Minutes

transportfocus

Jan 16 BM A 02.0

Board meeting

Date: Thursday 12 November 2015
Location: Jurys Inn, Newcastle, NE1 4AD
Time: 10.02– 12.29

Present

Board Members

Jeff Halliwell (Chair)	JH
Dr Stuart Burgess CBE	SB
Marian Lauder MBE	ML
Bob Linnard	BL
Isabel Liu	IL
Stephen Locke	SL
Theo de Pencier	TdP
Diane McCrea	DM

Executive in attendance

Anthony Smith	AS	Chief Executive
Mike Hewitson	MH	Head of Policy and Issues
David Sidebottom	DS	Passenger Director
Ian Wright	IW	Head of Research
Guy Dangerfield	GD	Road User Director
Sara Nelson	SN	Head of Communications
Michelle Calvert	MC	Business Services Executive

Guest Speakers

David Horne	DH	Managing Director, Virgin Trains East Coast

Minutes

Part A: Preliminary

1.0 Chair's opening remarks; apologies

Apologies were received from Philip Mendelsohn and Paul Rowen.

2.0 Minutes of the previous meeting

There were no comments on accuracy.

The Board **approved** the minutes and **authorised** the Chair to sign them.

3.0 Board action matrix

Item	Date	Issue	Action	Owner	Due	Status
BM 249	13/11/14	NRPS retender	Produce deliverable programme for successful retendering in one year's time.	IW	Nov 2015	**This would be covered later in the meeting.** **Ongoing**
BM 250	12/02/15	Passenger satisfaction with Passenger Focus	The Passenger Contact Group should review the 70% satisfaction target, and report back its findings to the Board.	ML	Nov 2015	**The Board agreed to extend the KPI target of 70% and review it again in one year.** **Complete. Delete.**
BM 251	12/02/15	Board Membership Code	Update the Board Membership Code to further take into account potential conflicts of interest in relation to our additional remit	JC	Nov 2015	**The due date was 16 February 2016. The Alternative Dispute Resolution had launched in October. ABR bodies were required to be impartial but Transport Focus was not. It would need to expand its scope to cater for this.** **Ongoing**

4.0 Chairman's report

JH noted that stakeholder meetings were ongoing. He and AS had recently met with shadow Ministers and ORR and would meet with Department for Transport (DfT) Ministers again soon. The results of the comprehensive spending review were due at the end of November 2015 and were likely to result in a reduction in funding.

AS added that he had also met with representatives of the SNP and the Liberal Democrats. Further Scottish devolution was likely to include consumer protection powers but it was understood that the Scottish Government were satisfied with the current arrangements in respect of public transport users.

Part B: Public Affairs

1.0 David Horne, Managing Director, Virgin Trains East Coast (VTEC)

DH thanked everybody for the opportunity to speak before the Board of Transport Focus. He would talk about what VTEC had been doing since its launch in March. Virgin Trains East Coast was a consortium of Stagecoach and Virgin who owned 90% and 10% respectively. Virgin had licenced its brand to the franchise for revenue purposes and to introduce a customer focus. The most visible change was livery which had so far covered 45 trains.

A key part of customer's experience was staffing. Three weeks ago VTEC had launched its 'Red Hot Look' uniform. The franchise employed 3,000 people across the network, from all over the UK. This uniform helped signify a change in their way of thinking.

The business had been successful prior to takeover. Customer expectations had increased further with the application of the Virgin brand. Therefore, it was trying to focus more on individuals, and was thinking about innovation and technology. While motivations for this were customer-based, they were also guided by prescriptive contractual obligations. It was investing £140 million, while the Government was investing roughly £3 billion in new trains as part of the intercity express program, and £1 billion in infrastructure.

To improve the franchise, VTEC were going to increase their fleet from 45 to 65 trains in 2018, expanding the services it provided by service frequency and destinations served, particularly London to Middlesbrough and to Huddersfield. DH said emphasis would be placed on the level of customer input into the intercity express program, assisted by research from Transport Focus. The service between Newcastle and London was going to increase from 32 services a day to 45. Journey duration was going to be reduced. Edinburgh to London would take four hours, and London to Leeds would take two hours. Newcastle would have a non-stop service to London. The new trains would have a 50% increase in capacity. The Anglo-Scottish route was operating at 96% capacity on Sundays, which inevitably had the capacity to compromise the customer experience.

VTEC was committed to paying £3.3 billion to the government. It had won the franchise on the basis of agreeing to make such payments to the Government. It was thus a big franchise in terms of both premium payments and quality outcomes.

