

French have just done that—they have called off an order for TGV trains from Alstom. An order was placed 10 or 12 years ago with the call-off option in it. The French have a straightforward production line going and a price that was set when the order was placed.

Not all the trains have to be bought at once—a nice steady beat rate can be used. That helps to achieve consistency and to lower the cost, and it provides job security for the people who are building trains. Savings can be achieved.

Malcolm Chisholm: People might also expect us to ask what the advantages are of having the system run by a ROSCO rather than by Transport Scotland. Some people have suggested that the Scottish Government should own the trains. A related question that people would expect me to ask is what profit you make. At one level, people might see those two issues as being connected.

Malcolm Brown: First, there is nothing in the UK that prevents anybody else from owning trains. Other people have owned trains in the UK—the train operating company FirstGroup currently owns trains and banks have owned trains in the past. However, as I have said, there is a long-term play in owning a train. We do not just own the train and ignore it; we asset manage it throughout its life, which is where we get value out of it. If I have a train that is 20 years old, I will have a product that the train operator will want to lease from me and which passengers will want to travel on, and I will have a vested interest in continuing to invest in it over the long term.

People get very excited about procuring trains and choosing the carpets and seat covers, but that is a totally different exercise from holding and owning an asset for a long period of time and financing it. We are asset managers, and we continue to invest in the asset. Angel Trains spends around £80 million a year just on current rolling stock—that money is spent day to day—and we indirectly employ people at Brush Barclay in Kilmarnock and in Springburn.

We provide a bridge for the investing community. Pension fund companies and international banks now own all the ROSCOs. There is no flakiness in there. Institutional investors are looking for a long-term return over a long period of time at what they would call a relatively low and, of course, relatively safe rate. We draw in finances from the external market in the current climate of tight fiscal policy, and we give confidence to those who provide those finances that we know the assets that they are investing in and that we will care for, maintain and look after those assets over the long term. That has allowed us to raise £3 billion to invest in rolling stock.

Malcolm Chisholm: Have the profit levels been fairly consistent over the past decade, say, or have they gone up and down?

Malcolm Brown: Our profits vary significantly; I think that we have made a loss for the past three years, for example. One reason why we have made a loss during that period is that we start to pay for the train the moment the order is signed. Currently, I have money out on Pendolinos and Desiros, which I will not start to earn any form of return on for around three years, until the trains are built. The period will be longer if the fleet is bigger.

Malcolm Chisholm: Is Porterbrook's experience the same?

Keith Howard: It is absolutely the same, as far as finances are concerned. I think that all three ROSCOs are similarly structured now; we have moved on from when we were all owned by very large banks. As Malcolm Brown said, we are owned by a number of institutional investors—by industry, pension fund and insurance companies—and we are in a similar financial position. We have to spend money before we see trains, and we have certainly lost money in the past two or three years. That will not be the case in the next few years, but that is how our business model works.

What has been said about asset managers is absolutely right: we manage the assets for the full length of their life. If we buy assets that have 35 years of life, we need to manage them and ensure that we get at least that 35 years out of them. We carry the risk, and we carry a lot of obsolescence risk. We carry the risk of the trains being replaced by something else in the not-too-distant future because the type of operation will change, multiple units will no longer be required, and new intercity trains will come in. We will then have to move them from Scotland to Cornwall, or from East Anglia to wherever. That is what we do. We carry all of those risks.

If Transport Scotland, for example, decided to buy the rolling stock, it could of course finance it at similar levels, because it is a Government entity. However, only you could decide whether to carry the management time and risk of owning that rolling stock.

Malcolm Chisholm: What process will be followed in specifying and purchasing the new electric trains for the Edinburgh-Glasgow improvement programme?

Keith Howard: We are currently in dialogue on that with Transport Scotland. We have made suggestions to it and have had regular meetings on our view of how that rolling stock should be procured. Transport Scotland has started its formal procurement process, and I understand that it is currently in a slightly static position in waiting

for decisions to be made. Once they are made, we will engage fully. Obviously, we will talk to Transport Scotland and the manufacturers, and I hope—I am looking at my competitor—that we will be in the bidding for that rolling stock and that we will win the order. I am sure that my colleague Malcolm Brown has a similar view.

