

## **Economic Equilibrium Test requests received in relation to a proposed open access service**

Proposal: [Grand Union Trains London – Cardiff service](#)

Date of notification: 27 March 2019

The Economic Equilibrium Test was requested by the following relevant parties:

- [Department for Transport, in regard to the Great Western rail franchise, on 25 April 2019.](#)
- [Keolis Amey Operations / Gweithrediadau Keolis Amey Limited, in regard to its Grant Agreement with the Welsh Government, on 26 April 2019.](#)

## **Economic Equilibrium Test request from the Department for Transport in regard to the Great Western rail franchise**

Thank you for your previous e-mail. I can now provide the information you require. Please treat this e-mail as a formal request for the application of the Economic Equilibrium Test.

The requesting entity is the Department for Transport, in its capacity as franchising authority (competent authority in respect of the terms of the guidance). The Department for Transport's address is:

33 Horseferry Road  
London  
SW1P 4DR

I can confirm that I will be the person responsible for queries. My contact details are as follows:

[Redacted]

As per my earlier e-mail, while the information available at this point is clearly only very high-level, it is our strong view that the proposed service would have a significant impact upon the economic equilibrium of one or more of Government's rail franchises – chiefly upon the Great Western rail franchise. Our grounds for this are set out below, albeit only at a high level for the present time, reflecting the limited detail available on the specifics of the application.

- 1) The proposed service would only serve stations which are already served by the Great Western franchise. Of the proposed stations, only Severn Tunnel Junction does not, at present, have a direct service to London Paddington. We therefore consider it highly likely that the service will abstract considerable revenue from franchised services on key intercity flows, particularly London-Bristol and London-Cardiff.
- 2) The proposed service could give rise to significant performance issues on the line, arising not just from capacity constraints, but also from the use of Class 91 locomotives and 9 car sets with relatively poor acceleration characteristics compared to the wider proposed fleet-mix on the line. We consider that any decline in performance on the line as a result of the proposed service could have consequent implications for the revenue and economic stability of franchised services.

We have also, on the basis of the limited information available at present, identified a number of further potential concerns relating to the proposed service. However, we recognise that the current question of whether the Economic Equilibrium Test should be applied to the application represents only the first step in a wider consideration and decision-making process around the application. We believe that the grounds set out above represent sufficient evidence on this particular question and would welcome further engagement with you on this application in due course.

As stated above, our request is made in relation to the Great Western franchise. It is possible there may be further implications for other franchises, but on the basis of the information currently available regarding the proposed service, this is more difficult to identify at present. A copy of the public register copy of the Great Western franchise agreement is attached. Supporting documents relating to service level commitments are available online at

<https://www.gov.uk/government/publications/first-great-western>

*Department for Transport, 25 April 2019*

## **Keolis Amey Operations / Gweithrediadau Keolis Amey Limited, in regard to its Grant Agreement with the Welsh Government**

This is KA's response to ORR's email of 27 March notifying parties of a proposed open access service, Grand Union, that may be subject to the Economic Equilibrium Test ("EET").

KA requests that ORR carries out the EET on this proposal as we believe that the economic equilibrium of our Public Service Contract with Welsh Government (the Grant Agreement) risks being compromised. There will be operational impacts that have the potential to affect the cost base in accordance with the Grant Agreement. We have set out these concerns in this paper. We can provide the Grant Agreement on request.

### **Contact details**

Keolis Amey Operations / Gweithrediadau Keolis Amey Limited ("KA"). Company number 11389531.

Chris Dellard  
Network Access Strategy Manager  
Keolis Amey Operations Limited  
St Mary's House  
47 Penarth Road  
Cardiff  
CF10 5DJ

### **Potential operational impacts**

#### Performance

GWR's London to Paddington services caused us 891 delay minutes, and 2 cancellations, East of Cardiff last year. Extrapolating from this we can expect an additional 450 Network Rail delay minutes for each additional train per hour, as a minimum.

We could also see additional performance impacts due to:

- Performance being worse than IET sets
- Additional stop at Severn Tunnel Jn
- Turnaround cleaning at Cardiff Central
- Shunting moves (cannot walk through a Cl.91 or a 10 car IET so need to come into Pt 1,2 or shunt via brickyard)
- Crowding on local services west of Cardiff should heavily discounted tickets encourage passengers to split their journey rather than take GWR service to Swansea

- Interaction with more trains in future timetables which could worsen performance on proposed additional services (see under Timetable below)
- Customer service and operational issues if Journey Planners encourage more passengers to change trains at Severn Tunnel Junction station, which has minimal facilities.

### Timetable

A new hourly service will create potential conflicts depending on the exact paths that Grand Union bids for. The key changes to the timetable on the South Wales Main Line (including both committed proposals and aspirations) are listed below.

- *Dec 2020*
  - GWR's higher frequency London-South Wales service starts in Dec 19 (a 3<sup>rd</sup> hourly train in the peaks).
- *Future*
  - Ebbw half-hourly (May 2021, to/from Newport)
  - Cardiff-Liverpool new service
  - New stations between Cardiff and Severn Tunnel Junction (Cardiff East Parkway, Llanwern, Magor etc)

### Cardiff Central station working

There will be one additional passenger arrival and one additional passenger departure per hour, with an unknown platform occupation time. This could put platform capacity at risk. It could require additional station staff to dispatch trains.

There may also be additional shunts to/from the Brickyard (as the only electrified turnback facility).

A review of station staffing and overall capacity of Cardiff Central would need to be carried out to identify and mitigate Safety and Performance risks.

### Contingency planning

Additional services will require more difficult decisions to be made when Network Rail negotiates contingency arrangements between operators, and also amended timetables in the event of planned disruption. KA could be disadvantaged.

Recovery options for coupling to a Class 91 locomotive might be limited and so could import risk.

### Canton depot

It should be noted that Grand Union would not be able to make use of Canton unless/until Canton is electrified.