Over the first 8 months it had rebranded most of its fleet. It was going to rebrand for Christmas 2015 with a design by an eight-year-old schoolgirl, which had been a great piece of public involvement. It was spending £21 million on existing trains. The fleet was going to be withdrawn within the next four years, but as it had not been refurbished in 13 years it was still worth improving in the interim. The franchise had reduced some fares, the cost of which had been more than compensated for by the increase in sales. Fares would be frozen in January.

2,400 staff had gone through the first phase of a customer service training program. 1,600 iPhones had been distributed to help staff keep ahead of customers in terms of train service information. The franchise had also established a contact centre in Newcastle for the east coast. This had previously been outsourced and had been the source of many complaints.

The franchise had achieved good results. It had achieved 94% in the NRPS, and was the best performing train-operating company (TOC) in a survey by the Institute of Customer Service.

It had started making changes to its catering, having introduced prosecco and launching its own, locally sourced ale in October called ‘Hop on Board’.

In terms of train services, an additional Leeds-London service had been launched in October; in December a direct service between Sunderland and London would commence; and a Stirling-London service to supplement the Inverness service. Next May four London-Newcastle services would be extended to Edinburgh. This was a great opportunity to compete with other modes of travel, such as air travel. 65 new trains would be brought into service in 2018. These would increase capacity by 50%, as well as uplifting frequency and improving journey times.

Regarding the North East, 13.2 million journeys began or finished in the North East. The franchise’s revenues from the North East totalled £291 million. Increasing these services should drive up economic benefits in the area. Fares were key to the passengers’ experience.

One key difference of VTEC was the Innovation Fund. 1% of the franchise’s turnover would be put into the fund, which would total £21 million by the end of the third year. The franchise would work with staff, customers, stakeholders and DfT to develop an improvement plan to work on. It was focusing on four categories: carbon reduction, capacity, cost reduction, and improving the customer experience. Projects included wireless chargers in stations for customers and anaerobic digestion of food waste to generate energy.

The franchisee had some thoughts on improving rail franchising strategy. It had put in a response to the CMA’s consultation on rail competition. It had entered into its current franchise contract for eight years, but believed the industry could benefit from being restructured. Competition in the sector could be boosted through licencing rather than franchising. The current system was not optimal for customers or taxpayers. VTEC generated significant premiums for the government, but equally open access operators were able to make huge profit margins because they did not have to pay significant fixed costs. It was not a level playing field and that was detrimental to competition. VTEC also faced a significant amount of competition from other modes of transport.

JH thanked DH for his presentation and asked DH what his franchise was doing about his direct competitors prior to the fleet overhaul in 2018. DH noted that the East Coast franchise had been running on a short-term planning horizon for over 10 years. Open access operators had worked there successfully since. There was now an opportunity to shift from this short-term approach to a medium term perspective to develop the business, invest more in customer service, modernise the fleet, and improve Wi-Fi. Keeping up with the competition would benefit the customer.

BL asked how VTEC drew up its franchise bid and the extent to which it used published or its own research. DH said that this needed to be improved, especially in terms of franchise agreement structures. DH had not been involved in the bid of this franchise. It had drawn on the NRPS and where possible did its own research to inform bids. Franchises were becoming longer and more prescriptive which might not be the best approach as it detracted from the customer focus. It had started using a net promoter score concept, launched in August, whereby customer satisfaction surveys were sent out to thousands of customers daily. This would help compare services in different places, at different times, and with different staff. It was generating huge feedback that was already being used. That ought to drive franchises. BL inferred that it lined up with the NRPS. DH confirmed this, and added that the net promotor score provided more data on a more continuous and more specific basis.

SL asked whether DH wanted to end the open access model entirely despite its high performance in terms of customer satisfaction and the extra competition it provided. DH said that the current framework needed to change. One open access application being considered by the ORR was a proposal by Alliance to operate hourly services between Edinburgh and London, and it would do so without paying any fixed track access charges or any premiums to the government. It would generate a profit of £100 million a year, nearly five times the profit VTEC would generate from that franchise. The franchise strongly believed in competition but there needs to be a level playing field.

TdP asked DH to expand on his point regarding improvement plans, what they entailed and how passenger involvement would be increased. DH said that, for example, the following week VTEC was co-sponsoring a hackathon. IT developers would be given data and asked how the franchise could be improve. One focus would be how to keep track of disabled customers in times of disruption, because when they did not travel on the transport they had booked it was difficult to maintain the necessary service for them. Other opportunities were generated through interacting with passengers through meeting the manager events, surveys, and approaching dissatisfied customers for their feedback.