Malcolm Brown: Yes. [*Laughter.*]

11:00

Malcolm Chisholm: The committee has heard evidence that buying a generic style of diesel carriage has contributed to some of the current problems with passenger comfort and amenities. What are the risks that the same situation will arise if standard electric stock is purchased?

Keith Howard: The current process relates predominantly to the Edinburgh to Glasgow route. We have not gone into any of this in detail, but I guess that the train that will be purchased for that route will be specifically for that type of commuter. However, we have not yet reached that stage.

Graeme Pearson: One would presume that the UK and Scottish Governments' commitment to electrification would have a knock-on impact for the release of diesel stock from current usage. When do you expect to release stock and how do you decide where it will be utilised thereafter?

Malcolm Brown: It depends. I am looking at David Simpson when I say that, because he is in charge of putting up the wires. Once the wires are up, we can run electric trains under them—provided, of course, that we have those trains—and the diesel stock will be displaced. If that stock has been leased to ScotRail, it will decide where to allocate those trains, while any stock that has not been leased will be marketed to ScotRail and other train operators and franchises.

Graeme Pearson: So the stock will go on to the commercial market.

Malcolm Brown: If it is not on lease. If electrification displaces a fleet of diesels that we have leased to ScotRail or any train operator, I will still honour our contract with it.

Keith Howard: I guess that, when the new franchise is let, a view will be taken on the number of diesel units that will need to be retained after electrification and there will be some plan for cascading those units. I guess, too, that some units will fall out the bottom of all that. As Malcolm Brown has pointed out, our job as ROSCOs is to place elsewhere any units that are not retained. That is the world in which we operate—it is, if you like, our day job.

Graeme Pearson: I have an associated question about the future. Will there be any

financial implications for the ScotRail franchise holder, particularly with regard to track access charges, if current rolling stock is replaced with HSTs or other types of train?

Keith Howard: Malcolm will be able to answer that better than I can.

Graeme Pearson: One would hope.

Malcolm Brown: I used to be a train operator, hence Mr Howard's comment. As we established earlier, different trains warrant different track access charges. When the train operators look at what is available on the market and what they want to lease in the long term, I know, not from being in a ROSCO but from past experience, that they will factor in track access, fuel, passenger capacity and passenger comfort. From being in a ROSCO, I know which trains attract the highest track access charge because I have access to that information. We factor in such things when we price leases and so on.

Alex Johnstone: My very simple question is about the opportunity to change rolling stock. Will the next ScotRail franchise holder be able to secure new or additional rolling stock from the start of the franchise or will things just roll on?

Keith Howard: That forms part of the process in which we are involved. One of the reasons why the Department for Transport, in particular, has moved towards a longer-term franchise is not only to provide flexibility but to encourage some competition in our own dealings.

I will give some background to that. If a company is going into a five or seven-year franchise, the chances are that it will sign up its rolling stock for those five or seven years, because it is easy to do so. Some of the thinking at the moment is about what will happen when we have the longer franchises. The ScotRail franchise will be relet in 2014 and the franchise in Wales—I pick it for no reason other than that it is another UK franchise—will begin in 2018. The new Scottish franchisee might therefore decide to sign up rolling stock, or an element of it, until 2018 because it will know that, at that point, other rolling stock will become available, which will provide the opportunity to change the stock and have something different, or perhaps something extra. That is the type of market that we expect to develop with the new long-term franchises.

The franchisees will not necessarily sign up all their rolling stock for the full 15 years, as that would probably be unreasonable, although some rolling stock will be signed up for that period. For instance, if a brand-new fleet of trains has just been taken on for the Edinburgh to Glasgow route, the chances are that those will be kept for the 15 years. However, other stock might not be kept for that period. The franchisee might well want to

hedge its bets, for want of a better term, for the future in relation to type of rolling stock and cost.

