



House of Commons
Transport Committee

National Rail Enquiry Service

Eleventh Report of Session 2003–04



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Service**

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written evidence*

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Transport and its associated public bodies.

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The current staff of the Committee are Eve Samson (Clerk), David Bates (Second Clerk), Clare Maltby (Committee Specialist), Philippa Carling (Inquiry Manager), Miss Frances Allingham (Committee Assistant), Diane Sutherland (Secretary). and Henry Ayi-Hyde (Senior Office Clerk)

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1 Introduction

1. National Rail Enquiries is the busiest telephone number in Britain, with 61.8 million calls last year. Almost 170,000 people call National Rail Enquiries every day. In addition, the National Rail website: www.nationalrail.co.uk receives 2.5 million hits per week. The information provided by the National Rail Enquiry Service is vital to people intending to travel by rail. We thought it time that we examined the quality of passenger information provided by the rail industry.

2. The National Rail Enquiry Service (NRES) has contracted out the call answering service to various suppliers. These contracts were due for competitive re-tendering towards the end of 2003, as required by European Union procurement rules. We were interested in this process of re-tendering and, in particular, by reports in the press that NRES was intending to outsource the service to overseas suppliers.¹ We wanted to examine the re-tendering process and any implications that moving the service provisions overseas might have on the quality of the service for the rail-travelling public.

3. We took evidence on Wednesday 12 November 2003 from the National Rail Enquiry Service Ltd, National Rail Enquiry Scheme, Qjump Ltd, CM Insight, Call Centre Association (CCA), Rail Passengers Council, Amicus and TSSA.

4. Since the oral evidence was taken, the Association of Train Operating Companies has announced that it has awarded contracts to BT and Ventura to handle calls for National Rail Enquiries starting on 1 April 2004, when the first of the existing contracts expires. BT's calls will be answered by their partner, ClientLogic, at their contact centres in Derby, Newcastle and Bangalore. Ventura's calls will be answered in the Dearne Valley, South Yorkshire, and by their partner, Intelenet Global Services, in Mumbai.²

5. The House of Commons Trade and Industry Committee is currently inquiring into "Progress Towards the Knowledge Driven Economy", examining the UK's response to the challenge of increased competition from low-cost economies. The Government recently published a consultation document "Services and Offshoring: The Impact of Increasing International Competition in Services." Conclusions from the review are expected to be outlined in the White Paper on trade and investment, to be published in summer 2004.³ The Government commissioned research, published in May 2004, which identified the UK call centre industry's main strengths and weaknesses⁴ Our inquiry, with its single evidence session, focuses exclusively on the National Rail Enquiry Service and the quality of information for the travelling public.

1 "Catching a train to Crewe? Call Bangalore", Andrew Clarke, Transport Correspondent, The Guardian, 15 October 2003.

2 ATOC Press Release 4 February 2004 "ATOC Awards National Rail Enquiries Contracts to BT and Ventura".

3 Stephen Timms MP, Minister for Energy, E-commerce and Postal Services, 3 March 2004, Column 316 WH.

4 "The UK Contact Centre Industry; A Study", DTI 2004 www.dti.gov.uk/ewt/contactind.pdf

2 The Structure and Funding

6. The National Rail Enquiry Scheme was set up in 1996 to provide rail passengers with one national impartial telephone information service. NRES is a limited company, wholly-owned by the 25 train operating companies, which is administered through the Association of Train Operating Companies (ATOC). The Chief Executive of NRES reported that, although the company did not seek to make a profit, last year NRES made a profit of around £10,000.⁵ The National Rail Enquiry Scheme operates under a Scheme Agreement between the Strategic Rail Authority and ATOC. The Passenger Licence needed by passenger train operators requires the licensee to comply with arrangements approved by the Strategic Rail Authority for a telephone enquiry service, as well as several other “network benefits” such as through ticketing and national conditions of carriage. Each operator’s franchise agreement also directly requires them to participate in the NRES Agreement.

7. The Scheme Agreement mandates the types of information to be provided and sets down the minimum performance standards for the operation of the service, in terms of the proportion of calls answered. A revised Scheme Agreement in 2000 included a minimum standard on the quality of the operation in terms of the accuracy of the information given, and an obligation to provide real-time train running information.

8. In 1996 the National Rail Enquiry Service Scheme inherited the 65 Telephone Enquiry Bureaux operated by British Rail. A decision was taken to outsource the operation which resulted initially in a consolidation into six call centres operated by four suppliers. Further consolidation led to four call centres. At the time we took evidence these were located in Cardiff, Derby, Newcastle and Plymouth, and were operated by three suppliers: BT, First Info and Serco. Following the re-tendering process, the service was to be concentrated further. On 4 February 2004, the Association of Train Operating Companies announced new five-year contracts with NRES. Ventura began its contract with NRES on 1 April 2004, and on 8 June 2004, BT’s contract will be renewed. Serco ceased to be a supplier for NRES when its contract expired on 31 March 2004 and First Info’s contract will expire on 31 March 2005.⁶ The National Rail website is hosted in Rotherham⁷, and will continue to be managed in-house by ATOC.⁸

9. The new contracts cover telephone enquiries about National Rail services, which includes train times, journey planning, real-time travel information and links to train operator telesales. The remit also covers handling email feedback from the National Rail web site and the Welsh language enquiries service. At the time we took evidence, there were 1700 operators working at four call centres located in Cardiff, Derby, Newcastle and Plymouth. Under the new contracts up to 50 per cent of the operations could be handled by the overseas contact centres in Bangalore and Mumbai, in India.

5 Q172

6 The Serco contract expired on Wednesday 31st March 2004. Ventura took over Serco's Cardiff site.

7 Q81

8 ATOC Press Notice 4 February 2004

Funding

10. The National Rail Enquiry Service costs £40 million a year to run. It is funded by direct contributions from the Train Operating Companies. A twice-yearly survey determines the proportion of enquiries which relate to each operator's trains, and the costs of providing the NRES service are distributed amongst the train operators on this basis. In 2002/03 the Train Operating Companies received £1.3 billion in subsidy from the Strategic Rail Authority. Although NRES is a private company it is thus indirectly a publicly funded service.

