

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

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

Date of notification: 10 July 2019

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

- [Keolis Amey Operations / Gweithrediadau Keolis Amey Limited, on 9 August 2019.](#)
- [Department for Transport, on 31 July 2019.](#)

Economic Equilibrium Test request from Keolis Amey Operations / Gweithrediadau Keolis Amey Limited

This is KA's response to ORR's email of 10 July notifying parties of a proposed open access service, Grand Union Trains, 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 have provided the Grant Agreement.

Contact details

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

[Redacted]

Revenue impact

Initial analysis shows a substantial likely revenue impact on KA. This is likely to be due to passengers transferring from KA services to GUT services at stations between Llanelli and Cardiff.

Operational impact

Performance

Initial service to Cardiff

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
- 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)
- Interaction with more trains in future timetables which could worsen performance on proposed additional services (see under Timetable below)

Extensions to Llanelli

The London to Cardiff summary still applies. Extensions to Llanelli would accrue an approximate additional delay of 12.6 minutes per period (164 minutes annually) and 1 cancellation per period (13 cancellations annually).

This is based on the impact within the South, West and Central Wales group (HL02). This Service Group is closely interlinked with the Marches service starting at Cardiff (many trains are through services) and so a subsequent reactionary effect would be expected within this group.

Capacity and Timetabling

A new 2-hourly/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 3rd 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

Station working

At Cardiff Central there will be one additional passenger arrival and one additional passenger departure every two hours, with an unknown platform occupation time. This would increase to two additional passenger arrivals and two additional passenger departures per hour with extensions to Llanelli.

Cardiff terminators would likely need to shunt. 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.

At Swansea similar issues would apply with two additional passenger arrivals and two additional passenger departures per hour.

Canton depot

It should be noted that Grand Union would not be able to make use of Canton while it is using Class 91-hauled trainsets, unless/until Canton is electrified. Landore depot could be an option.

Keolis Amey Operations / Gweithrediadau Keolis Amey Limited, 9 August 2019

Economic Equilibrium Test request from Department for Transport

Thank you for this notification. We have reviewed the information supplied carefully. As the application is broadly the same as before (noting the extra stops intended in Wales) the reason we wish to request the EET is much the same.

While the information available at this point is clearly only very high-level, it is still 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. 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 and Gowerton do 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-South Wales.
- 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, 31 July 2019