Alex Johnstone: We have heard evidence from various people on the pros and cons of longer or shorter franchises. To clarify, are you suggesting that a longer franchise could give greater flexibility on rolling stock?

Keith Howard: I believe so.

Malcolm Brown: We anticipate that that will happen with the longer franchise. The fundamental point about flexibility in the rolling stock is that, to provide the same level of service, there has to be something to replace stock that is shed. With a 15-year franchise, the train operator will have greater opportunity to do that, and we bring into the equation the possibility of buying new trains. As I said, if it takes three years to build a new train and two years to buy it, the train will actually operate for only two years of the franchise. The longer-term franchise will provide greater opportunity to introduce new rolling stock. Also, the electrification in, say, the First Great Western area in England might mean that rolling stock becomes available two years into the franchise. The train operator might wish to discuss with us the possibility of taking that stock on lease when it becomes available through a future contract, as it were. We envisage a lot of that type of work coming up and a degree of flex within that. There will be a degree of competitive pressure on us, which is as it should be.

Alex Johnstone: Will the longer-term franchises create a greater opportunity for train operating companies to take a more proactive approach? Rather than waiting until they have to upgrade, they could upgrade earlier because they will have a bigger return.

Keith Howard: The longer franchises will certainly give companies the opportunity to plan for that. That is the main thing. Rather than saying, "This is the fleet that Scotland is going to have for ever," the franchisee will have the opportunity to plan. If it decides to keep rolling stock, the plan will be to enhance its life and do the engineering modifications. If the franchisee decides not to do that, it might decide to change a fleet, or part of it, at a certain point. In some ways, there will be a lot more work and a lot more to be considered when the new longer-term franchises are let. The process will not just be about the revenue for the 15 years; it will be about what rolling stock is needed, how the need will be satisfied and at what points the opportunity can be taken to change the stock or enhance it. I believe that the process will be somewhat more complex than the processes that we have been through before.

Malcolm Brown: We are talking about future franchises, but it is important to acknowledge that

ScotRail already leases trains from my company and from Porterbrook and Eversholt. I can say for a fact that we are in almost day-to-day contact with ScotRail to consider incremental changes that we can make to improve trains, working with Transport Scotland. It is not as though there is just a blip in the work when the franchise comes up; there is day-to-day discussion about what we can do and how a particular train is performing, almost down to individual carriages. The business between us is very intense.

Alex Johnstone: Keith Howard spoke earlier about the requirement to upgrade for 1 January 2020 and I got the impression that you are frustrated with train operating companies that are less than keen to get on with that process according to your schedule. If ScotRail had a five-year franchise rather than a 15-year franchise, how would that affect ScotRail's ambition to achieve your objectives?

Keith Howard: Yes, I am frustrated—I cannot hide that. ScotRail is my customer, but I must speak honestly and openly. I am not talking about ScotRail specifically, but if an existing franchise terminates before the deadline date of 2020, what incentive is there for the operator to do the work now? There is none, although there ought to be an incentive to make the trains more accessible to a wider public. Unfortunately, in a lot of cases it comes down to pounds, shillings and pence. I understand that. We have spoken to the Department for Transport and have said that the only way in which we will get the work done is if it engages with the train operators and agrees with them that they will do it now. I would say that to Transport Scotland as well. How we sort out the finance is a different matter—let us just talk about the principle of getting the work done.

If a five-year franchise is awarded, what incentive will there be on the franchisee to undertake that work? Zero. I promise you that, if it does not undertake that work, you will not get it done before 2020. We have modelled quite a few scenarios—I guess that our competitors have done the same—and we have asked what will happen if we are not allowed to do the work until the very latest opportunity. There will be a compression in the timescale, as we do not believe that the 2020 deadline will move. There could be a derogation but, at the moment, we cannot plan to fail, so we plan to meet that deadline. We have considered when would be the best opportunity to do the work, and that would be when the equipment is off, having its normal eight-yearly or whatever overhaul. Even if we can do the work then, however, we believe that there is the potential for up to 2,000 pieces of equipment not to be made compliant.