IL asked about the extent to which the lessons learnt from DH's experience on the west coast was informing development on the east coast and vice versa. DH said that different companies operated on each coast. There was a Chinese wall between the companies regarding flows on direct competition. They did draw expertise about innovations to drive customer experience from each other. There was a significant investment in technology. Ticket-selling technology was going to be changed on the east coast, informed by experience on the west coast. It was enthusing teams that had similar goals in each company. The west coast had just introduced automatic delay repay which could be adopted on the east if it went well.

SB asked firstly what had informed the franchise's decision to develop a Middlesbrough-London service, secondly for DH to expand upon the franchise's hopes to introduce free Wi-Fi to standard class, and thirdly, whether there were any plans to restrict access to railcard owners on certain trains as had happened on the west coast. DH said that firstly, the decision to develop a Middlesbrough-London service had been based on customer feedback and on market analysis. Secondly, in terms of Wi-Fi, the franchise had the best Wi-Fi equipment available. Its weakness was the external signal to the train. It would not currently be able to cope with the usage levels that would come with opening access to standard class. Thirdly, there were no plans to implement railcard restrictions, as had been the case on west coast.

ML noted that DH had said that a reduction in prices had increased sales, so asked why the franchise did not plan to reduce prices further. DH said it was evaluating the results of that reduction and would consider a further price reduction in light of that.

KW noted that on board Wi-Fi had been a problem for a long time, and asked what was being done to improve it. DH said that Network Rail had a project looking into this, but the franchise needed to do its own research. It was engaging with the mobile industry and other organisations in the rail sector, and was reviewing solutions found elsewhere.

JH asked if the choice to use the brand of the 10% partner, Virgin, said anything about the Stagecoach brand. DH said that it said something about Stagecoach's philosophy. It often used other names, such as Megabus or the Oxford Tube. It was accustomed to operating under different names, partially to mitigate brand risk. Therefore it seemed like the natural approach for this franchise. JH thanked DH for his informative and candid talk.

Part C: Workplan report

1.1 Workplan 2015/2015

Objective 1.1 – Bus Punctuality Project. DS had conducted research in summer and had had a review meeting in September looking at successes and support for traffic commissioners, which could be replicated around the industry. Repeat offers had been received for next year. DM said that this was the only red area for Wales. Newcastle should be included in benchmarking. DS had approached Nexus to include it in the Tram Passenger Survey, but it was not a perfect fit. This was ongoing.

Objective 1.2 – Identify road users' priorities to improve their experiences. GD said this was green because it was essentially done; it just needed to be signed off. The top priority was improving the quality of the user experience.

Objective 2.1 – strengthen passenger voice in rail franchise replacement and monitoring. This objective was being exceeded as the research conducted in the South West and with CrossCountry had not been envisaged at the start of the year. Transport Focus still had very good access to DfT and it would likely maintain involvement in the big reviews. SL said that London Travel Watch had had a meeting about contributing to the franchises affecting the London area. Transport Focus should remember London Travel Watch's interest particularly in the South West, which could be problematic regarding devolution and TfL concessions. AS noted that a lot of work was coming from DfT, which was good but a strain on resources.

Objective 2.6 – ensure devolution focuses on improving things that matter to users. SL noted a reference to helping the Welsh Conservatives, and asked whether help was being offered to any of the other political parties throughout Wales and Scotland. DM noted that the Welsh Conservatives had approached Transport Focus, and afterwards the help they had given had been sent to everyone. SL noted that London Travelwatch was adopting the same approach in respect of the London mayoral candidates.

Objective 3.1 – boost the voice of bus passengers reaching 50,000 passengers via the Bus Passenger Survey. There was some concern over the likelihood that this will fall short of target. DS said fieldwork was being extended by a week to reach targets. There had been a boost in funding from bus operators. Results would be available in January, reviewed in February and there would be a public briefing in March. The paper response rate was higher than the electronic response rate, which was disappointing. The survey needed to be better adapted for electronic use. DS said that the Bus Passenger Survey was on the agenda for discussion in Wales next year. It should have full coverage of Scotland for 2016/2017.

Objective 3.2 – enhance usefulness and value for money of the NRPS. IW said that they had recently completed a consultation on proposed changes to the NRPS. This was being processed and findings would be published by the end of the year. It would review changes to methodology including social media monitoring and tracking through an app. It had been well received.

Objective 3.3 –promote the voice of road users. IW said he had appointed an agency to carry out piloting work on the Road User Satisfaction Survey (RUSS), who was developing new materials and a questionnaire to encourage participation. This should be piloted in the new year. They intended to use the DVLA database as a source. This needed to be transferred to an electronic platform and reviewed by the Board.