11. While giving evidence Mr Belcher, the Chairman of NRES Ltd, suggested that transferring 50 per cent of call centre operations overseas could save the industry up to £25 million over the next five years.⁹ He told us the benefits would accrue to the taxpayer:

“That would be a reduction in the cost of operating the railway industry, which would be reflected in subsidy levels or for that matter premium payments to the SRA and ultimately to the taxpayer.”¹⁰

“Some of the savings will be ploughed back into National Rail Enquiries services, some into other ATOC services, and some back to the train companies reducing their subsidy requirements in the longer term. National Rail Enquiries is increasing resources in certain areas of passenger information ...and ATOC is increasing resources in ... a major new system to improve the handling of reservations.”¹¹

12. Mr Smith of the Rail Passengers Council also hoped that some of the money saved would be reinvested into passenger information:

“I think the passengers would hope that if savings of that magnitude were made at least some of that money would find its way back into reinvestment, into developing other forms of information provision which could benefit all passengers.”¹²

13. The rail industry is under pressure to control costs. Nonetheless, despite claims by ATOC and NRES that any savings would be “ploughed back into improving passenger services”, we remain to be convinced that the move to transfer up to 50 per cent of NRES work overseas will be reflected in reduced demand for subsidy by Train Operating Companies over the next five years. The aspiration to reduce subsidy over the “longer term” is studiously vague.

14. Any cost savings made through overseas outsourcing of the National Rail Enquiry Service should be used, and be seen to be used, to benefit the taxpayer and the rail passenger, and not to increase profits for Train Operating Companies. The SRA should closely monitor spending by the Train Operating Companies to ensure that any cost savings made by NRES Ltd result in reduced public subsidy to the companies overall

9 Q3

10 Q59

11 NRES 01A

12 Q269

3 Quality of Passenger Information

15. The National Rail Enquiry Service told us its overall goal is: “to increase customer satisfaction and so contribute to a greater use of rail as a mode of transport.”¹³ An excellent rail information service is vital to give passengers confidence in the rail industry as a whole, and to encourage people to travel by rail. In the context of a fragmented railway with unreliable performance and a large amount of maintenance work, an accurate and efficient information service becomes even more essential.

The Performance Regime and Current Standard of Performance

16. The Rail Enquiry Service has been considered one of the successes of rail privatisation, and received the Rail Business of the Year award in 2002. The Strategic Rail Authority noted in its memorandum that NRES has expanded to offer train information on the Internet, although there is no regulatory requirement to do so.¹⁴ The Rail Passengers Council also identified improvements in service following the amalgamation into one single number service:

“Less than a decade ago a host of regional telephone enquiry bureaux provided a pretty poor rail enquiry service, often at long distance call rates. The RPC ... campaigned for a single national low cost number. We have that and to be fair I think that NRES has transformed telephone information provision both in terms of speed and accuracy, although of course it is not perfect.”¹⁵

17. NRES currently performs well against the criteria set out in its Performance Regime in the Scheme Agreement¹⁶ It is questionable whether the performance regime is sufficiently rigorous. For example, for the year 2002/03 the target of 93 per cent of calls answered was surpassed, with a figure of 94.8 per cent. However, although only 0.3 per cent of calls received an engaged tone, this still equated to 450 callers each day, or 185,400 over the year, which is clearly unacceptable.

18. The quality of the information and service received is measured by two methods: mystery shopping and customer satisfaction surveys. The mystery shopping exercise measures accuracy of information, and the customer satisfaction survey records actual callers' perception of the service.

19. The mystery shopping programme tests the accuracy of customer service staff on scenarios which are of typical enquiries made to National Rail Enquiries. The assessment is based on 8000 calls per year.¹⁷ The individual scenario results are weighted according to the frequency of the scenario type, and combined for each of the contact centres to arrive at an overall level of accuracy. The latest NRES mystery shopping assessment of information accuracy (November 2002 to May 2003) produced a headline score of 96.7 per cent as a

13 NRES 01

14 NRES 06

15 Q246

16 NRES 01

17 Q34

measure of calls where the information provided was accurate, comprehensive, and delivered in an acceptable manner according to the regulated measure, and 89.4 per cent on NRES' internal measure.¹⁸

20. The customer satisfaction survey is undertaken at six monthly intervals with actual National Rail Enquiries callers being interviewed, normally within 24 hours of making their call.¹⁹ The results of the survey for March 2003 were an overall satisfaction rate of 76 per cent, and among the customers surveyed, 99 per cent would recommend the service to family and friends.

21. When giving evidence Mr Scoggins, Chief Executive of NRES Ltd, emphasised the low levels of complaints in relation to the number of calls handled, stating that only 0.015 per cent of calls led to a formal complaint.²⁰ The Strategic Rail Authority similarly asserted in its memorandum that, "Well over 93 per cent of all calls are now answered and complaints about access to train information have almost disappeared". This view seems complacent when it is considered that the actual number of complaints received by NRES, its suppliers, and ATOC, was around 10,000 in 2002/03. It is particularly significant that in spite of the quality performance measures described above, although complaints about access may have radically reduced, complaints about the accuracy of information persist. This suggests that the performance regime itself needs improvement

22. The performance measured by the SRA covers simple and common queries, such as timetable information. However, when performance for the more complex queries - such as route and fare information - is evaluated the quality of service drops quite significantly. The Rail Passengers Committee for Southern England conducted a survey of information from NRES in January 2002, from which it concluded that complete and correct information for a complex enquiry was received in only a third of cases. The study conducted 62 calls to NRES and visited information desks in stations. Only 34 per cent of the questions asked were answered correctly.²¹ Of the 47 fares quoted, 31 were wrong - collectively to the tune of over £1000. Although this study was not a statistically significant piece of research, the findings nonetheless demonstrate the problems NRES experiences with complex enquiries and the fact that its own performance regime fails to pick up these shortcomings.