The other factor is cost. The sooner the work is done, the cheaper it will be. Let us be fair. If the people who undertake that work, of which there are a couple here—we have work going on through Springburn and there are other places such as Kirkintilloch—have to wait and wait to get the work as the timescale gets compressed, they will not charge you less. They will have had to go through the famine period and that will be the time of feast. Let us take the work on now—we need to take it on.

Malcolm Brown: I concur with everything that Keith Howard has said. The frustration is that the solution is blindingly obvious. If we assume that the deadline will not change and that we cannot plan to fail, we could set out contracts now at 2012 prices, not at 2019 prices when we have a gun to our head. I could sit down with Springburn or Brush Barclay in Kilmarnock and say, "Here is a phase of work that could go on for eight years." We could start to buy the components and bits of kit that we would need now, and we would cooperate so that Keith Howard would not buy one piece of kit while I bought another. We would try to get commonality to reduce the costs.

I see very few downsides to that; the problem is the perversity of the situation. It is not about ScotRail or a franchisee being difficult; it is about the situation in which they find themselves whereby there is no incentive whatever for them to undertake the work. Taking your scenario of a five-year ScotRail franchise that will finish in 2019, unless you specifically say that there is an onus on the operators to do that work, for which they will want recompense, it will not happen. We cannot force them to do it, unfortunately.

The Convener: "Rail 2014" sets out a number of options for the Caledonian sleeper, including the complete withdrawal of services and services not going north of Glasgow and Edinburgh. The UK Government decided to pitch in £50 million, which was match-funded by the Scottish Government. Was that required figure of £100 million plucked out of the air? Where did it come from? Is it more than enough? It has been suggested that such a sum would provide something like the Orient Express. Can we have your views on that?

11:15

Keith Howard: I can assure you that we did not pluck the number out of the air. If you would like the Orient Express, I am sure that we could satisfy your need.

Adam Ingram: Does either of your companies own the Orient Express?

Keith Howard: We do not, and I do not think that Mr Brown's company does.

Malcolm Brown: We do not. However, I declare a vested interest, because I will be on the sleeper next week. I am taking note of everything that Mr Howard says.

Keith Howard: Obviously, it is not up to us to have a view on whether the sleeper services should operate—that is not our objective. Porterbrook owns the sleeper coaches that operate on the service, of which there are currently 53, as you know. It depends on the service requirement. I think that the coaches have been around now since 1985 and a fair level of money has been spent to make them compliant with disability requirements. They certainly have such facilities.

The question is where we go from here. We have worked on a lot of schemes on the sleeper coaches to give the opportunity for the franchisee—we have shared this with Transport Scotland—to consider upgrading the service. We have considered changing the berths to en suite berths, which would reduce the number of berths. We have also looked at putting in airline-style fold-flat beds as in, for example, a British Airways business-class flight. We could therefore finish up with first-class en suite berths and business-class fold-flat ones. We have also considered a reclining type of bed that could be put in other coaches. The result would be airline-style sleepers, if you like. Correct me if I am wrong, but I think that we are competing against airlines in this service as opposed to another train operator.

The question is how far we want to go. All the schemes are doable, but at a price. If it was £100 million, I promise you that we could do it. It would be far more expensive to change the coaches for new and different types of coaches. However, to buy only 50-ish of a specific type of coach that is not to a UK loading gauge or envelope, if you like, would probably cost even more. We have the ability to meet the need, but we need to know what it is.

The Convener: So the idea of spending £100 million in the way that you described has not been discussed with you.

Keith Howard: No. Certainly, the Chancellor of the Exchequer does not phone me up and ask me whether I think that that is a good idea.

The Convener: It has been suggested that the Caledonian sleeper should be a separate franchise. What effect, if any, would that have on your companies?

Keith Howard: It would have no effect on us. We would lease our trains to whoever the operator was, whether it be the franchisee, a micro-franchise or something else. That is not an issue for us.