Objective 4.1 – handle cases where companies and passengers were deadlocked following a complaint. DS said it was on track. It had maintained its 70% target in October, despite a change of personnel. He was pleased with the team's performance.

Objective 5.1 – accessibility issues. IL said this had not been updated but Association of Train Operating Companies (ATOC) had had their Autumn Forum. They had heard from the RSSB about their research on the use of mobility scooters on rail. Use was widespread and varied. Consistency on the rules around them needed to be established. ATOC had spoken about their research on the effectiveness of their Passenger Assist. Finally, DfT was initiating a review of bus driver training standards, and possibly taxi driver training, and IL was planning to get involved.

Mental illness was included in the 2014 Passenger Assist survey and there was some awareness in the NRPS. TfL was focusing on mental illness provisions. This was challenging. AS said he had met the Disabled Persons' Transport Advisory Committee who had not thought about disability in motorists. Transport Focus was building this into their work. IL added that she had reached out to the Disabled Motorists Group who would participate in their next Accessibility Forum. TdP noted that training in this area for ambulance staff had been developed, which could be used by bus and train companies.

1.2 Finance Report

AS stated that Transport Focus was on target in all respects. GD said that DfT was aware of the required funding in 2016/17 to deliver the existing RUSS. It should not be a problem, but DfT would not confirm until after its spending review. AS noted that because of the additional work with DfT in London's southeast quadrant, which had taken funds from elsewhere, the budget was now at zero in terms of unallocated funds.

Part D: Corporate Affairs

1.0 To receive and endorse draft Version 3 minutes of meetings:

1.1 Audit and Risk Assurance Committee (15 October 2015)

ML said that this year's core control audit was focusing on pensions arrangements and results would be out by year-end. Core and non-core funding issues should be differentiated and each should have a different sign-off process. ML proposed that core business should remain at a £75,000 delegation, and all non-core activities should go to Board, with a clear recommendation from the Management Team. **Noted**.

2.0 For noting by the Board:

2.1 ARAC half yearly risk report

ML said the Committee would develop a risk around the 2015 spending review. This would be reviewed by the Board. The pressure of work and the spending review would impact on Transport Focus's ability to progress its programmed and routine work. It was both a financial and a staff resourcing issue. BL noted that the risk was essentially to deliver on its statutory obligations. **Noted**.

3.0 Competition and Markets Authority

MH said that the response had been sent through to CMA which had reviewed price, choice, and quality. It considered potential risks to other passenger benefits and ways of maintaining network coverage and the industry-wide information policy in cutthroat competition. It had focused on consumer-end outputs, and forms of open access operators. This had not been a one-off meeting but the initial stage of an ongoing project.

SL said that commuter services needed to be ring fenced from these analyses, as the issues that arose from them tended to be very different. In a more competitive environment regulation could play a different role.

TdP said that open access operators were making 70% profit margins. That needed to be regulated to prevent them from freeriding. AS noted that some open market solutions were not fit for purpose.

4.0 For approval by the Board:

4.1 Management Team terms of reference V5

AS turned to 2.13 and noted the current delegated authority's remit should remain at a cap of £75,000 but all additional work should have to be referred to the Board. The wording of this change would be further revised. This was **agreed**. ML asked why, as noted in item 4.2, the minutes would take so long to be published. MC noted that it would be published internally sooner, but making it public would be delayed to allow for sensitive information. TdP noted that point five seemed a bit vague. IL noted that in 2.14, 'Audit Committee' should be 'Audit and Risk Assurance Committee".

4.2 Board reserve powers V7

The changes were **agreed**.

4.3 Passenger Contact Group terms of reference

Due to the loss of Paul Salveson as Board member of Transport Focus and committee member of the Passenger Contact Group, ML said that it had been proposed that she should take the Chair position and SB should become the third member. **This was agreed.** Point 2.7 was a new inclusion in the terms of reference. IL asked whether it needed to be so specific to ORR. This was **agreed** but would remain under consideration.

5.0 Private session resolution

The Board resolved that, pursuant to the provisions of the Railways Act 2005, Schedule 5, Part 6 members of the public shall be excluded from the meeting for the discussion set out below having regard to the confidential nature of the business to be transacted:

"The discussion is commercially confidential: the affairs of an individual or organisations will be disclosed, and such disclosure may 'seriously and prejudicially' affect their interests."

Proposed by: Theo De Pencier

Seconded by: Stephen Locke

The Chairman countersigned the resolution.

The public were excluded from the discussion until the end of the meeting.

Signed as a true and accurate record of the meeting:

____________________________________ ____________________

Jeff Halliwell
Chair, Transport Focus

Date