23. The RPC suggested that one way to get around the issue of poor performance when faced with complex enquiries would be to have a two-tier approach to call handling, whereby the caller could be transferred to a member of staff able to answer a more difficult enquiry where necessary.

24. NRES is an improvement on the information services previously provided. Nonetheless, far more could be done. It is clear that there are short comings in handling complex enquiries, which must be addressed. The SRA's regime for performance monitoring of the Rail Enquiry Service is inadequate. The performance standards should encompass a wider range of queries and include more complex questions.

18 NRES 01

19 NRES 01

20 Q144

21 Which? May 2002, p12.

Information about fares, discounts, and route knowledge should not be considered extraordinary and training should be put in place to improve the service's capacity to accurately respond to such queries. The practice of weighting the performance regime towards the most common enquiries - which are also the most straightforward - has the effect of creating bias in the system, and results in a service which is not demonstrably capable of handling complex enquiries.

Enforcement by the SRA

25. The Strategic Rail Authority can take formal enforcement action against a train operator in line with section 55 of the Railways Act 1993 if any of the terms of the NRES Agreement are not complied with.

26. The Rail Passengers' Council explained that shortly after NRES was established, the level of performance was poor. The RPC complained and the Regulator took enforcement action against NRES, and subsequently the level of performance was raised. Despite the devastating results of their small sample study published by Which? magazine, the RPC noted that performance continues to improve year on year, as data and equipment advances:

27. The Strategic Rail Authority should monitor NRES performance closely. If the quality of information and service is seen to deteriorate, then the SRA should not hesitate to take out an enforcement order against NRES, particularly since this course of action has in the past been shown to have raised standards.

An Integrated Information and Sales Service

28. Currently, rail travel information and ticket sales are not provided in one integrated service. NRES Ltd provides information about rail journeys, but does not provide a ticket sales service. The National Rail Internet site provides a link to two online ticket sales companies: Qjump Ltd and Trainline.com, although the two companies merged in February 2004.²² In addition, each of the train operating companies also conduct their own ticket sales. When we asked why NRES did not sell tickets directly, Mr Belcher explained:

“Our owners, the Train Operating Companies, would prefer to do that themselves. It is an expertise which they have. What we do via our train inquiry telephone service and our Internet service is provide an easy link to their telephone vending service.”²³

29. Mr Belcher confirmed that selling tickets directly through NRES is an option NRES had looked at and will continue to look at.²⁴ NRES stated that three of its contact centres offer callers who wish to book tickets the opportunity to be transferred to the relevant Train Operating Companies' telesales centres. Mr Buchan, of Qjump Ltd, confirmed that in his experience links are being developed to ease the transfer of customers between information and sales.

22 National Express Group plc, Press Notice "Merger of Qjump, the online rail ticketing operation with Trainline.com (09/02/04)

23 Q9

24 Q10

“We are developing links so that that could become more seamless, so that you can do it as a much more seamless operation between the two.”²⁵

30. The Rail Passengers Council also intimated that work was under way to allow information to be provided and ticket purchase to occur on the same telephone call:

“I think we have always looked for a one-stop shop on the telephone. The fact that you can make an enquiry and get the time of your train and how much it costs but you cannot buy a ticket, you have to be given another telephone number to buy the ticket. But we are looking forward to the time, which I understand is not so far away now, when you will be able to purchase a ticket.”²⁶

31. It is not acceptable that rail customers should have to conduct two separate telephone calls: one to obtain information and another to buy a rail ticket. We welcome the moves that have been made to ease the transfer of callers from the national information service to the Train Operating Companies individual ticket sales services. Transferring the caller to the sales service, however, still requires an element of duplication. This is not a truly integrated service. It is not clear to us why the full transaction – information and sales – cannot be carried out in a single call to a single agent.

32. It is apparent that some problems occur because Train Operating Companies wish to protect their services. This is not a good enough reason to inconvenience customers. The Rail Review announced by the Secretary of State for Transport on 19th January 2004 must take these issues on board.²⁷

Transport Direct

33. Travellers need to be able to plan their entire journey rather than just the first stage. The Welsh Affairs Committee has drawn attention to the need for integrated information provision across modes, particularly to support tourism and business.²⁸ The 10 Year Plan for Transport set the objective of developing “Transport Direct”.²⁹ The Transport Direct project aims to provide the traveller with all the information they need before and during a journey anywhere in the UK, and the ability to buy the associated tickets. The vision covers travel by all modes and, importantly, mixtures of these modes.

34. The centrepiece of Transport Direct will be a one-stop information point for all forms of travel information. In addition to schedules and details of any disruption on the chosen route, travellers will be able to look at maps of the area they are intending to visit. There will also be information for disabled travellers. Further services may be incorporated, such as information on places of interest, hotels or restaurants. Transport Direct aims to exploit new forms of communication technology. Ultimately, it will be possible to access travel information via the Internet, digital TV, mobile and WAP phones, other handheld devices

25 Q230

26 Q253

27 http://www.dft.gov.uk/stellent/groups/dft_railways/documents/page/dft_railways_027343.hcsp

28 House of Commons Welsh Affairs Committee ‘Transport in Wales’ (2002) HC 205-I para 23.

29 DfT 10 Year Plan for Transport 2000

and kiosks in the street and libraries. Such a wealth of passenger information, readily available from a single source, would be most valuable.

35. The Department confirmed to us that the contract to design, build and operate Transport Direct is on time and on budget. The building of the Portal was expected to be finished by the end of 2003 and the public are scheduled to have access to Transport Direct in Spring 2004.³⁰ However, close inspection of progress outlined in the Department's memorandum reveals that much of the useful information will not be available in the short term.³¹ In fact, it is hard to see what actual benefit the service will bring looking at the plan provided – a series of transactions will still be required for journeys involving more than one mode; there will not be price comparisons between modes for door-to-door journeys; information on public transport options will only be available for some locations; users will be unable to check cheapest fares, or availability.