Malcolm Brown: Speaking from a ROSCO point of view, we would lease it as Keith Howard indicated. However, speaking from an industry perspective, the fewer interfaces you have, the fewer lawyers and contracts you have and—with all due respect to lawyers—the lower the cost. You made a point earlier, convener, about the number of people employed at a station and who passengers might go to, and I urge you to bear in mind my point when considering that. Interfaces in any form of industry tend to cost money.

David Simpson: Network Rail is used to working with a number of different operators. However, what the sleeper does currently and what it will do in the future is limit our ability to deliver maintenance most efficiently, because of the times that it runs. For example, we give up the Edinburgh and Glasgow track for maintenance to run the sleeper at half past 4, which means that there is less time to get out and maintain and use staff efficiently on that route. That is the case across Scotland where the sleeper runs and on the west coast main line to and from England. Looking at the whole pattern of the sleeper service could provide some of the efficiencies that we spoke about earlier.

The Convener: Is there currently discussion on that with the Scottish Government or others?

David Simpson: No. We referred to the issue in our response to the consultation but, so far, there have been no substantive discussions on it.

Aileen McLeod: We know that travelling by rail is generally more environmentally friendly. The “Rail 2014” consultation seeks views on how the rail service can reduce its environmental impact through carbon and waste reduction and improved sustainability across the industry.

I am conscious that Malcolm Brown mentioned what Angel Trains has done in that regard by making existing trains more fuel efficient and by developing regenerative braking. The submission from Angel Trains says how proud the company is of its Pendolino trains and the part that they have played in reducing the number of people who fly between London and Manchester. Malcolm Brown mentioned that Pendolinos are being trialled up to Glasgow.

What more can be done to improve the environmental performance of rail infrastructure and rolling stock? That is probably a question for David Simpson and Keith Howard, but if Malcolm Brown would like to add anything, he should feel free to do so.

David Simpson: I will kick off. The first thing that we can do is to get more people and more freight on to rail. Moving people and freight by rail rather than by other modes of transport has

environmental benefits. Rail's environmental credentials are quite well established.

In recent years, Network Rail's focus has been on what we do with our redundant material. The volume of renewal and enhancement work that goes on across the network means that there is a lot of track, sleepers and ballast coming out of the network, which we used to, in effect, throw away. In recent years, we have invested heavily in our ability to recycle rail, sleepers and ballast. That drives efficiencies, because we can cascade rails off main lines on to less busy lines, which improves their maintainability and avoids our having to buy new rail. A large part of our environmental policy has been aimed at reuse, recycling and, when we cannot reuse or recycle, disposing of materials carefully.

In addition, we work with train operators at stations with regard to waste off trains. Glasgow Central has the biggest proportion of waste that is recycled of any of our managed stations. We put a lot of energy into that. I know that our train operators are busy looking at driving policy to ensure that drivers drive the trains in the most environmentally acceptable way. Drivers are being given additional tools and techniques that they can use on the trains to help them to do that. All that helps to improve the environmental credentials of rail as a mode of transport.

Keith Howard: As a company, we have an environmental policy that we adhere to strictly. When we purchase new trains, we ensure that a certain proportion of the product that we buy is recyclable, and we adhere to that.

We have done a lot of work on reducing the carbon footprint of our rolling stock. We own a proportion of the HSTs. As Malcolm Brown said, all their engines have been changed. As I mentioned earlier, we are trialling a new gearbox that will offer environmental benefits. We have trialled a new engine on some of the ScotRail class 170s. It did not deliver what we wanted, but we trialled it. We are doing some trials on biofuels. That process will continue.

Electrification will provide one of the biggest benefits. That is the way to reduce the carbon footprint of rail not only in Scotland but in the whole of the British Isles. That is the direction in which we need to go. We have a policy of being somewhat wary of buying more diesel trains. It is not a no, but we ask whether it is realistic to imagine a diesel train operating in 30 or 35 years' time or whether we should look at some form of energy-recovery system.

