



September 2013

Enterprise and Business Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Dear Sir

WALES AND BORDER FRANCHISE

The CBI welcomes this opportunity to respond to the committee inquiry into the future of the Wales and Borders franchise.

The CBI is the UK's premier business organisation, providing a voice for businesses on a national and international level. We speak for more than 240,000 companies of every size, including many in the FTSE 100 and FTSE 350, mid-caps, SMEs, micro businesses, private and family owned businesses, start-ups and trade associations. We represent every sector, including construction, homebuilders, surveyors, agriculture, automotive, aerospace and defence, creative and communications, financial services, IT and e-business, management consultancy, manufacturing, professional services, retail, transport, tourism and utilities. In Wales we represent the country's biggest employers, including 75% of anchor companies, and a range of companies headquartered in Wales and around the world.

The CBI is the main business organisation working with the UK and Welsh governments to deliver a more competitive business environment in Wales, thereby securing growth and jobs and driving prosperity through private sector growth.

As the economic recovery and rebalancing continues, it is vital that every opportunity to support the private sector to drive economic growth is explored and utilised. Wales must be an attractive place to build a business and create jobs. Therefore all policies must be measured against their capacity to generate and deliver private sector growth in the short and long-term.

Introduction

Business has a crucial interest in the development of Wales' transport infrastructure due to the important role it plays in enhancing the country's economy and international competitiveness. In our manifesto for the Welsh Assembly election we identified the importance of good connectivity to Wales' principal markets to ensure economic success and getting Wales connected is one of the CBI's core campaigns for 2013-14.



Emma Watkins, Director, CBI Wales

DL/Llinell Union: 02920977600 **E/E-bost:** Emma.Watkins@cbi.org.uk

CBI Cymru/Wales 2 Caspian Point Caspian Way Cardiff Bay/Bae Caerdydd Cardiff/Caerdydd CF10 4DQ

T:/Ffôn +44 (0)2920 977600 **F:/Ffacs** +44 (0)2920 977619 **W:/Wefan** www.cbi.org.uk/Cymru

Director-General/Cyfarwyddwr-Cyffredinol: John Cridland CBE President/Llywydd: Sir Michael Rake

Registered No/Rhif Cofrestredig: RC000139 (England and Wales) Registered Office/Swyddfa Cofrestredig: CBI Centre Point 103 New Oxford Street London WC1A

Welsh railways are the arteries carrying customers and freight and feeding supply chains to pump trade and growth across the country. The UK's railway network is critical for Welsh business and a long term vision is necessary to ensure it continues to deliver for the economy.

Transport policies affecting Wales should therefore encourage development of infrastructure which will rival that of competitor nations. Within our transport network, rail will continue to play an increasingly important role, sustaining and enabling economic development, labour market flexibility, tourism and community life and it is essential that this position is continues to be supported.

The business of infrastructure

The CBI's latest infrastructure survey reiterates a long held belief that the quality of domestic transport connections is a leading factor in determining whether and where in the UK businesses choose to invest. Good connections can create jobs, foster competition, boost productivity and incentivise inward investment.

Poor connections, however, can hinder the UK from benefitting from the latent potential for growth that exists in all regions of the country.

Currently about half of all businesses are satisfied with the overall standard of domestic connectivity, with public transport has seen some considerable improvements over the last 5-10 years. With the quality of domestic transport varying considerably from place to place, it is clear that the projects prioritisation will have a key impact on regional growth.

Quality infrastructure can unleash the latent growth potential in local economies, improving the productivity of businesses and drawing new investment into the area. The right infrastructure provides better access to labour markets, increases competition, links firms up with their customers and suppliers, and improves access to domestic and international markets. Without the right links however, business investment risks being held back.

The CBI survey asked respondents how significant the UK's domestic transport connections are to their future investment decisions. Nearly two thirds (62%) say domestic connections have a significant bearing, with only 20% saying such connections do not affect where they choose to invest.

For multinational firms the quality of domestic transport connections has even greater significance. For businesses operating in over 50 countries, more than four fifths (82%) report that the quality of UK domestic connections has a significant impact on their investment decisions, with only 2% indicating it has no bearing at all. With fierce competition for globally mobile investment, it is clear that without good domestic connections, growth prospects will be held back.

Future franchise

Welsh business has a clear interest in effective, workable franchises that deliver a quality service. From carrying hundreds of thousands of commuters to work and safely home on a daily basis, to enabling business connections and the delivery of goods and services, business increasingly relies on our commuter and intercity train services.

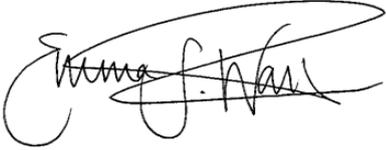
As demand increases for train journeys and expectations rise for service quality, more flexible franchises and closer working between Network Rail and train operating companies is vital.

A future franchise needs to recognise the importance of setting an ownership and maintenance framework that incentivises sustained investment to realise the network's potential; allowing operators to respond effectively to demand for increased capacity by investing in modern rolling stock and extending the network if needed.

The future Wales and Border Franchise should deliver greater clarity around outputs and outcomes, a better understanding of risk and, critically, ensure the right behaviours are incentivised that will enable the delivery of a twenty first century train service.

Government must work hand in hand with the rail industry to implement these changes for the benefit of passengers, freight users and the whole economy.

The CBI hopes this helps inform your committee's work.

A handwritten signature in black ink, appearing to read 'Emma Watkins', with a large, sweeping flourish above the name.

Emma Watkins
Director