36. The ability to access integrated real-time travel and ticket information should be made much easier, if modal shift is to be achieved. In an age of abundant information, travellers should be able to access clear and comprehensive information on multi-modal journeys. This should be integrated with the ability to purchase tickets where appropriate. We acknowledge that when the number of private sector transport providers is considered, such a task seems highly ambitious. We would be delighted if that ambition could be realised at reasonable cost and will monitor with interest the development of Transport Direct. We recommend that the Department for Transport provide us with a yearly progress report.

37. In an increasingly Internet reliant age, there will still be many passengers and potential passengers for whom it is preferable or necessary to use the telephone service. Once Transport Direct is functional, it should be closely tied to the National Rail Enquiry Service to reduce duplication and ensure consistency of information. An Internet service such as Transport Direct should not replace the provision of the NRES telephone service.

30 NRES 07

31 NRES 07

4 Overseas Service Provision

Advantages of Overseas Outsourcing

Cost Savings

38. There are potentially substantial cost savings from transferring operations to low wage economies such as India. NRES told us they hoped that by transferring 50 per cent of call centre operations overseas the company would save up to £25 million over the next five years.³² A survey by the Indian call centre organisation (NASSCOM) estimated the total rewards package for a basic level call centre agent in India to be £1,842 per year.³³ As a result of these significant wage savings, the costs of the extra management and equipment required are more than compensated for, and NASSCOM reports that overall savings of around 30-40% are achievable with offshore outsourcing.

39. Furthermore, NASSCOM has estimated that the total benefit of each customer contact job outsourced overseas from the UK benefits the UK economy as a whole by about £46,000, while the direct benefit to the company is around £16,000.³⁴ This appears to be a view that the Government supports:

“Offshoring and the internationalisation of services is not a “zero sum” game.³⁵ The UK stands to gain from growing world prosperity and from the continued development of a bigger global market for British goods and services. Over the long term, overseas outsourcing, whether of manufacturing production or of service sector activities, allows UK companies to remain competitive, ensuring that the UK economy continues to generate new and sustainable jobs and new business opportunities.”³⁶

Superior Quality of Service

40. The Chief Executive and Chairman of NRES told us that the reason for outsourcing overseas was not simply that they hoped to make large cost savings, but also that the quality of the service provided from offshore suppliers was higher than that provided by suppliers within the UK.

Mr Scoggins: We believe there will be benefits in terms of quality improvement.

Mr Randall: What would you base that on?

32 Q3

33 Strategic Review: the IT Industry in India, New Delhi, NASSCOM, 2003, p.143

34 HC 262-v “Progress towards the knowledge driven economy”. Oral Evidence given by Mr Sunil Mehta and Mr Senthil Kumar, National Association of Software and Service Companies, Q323, 9 March 2004.

35 McKinseys has estimated that, for the US, when taking into account the value of re-employed labour and additional imports to the country supplying the offshored labour, for every \$1.00 of offshored labour costs the US gets back \$1.14.

36 DTI “Services and Offshoring: The Impact of Increasing International Competition in Services”.

Mr Scoggins: Based on advice from specialists in the area, on research and evidence that we have seen of existing operations.³⁷

41. India has one of the highest graduate populations in the world - last year, over a quarter of a million students graduated from universities in Bangalore alone.³⁸ Mr Scoggins cited this abundance of well-educated employees amongst his reasons why Indian call centre operatives performed to a superior standard than those in the UK:

“...They attract, in India specifically, very high quality staff with a higher level of educational attainment because it is a more attractive job than it is in the UK. Yes, it is lowly paid compared with call centre jobs in the UK, but it is very highly paid compared with jobs which those individuals can obtain in India. So therefore it is an aspirational position and people who have high degrees of learning ability, who have been in education to the age of 21.”³⁹

42. NRES told us that the quality of its service was ensured through the use of information systems and journey-planning systems managed by the National Rail Communications Centre.⁴⁰ Because operators in overseas call centres use the same data and computerised information systems as operators in the UK, Mr Scoggins was confident that operators in India would not be hampered by a lack of first-hand local knowledge:

“Even our UK agents come to us with a limited understanding of UK geography - and the detailed level through the systems, the very high developed systems that we provide for them, which are the basis of our having currently only four concentrated call centres in the UK where people are still able to give out information about remote locations about which they know very little and have been doing so successfully since 1997...”⁴¹

43. We were also told that the bandwidth of the communication channels which exist between the UK and India, and other countries, is such that there is no material delay in communication.⁴² If all the operators are working from the same information source and provided the training is adequate, the location of the operator may indeed be no indicator of the quality of the information provided. Nonetheless, despite repeated questioning and our request for further information from NRES, the company seemed unable to produce any actual evidence of the superior quality of call handling operations overseas compared to those based in the UK.⁴³

Quality of Infrastructure

44. NRES further suggested that it was not just the “quality of the staff” which was superior in India compared to in the UK, but that in addition, technical capability was better in the

37 Q124 and Q126

38 National Outsourcing Association, Press Notice “National Rail Enquiries - Indian call centre workers” 13.11.03

39 Q37

40 NRES 01 and NRES 01A

41 Q38

42 Q137

43 NRES 01A question 14 in the memorandum.

Indian call centre, because the Indian facility has several sets of back-up generators in case of a local power supply failure.⁴⁴ NRES claimed that call centres in India would have a higher resilience to blackouts than those in the UK. Mr Scoggins listed the problems experienced with the UK suppliers:

“Our existing UK call centres have had around 10 instances of blackout between them just this year.”⁴⁵

“All of our suppliers have experienced outages, all three – power outages, fire evacuations, a variety of reasons.”⁴⁶

45. Such an account is surprising given that the UK has one of the most reliable electricity systems in the world. The Trade and Industry Committee received evidence in its recent inquiry into the “Resilience of the National Electricity Network”, which demonstrates the quality of the UK’s transmission network:

“National Grid Transco summed up the situation by saying that its transmission network was reliable 99.9999 percent of the time, which meant that on average transmission problems would cause one power cut of five minutes duration once every ten years per customer. It claimed, moreover, ‘the risk of loss of supply due to a fault on National Grid’s transmission system is about four times lower than the nearest [international] comparator ... and nearly twenty times lower than the European average’.”⁴⁷

46. Other sectors of the economy, where provision of electricity is crucial, for example the financial sector, manage to ensure security of electricity supply through the provision of back-up services. Given the reliability of the UK electricity transmission and distribution network, and the ease with which back-up supplies could be arranged in the UK, the alleged poor quality of UK power supplies compared to those in India seems an implausible reason to transfer 50 per cent of operations out of the UK.