As Malcolm Brown mentioned, we are going ahead with regenerative braking. We have talked to people about supercapacitors and other forms of hybrid drives. We have bought a couple of small

units from Parry People Movers, which are being operated around Birmingham. They have a very low carbon footprint—they operate off a flywheel as opposed to another type of drive system. We are doing all that work because, at the end of the day, we are part of the railway and we are people who live in this country, so we want the same things.

Malcolm Brown: The majority of the time, the steps that are seen as environmental in the infrastructure arena have real economic benefits. The view that environmentally friendly measures such as regenerative braking and MTU engines have to cost money is rather misplaced. For example, the Pendolinos that are used on the west coast line—they could also be used on the east coast—are phenomenal because they have the technology to track the amount of electricity they are using and the amount that they are pushing back. As a result, instead of being required to put in place infrastructure that has to cope with the highest levels in all places at all times, Network Rail knows where the peaks are and can plan accordingly. Such an approach has significant economic benefits and can reduce the overall cost of the railway.

Keith Howard: I think that we have come full circle to the initial question about the different types of trains in operation. If we reduce that right down, we will reduce the total number of trains required because there will be far more flexibility. If you go in at the top end, you need far more trains. Everything works together.

The Convener: How many different types of train run in Scotland?

Malcolm Brown: We have three.

Keith Howard: We, too, have three.

Malcolm Brown: And I think that Eversholt has four, which makes about 10 in total. We will be able to get you that information.

The Convener: How many could that be reduced to? Six?

Malcolm Brown: We talk eloquently about trains and assets but, at the end of the day, this is all about carrying people. Without seeking to split the atom, I think that you would need an interurban crowd-buster, an interurban train and perhaps an intercity train. You would not need a specific type of train for, say, the Fife circle.

Graeme Pearson: Don't ask Fifers about that.

Malcolm Brown: Having lived in Fife, I felt that I was on reasonably solid ground with that comment. [*Laughter.*]

The Convener: As members have no more questions, I thank our three witnesses for their interesting and helpful evidence.

11:27

Meeting suspended.

11:32

On resuming—

Public Body Consent Memorandums

British Waterways Board (Transfer of Functions) Order 2012 [Draft]

Inland Waterways Advisory Council (Abolition) Order 2012 [Draft]

The Convener: Under agenda item 3, the committee is invited to consider Scottish Government memorandums in relation to two draft UK Government orders to which the Scottish Parliament has been asked to give consent under the Public Bodies Act 2011. The Parliament's consent is required because the public bodies in question operate in both reserved and devolved areas. The Scottish Government has provided the Scottish Parliament with a public body consent memorandum for each order.

The Parliamentary Bureau has agreed an interim arrangement for parliamentary scrutiny of such orders, with a view to the Standards, Procedures and Public Appointments Committee considering the procedure that will apply in the longer term. Under the arrangement, the lead committee considers the order in question and reports its findings to the Parliament, after which the Parliament's view will be sought by way of motions in the chamber. I refer members to the cover note and memorandums in paper 3.

The British Waterways (Transfer of Functions) Order 2012 seeks to transfer the functions of the British Waterways Board in relation to England and Wales to a new waterways charity and to ensure that the board continues in existence as a Scottish public body. It is understood that, although in Scotland the board will continue to be called the British Waterways Board for legal purposes, it will for most purposes operate under the name Scottish Canals. Scottish ministers considered options for the board's Scottish functions but concluded that the management of Scotland's inland waterways should remain the responsibility of a public body.

The Inland Waterways Advisory Council (Abolition) Order 2012 seeks to abolish the advisory council across the whole of the UK and to make a number of associated consequential amendments, repeals and revocations. As detailed in paper 3, the Scottish Government agrees that

the advisory council's functions should be abolished in so far as they relate to Scotland.

Do members have any comments?

Malcolm Chisholm: I do not think that this is a controversial measure, convener.

The Convener: In that case, does the committee agree to recommend to Parliament that the draft motions in relation to these orders be approved?

Members *indicated agreement.*

The Convener: As agreed under agenda item 1, we will now move into private.

11:35

Meeting continued in private until 11:58.

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