Disadvantages of Overseas Outsourcing

Additional Cost and Risk

47. Although there are potential advantages to outsourcing operations overseas, the risks remain considerable and the challenges of choosing a supplier, of achieving acceptance and managing the relationship between headquarters, providers and operational staff are significant. Cultural match, a close working partnership and the ability to effectively benchmark and measure performance become increasingly important.

44 Q109

45 Q129

46 Q131

47 HC 69-I House of Commons Trade and Industry Committee: “Resilience of the National Electricity Network” (March 2004)

48. A recent research report identified some considerable disadvantages to exporting call centres to India, and suggested that the business case is inconclusive.⁴⁸ It stated:

“The most frequently reported disadvantages are problems with Indian agents’ language and accents, or cultural differences between the UK and India. This is followed by difficulties in exercising control over distant and remote operations. Another notable disadvantage relates to customer satisfaction and confidence, and resistance to outsourcing. The costs associated with start-up are also seen as disadvantageous. Organisations report problems of morale and insecurity amongst their UK workforces. Indicative of an emerging problem is the admission, by one company, of problems with attrition in their Mumbai centre”.⁴⁹

49. It is interesting to note that some Indian call centres have problems with staff attrition. The issue of staff retention and recruitment in UK call centres has become a significant cost to providers, with the training and recruitment costs estimated at £3,500 per person.⁵⁰ Mr Cortes, Negotiations Officer at TSSA, noted that other countries had achieved success in improving retention of staff through measures adopted:

“That is something that the industry in Britain could be tackling rather than trying to run away elsewhere and take the problem with them.”⁵¹

50. We heard that additional costs can be associated with running outsourcing operations overseas. The cost of installing IT telecoms power can be high, plus management time overseas and travelling expenses mean that it costs about twice as much to move a project to India as keep it in the UK. We discovered that some companies establish outsourcing arrangements without realising the level of resource that must be committed to ensuring a successful partnership.⁵² Firms must invest in training employees to take on more strategic roles, and to develop the leadership skills necessary to manage an outside relationship.

51. NRES’ best practice and quality management system is one example of operational change that will be required following a move to offshore outsourcing. NRES, as part of its existing performance regime, currently holds quality workshops to spread best practice among its suppliers, including a roadshow at each of the contact centres to pass the results of the Quality Survey direct to Customer Service Agents. **The NRES feedback workshops and best practice roadshows developed as tools to raise the quality of performance by the call handlers will need to be continued and adapted where substantial operations take place overseas.**

48 The report was published by Scotecon Network - an independent research network on the Scottish Economy. The report was funded by Scottish Enterprise, Scottish Development International, Call Centre Association, Amicus, UNIFI & CWU.

49 Bain and Taylor (2003) “Call Centres in Scotland and Outsourced Competition from India”.

50 Q211

51 Q300

52 Mary Hayes, “Companies thinking about using offshore outsourcing need to consider more than just cost savings”, 20.10.03, Information Week. (<http://www.informationweek.com/shared/printableArticle.jhtml?articleID=15500032>)

An Immature Market

52. Although British companies have outsourced back office processing work overseas for over a decade, the move to use offshore call centres for customer facing activities, such as National Rail Enquiries, is a relatively new trend.⁵³ Long-term data on the success of such transfers is therefore not available.

53. Mr Havard, Managing Director of CM Insight, a management consultancy that assesses offshore outsourcing potential, stated that in his experience UK companies that have made the move offshore are generally impressed by the quality of offshore operations:

“We have worked with a number of companies who have moved offshore initially to reduce cost but have maintained or extended offshore operations on the basis of the quality of service they have experienced. Offshore operations are generally robust, offering good working environments with strong personnel management. Indian contact/call centres for example have been rigorous in their pursuit of international business process standards such as ISO9001 and Six Sigma. Salary levels are generally well above the service sector average for those countries.”⁵⁴

54. Reportedly, the HSBC bank experienced a 20 per cent reduction in its error rate after it moved its operations to India.⁵⁵ Despite having confidence in the quality of offshore operations, CM Insight also recognised that it is still very early days for the offshore outsourcing industry and it intimated that businesses should be cautious in their decision-making:

“While the benefits of offshore have been much spoken of and are potentially very real, companies must take a cautious approach, since these are still relatively immature markets that are growing quickly.”⁵⁶

55. Other witnesses were even more cautious. Ms Forsyth, Chief Executive of the CCA, the UK’s independent industry body for the call and contact centre industry, indicated that the transfer of operations to India is largely at a pilot stage:

“What you have at the moment in India is a range of mostly pilot activities for those organisations who are trying and seeing and I guess it is under test.”⁵⁷

56. Ms Forsyth explained that in her experience the reports from overseas call handling operations, so far, were mixed:

“I have heard mixed reports from some organisations who have done work in India and work here and some of the positive things I have heard are high quality staff and good work ethics, improving technology. Some of the negative things that I have heard are the difficulty in culture. It is accent but it is also cultural

53 Westminster Hall 3 March 2004 col 315

54 NRES 02

55 HC 262-v “Progress towards the knowledge driven economy”. Oral Evidence given by Mr Sunil Mehta and Mr Senthil Kumar, National Association of Software and Service Companies, Q328, 9 March 2004.

56 NRES 02

57 Q202

misunderstandings. The evidence through the research that I have seen ... is that very routine transaction dealings could possibly be dealt with but when you get into more relationship issues and conversational matters it becomes more difficult to manage.”⁵⁸

57. This is an important point since it is in handling complex enquiries that NRES needs to improve. Mr Fleming, from Amicus, supported Ms Forsyth’s view:

“I am afraid that the actual evidence is very much anecdotal. We are slowly picking up evidence now which suggests that some companies are finding that their pilot scheme made a mistake or that their system was not working, not in the UK, but the significant example of G Capital in Australia have brought their services back from India to Melbourne because it had affected customer input and customer satisfaction. There are other Australian companies which had done that already.”⁵⁹

While it is possible that overseas call centres will operate to higher standards, in the absence of any conclusive evidence, a transfer of 50 per cent of service provision overseas seems an extravagant risk for a publicly-funded company to take.

Employment Consequences

58. The decision to outsource the employees of a publicly funded service has proven controversial. Mr Belcher, Chairman of the National Rail Enquiry Scheme, told us job losses could number about 600 – 50 per cent of the 1200 full time equivalent staff now employed.⁶⁰ Taking into account the 1700 people who work full or part-time for NRES, the actual job losses could be as high as 850.

59. The growth in call centre work has provided employment in regions affected by the decline in manufacturing industry. Rail Enquiry call centres employ young people and women, and have offered opportunities for part-time work as well as a degree of flexibility over hours. The TSSA notes that the Government has put considerable emphasis into reducing unemployment among young people and in making it easier for parents to take up employment. The prospect of losing NRES call centre employment will affect some of those communities and local economies that the Government has sought to assist and revitalise.

60. Mr Rosser, General Secretary of TSSA, urged the industry and the Government to examine what the costs would be of transferring these jobs abroad:

“What we never hear are what will the costs be if that work goes overseas, because there could be costs, if people in this country, particularly the kind of groups I have mentioned, find there are fewer job opportunities for them.”⁶¹

61. The growth in contact centre work has been an important factor in providing new regional employment for people displaced by the decline of manufacturing. We urge

58 Q222

59 Q288

60 Q52

61 Q286

the Government in its review of the ‘Services and Offshoring’, and the Trade and Industry Committee in its inquiry into ‘The Knowledge Driven Economy’, to give full consideration to the economic and social costs that the move to transferring call centre work overseas will have on specific locations and communities.

5 The Re-tendering Process

62. We were particularly concerned when we took evidence to identify where the impetus to move services overseas had come from, and what powers NRES Ltd had to influence where its suppliers located their call centre operations. The evidence we received was not wholly clear.

63. ATOC explained that the new contracts had been awarded following a re-tendering process governed by European Union procurement legislation under the Utilities regulations.⁶² Under these rules, as long as the company providing the service is based in the European Union, or one of the signatories to various other procurement treaties, it cannot be prevented from supplying the service from a third non-member country. NRES stated it was seeking to fulfil the criteria prescribed by the Strategic Rail Authority for the rail industry in terms of delivering reliability, quality and value for money. As a consequence, ATOC said location was a matter for suppliers, and was not to be determined by the company.⁶³

64. During the evidence session, Mr Scoggins, Chief Executive of NRES, confirmed that abiding by European legislation, NRES had not prescribed the location of the providers in the tender document:

“The tender documents do not specify location, but they do require bidders to indicate location in their bids. Our aim is to control total quality, reliability and value for money for the whole service and not merely for part of it. This requires that we do not have all our eggs in one basket – for example if the entire service was provided from overseas. We therefore need to know location and will control it in the new contracts.”⁶⁴

65. When we explored this further in correspondence we were told that all of the preferred bidders included an element of offshore provision:

“The original bid of each of the preferred bidders contained a variety of alternatives including differing levels of onshore and offshore provision. All of these bids included some offshore options. The alternatives that we have selected for detailed negotiation contain in our view the best combination of reliability, quality and value for money.”⁶⁵

66. Although NRES did not specify location in the tender documents, the company did then go on to negotiate the location of operations in the post-tender contracts. The new contracts do not allow a provider to alter the location or volume of operations without agreement from NRES:

“Once we have agreed in the contracts the initial allocation of what percentage of calls will be handled from which locations our suppliers are not able to materially

62 Q19

63 ATOC Press Notice 15 October 2003

64 NRES 01A

65 NRES 01A

change the volumes being handled from those locations either by fluctuating them or by moving to a different location without our agreement.”⁶⁶

67. NRES insisted that, although there was room for flexibility in the contract to allow parties to vary the terms of the contract by mutual agreement, 50 per cent was the maximum proportion of operations that would be transferred abroad initially.⁶⁷

“**Ian Lucas:** Is it your understanding that you are at liberty to impose the 50 per cent ceiling lawfully?”

Mr Scoggins: Yes. We are at liberty to form a contract with someone to provide call answering services from specific locations at specific volume levels.”⁶⁸

68. We were told that the 50 per cent ceiling would be assessed in the future, as the potential for additional savings, quality and reliability came to light,⁶⁹ but that the basis for this decision was, “not wanting to keep all our eggs in one basket and having options to do other things.”⁷⁰

69. Location of services would have been a relevant factor for NRES to take into account when it assessed quality, reliability and value. The evidence we were given tended to obscure the influence NRES had over location decisions:

“The existing contracts do not require approval for a change to location. The new contracts will. This is not the same as saying that location is our affair. It is not. It is for the supplier to decide how they are to bid...Once a bid package is agreed, major changes, including changes to location, will require our approval to enable us to manage total reliability.”⁷¹

70. We accept that NRES cannot reject a tender simply because it includes overseas provision. NRES’ responsibilities are to ensure the service is provided effectively and its power to specify from whence that service is provided is limited. Nonetheless, the evidence from NRES was contradictory. It is clear that the company did take into account location of the call handling operations when it agreed contracts with its suppliers, and it was able to specify a ceiling on the volume of transfer of operations abroad. NRES should take responsibility for its decision regarding location of operations. We consider that setting the ceiling for overseas provision of Britain’s busiest phone service at 50 per cent so soon may prove mistaken.

71. The company appears to have done very little itself to test the effects of outsourcing. Although on 15 October 2003 the Association of Train Operating Companies announced that one of NRES’ existing suppliers had already set-up a pilot call handling project in India, during our evidence session it emerged that this project had been conducted by BT,

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71 NRES 01A

against NRES' wishes, and consisted of 10 operators in Bangalore. ⁷² This small-scale pilot began in September 2003 and had been in operation for eight weeks when NRES gave evidence to the Committee. Mr Scoggins reported that the operation of the pilot was proving "very successful":

"The quality which we have measured there is as good as, or in some cases better than the quality of our existing service."⁷³

72. National Rail Enquiries told us:

"The pilot has confirmed what we had expected to find, and is adequate and appropriate for the purpose. We do not consider that a longer pilot or a larger pilot would add significant relevant information".⁷⁴

However in oral evidence Mr Scoggins told us that the pilot had not been the reason NRES had decided to outsource offshore:

"No, we have not based our decision on the results from the pilot; after all, it is only 10 people. We have based our decision on research, on an understanding of the market and expert advice."⁷⁵

73. As far as we could ascertain, the company put no special monitoring system in place to check quality from the Indian call centres. Rather, the pilot was being assessed using the same mystery shopping process used for the assessment of the total service. We question the value of such a small-scale pilot project which lacked close evaluation.

74. The pilot conducted by BT in Bangalore was small, time-limited and inadequately monitored. NRES told us that it did not base its decision on the results of the pilot but on research, an understanding of the market and expert advice. NRES failed to supply any evidence of this research despite our requests. The evidence we received about locating call centre operations overseas suggested that the market is still immature and there are likely to be real risks in transferring such a high proportion of such a busy service to an overseas provider.

Contingency Planning

75. During the anticipated transition of operations overseas it will be vital that the company keeps a very close eye on performance and has the necessary plans in place, should quality falter. In the supplementary memorandum NRES stated that the contracts would contain provisions to allow NRES to redirect calls away from a supplier if the quality was below a certain threshold. In such circumstances, NRES stated the company would build up supply from other centres.

76. In order to ensure that there is no deterioration in the quality of service, including over short-term periods of transition, stringent quality performance measures should

72 Q26 & Q28

73 Q23

74 NRES 01A

75 Q152

be applied and monitored. Sanctions should be applied during all stages of delivery if customer satisfaction is to be maintained. The National Rail Enquiries service contributes to the reputation of the railways and influences the confidence of the public to travel by rail. As such, it is of paramount importance that information provided continues to be clear, accurate, timely and reliable

6 Conclusion

77. The travelling public requires and deserves excellent, reliable journey information. At the very least, this information should include journey planning, fast and accurate updates following unplanned events, and price information. The National Rail Enquiry Service should be able to provide such information. The current Rail Review by the Department for Transport should identify and remove any institutional barriers to the provision of such a service.

78. NRES Ltd provides a service to the travelling public, using public money obtained through SRA subsidy. From the evidence we received it is far from clear how the tax payer or the travelling public will benefit from the decision to outsource the call centre work overseas.

79. In the absence of any substantial evidence that foreign call centres will bring the cost savings and quality anticipated by NRES, and given the importance of the service for the public and the reputation of the rail industry as a whole, we urge the Strategic Rail Authority to monitor very closely the quality of service. If the quality of information to the travelling public is found to deteriorate, we recommend that the SRA takes the necessary steps to ensure the provision of an excellent service.

80. Customer service would be vastly improved if ticket sales were properly integrated with the rail enquiries service, rather than transferring the customer between call centres for each part of the process. The provision of multi-modal information and integrated ticket sales should be taken a step further with the introduction of Transport Direct. We look forward to the launch of Transport Direct and will be monitoring its progress. We hope to see Transport Direct fulfil the expectations set out in the 10 Year Plan, and that the current shortcomings set out in the progress report will be quickly addressed.

Recommendations

1. Any cost savings made through overseas outsourcing of the National Rail Enquiry Service should be used, and be seen to be used, to benefit the taxpayer and the rail passenger, and not to increase profits for Train Operating Companies. The SRA should closely monitor spending by the Train Operating Companies to ensure that any cost savings made by NRES Ltd result in reduced public subsidy to the companies overall (Paragraph 14)
2. NRES is an improvement on the information services previously provided. Nonetheless, far more could be done. It is clear that there are short comings in handling complex enquiries, which must be addressed. The SRA's regime for performance monitoring of the Rail Enquiry Service is inadequate. The performance standards should encompass a wider range of queries and include more complex questions. Information about fares, discounts, and route knowledge should not be considered extraordinary and training should be put in place to improve the service's capacity to accurately respond to such queries. The practice of weighting the performance regime towards the most common enquiries - which are also the most straightforward - has the effect of creating bias in the system, and results in a service which is not demonstrably capable of handling complex enquiries. (Paragraph 24)
3. The Strategic Rail Authority should monitor NRES performance closely. If the quality of information and service is seen to deteriorate, then the SRA should not hesitate to take out an enforcement order against NRES, particularly since this course of action has in the past been shown to have raised standards. (Paragraph 27)
4. It is not acceptable that rail customers should have to conduct two separate telephone calls: one to obtain information and another to buy a rail ticket. We welcome the moves that have been made to ease the transfer of callers from the national information service to the Train Operating Companies individual ticket sales services. Transferring the caller to the sales service, however, still requires an element of duplication. This is not a truly integrated service. It is not clear to us why the full transaction – information and sales – cannot be carried out in a single call to a single agent. (Paragraph 31)
5. The ability to access integrated real-time travel and ticket information should be made much easier, if modal shift is to be achieved. In an age of abundant information, travellers should be able to access clear and comprehensive information on multi-modal journeys. This should be integrated with the ability to purchase tickets where appropriate. We acknowledge that when the number of private sector transport providers is considered, such a task seems highly ambitious. We would be delighted if that ambition could be realised at reasonable cost and will monitor with interest the development of Transport Direct. We recommend that the Department for Transport provide us with a yearly progress report. (Paragraph 36)
6. In an increasingly Internet reliant age, there will still be many passengers and potential passengers for whom it is preferable or necessary to use the telephone service. Once Transport Direct is functional, it should be closely tied to the National

Rail Enquiry Service to reduce duplication and ensure consistency of information. An Internet service such as Transport Direct should not replace the provision of the NRES telephone service. (Paragraph 37)

7. The NRES feedback workshops and best practice roadshows developed as tools to raise the quality of performance by the call handlers will need to be continued and adapted where substantial operations take place overseas (Paragraph 51)
8. While it is possible that overseas call centres will operate to higher standards, in the absence of any conclusive evidence, a transfer of 50 per cent of service provision overseas seems an extravagant risk for a publicly-funded company to take. (Paragraph 57)
9. The growth in contact centre work has been an important factor in providing new regional employment for people displaced by the decline of manufacturing. We urge the Government in its review of the 'Services and Offshoring', and the Trade and Industry Committee in its inquiry into 'The Knowledge Driven Economy', to give full consideration to the economic and social costs that the move to transferring call centre work overseas will have on specific locations and communities. (Paragraph 61)
10. We accept that NRES cannot reject a tender simply because it includes overseas provision. NRES' responsibilities are to ensure the service is provided effectively and its power to specify from whence that service is provided is limited. Nonetheless, the evidence from NRES was contradictory. It is clear that the company did take into account location of the call handling operations when it agreed contracts with its suppliers, and it was able to specify a ceiling on the volume of transfer of operations abroad. NRES should take responsibility for its decision regarding location of operations. We consider that setting the ceiling for overseas provision of Britain's busiest phone service at 50 per cent so soon may prove mistaken. (Paragraph 70)
11. The pilot conducted by BT in Bangalore was small, time-limited and inadequately monitored. NRES told us that it did not base its decision on the results of the pilot but on research, an understanding of the market and expert advice. NRES failed to supply any evidence of this research despite our requests. The evidence we received about locating call centre operations overseas suggested that the market is still immature and there are likely to be real risks in transferring such a high proportion of such a busy service to an overseas provider. (Paragraph 74)
12. In order to ensure that there is no deterioration in the quality of service, including over short-term periods of transition, stringent quality performance measures should be applied and monitored. Sanctions should be applied during all stages of delivery if customer satisfaction is to be maintained. The National Rail Enquiries service contributes to the reputation of the railways and influences the confidence of the public to travel by rail. As such, it is of paramount importance that information provided continues to be clear, accurate, timely and reliable (Paragraph 76)

Formal Minutes

The following Declarations of Interest were made:

Mrs Gwyneth Dunwoody; Member of the Associated Society of Locomotive Engineers and Fireman

Mr Brian H Donohoe, Clive Efford and Mrs Louise Ellman; Members of Transport and General Workers' Union

Mr Ian Lucas and Mr Graham Stringer, Members of MSF Amicus

Mrs Anne McIntosh; Member, RAC, Holder of shares in : First Group, Eurotunnel, BAA plc, BA and BAE SYSTEMS

Mr Graham Stringer, Director, Centre for Local Economic Strategies

Wednesday 5 May 2004

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Mr Brian H Donohue
Clive Efford
Mr Ian Lucas
Mr John Randall

Mr Jeffrey M Donaldson
Mrs Louise Ellman
Miss Anne McIntosh
Mr Graham Stringer

The Committee deliberated.

Draft Report (National Rail Enquiry Service), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 81 read and agreed to.

Resolved, That the Report be the Eleventh Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Wednesday 12 May at 2.30pm.]

Witnesses

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Mr Chris Scoggins , Chief Executive and Mr Charles Belcher , Chairman National Rail Enquiry Service Ltd	Ev 1
Ian Buchanan , Chief Executive, National Express Group Trains Division, Qjump Ltd	Ev 13
Mr Mike Havard , Managing Director, CM Insight	Ev 13
Ms Anne Marie Forsyth , Chief Executive, Call Centre Association (CCA)	Ev 13
Anthony Smith , National Director and Stewart Francis , Chairman, Rail Passengers Council	Ev 20
Mr David Fleming , National Secretary for Finance and Mr Ciaran Naidoo , Research and Policy Officer, Amicus	Ev 24
Mr Richard Rosser , General Secretary and Mr Manuel Cortes , Negotiations Officer, TSSA	Ev 24

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Fifth Report	The Office of Fair Trading's Response to the Third Report of the Committee: The Regulation of Taxis and Private Hire Vehicle Services in the UK	HC 418
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Ninth Report	Ports	HC 783-I
First Special Report	Government and Office of Fair Trading Responses to the Seventeenth Report of the Transport, Local Government and the Regions Committee, The Bus Industry	HC 97
Second Special Report	Government Response to the Committee's Fourth Report, Railways in the North of England	HC 1212

Session 2001-02

First Special Report	The Attendance of a Minister from HM Treasury before the Transport, Local Government and The Regions Committee	HC 771
Second Special Report	Government Response to the to the Fifth Report of the Transport, Local Government and the Regions Committee, Session 2001-02, European Transport White Paper	HC 1285
Third Special Report	Government Response to the Eighteenth Report of the Transport, Local Government and the Regions Committee, Session 2001-02, National Air Traffic Services' Finances	HC 1305

Oral evidence

Taken before the Transport Committee

on Wednesday 12 November 2003

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Mr Brian H Donohoe
Clive Efford
Mrs Louise Ellman
Ian Lucas

Mr John Randall
Mr George Stevenson
Mr Graham Stringer

Witnesses: Mr Chris Scoggins, Chief Executive, and *Mr Charles Belcher*, Chairman, National Rail Enquiry Service Limited, examined.

Chairman: Good afternoon, gentlemen. I am going to start a little early, if I may. We have some housekeeping matters to deal with, if you will forgive us, members having an interest to declare.

Clive Efford: I am a member of the Transport and General Workers Union.

Ian Lucas: I am a member of Amicus, MSF.

Mr Stevenson: I am a member of the Transport and General Workers Union.

Chairman: I am a member of ASLEF.

Mr Donohoe: I am a member of the Transport and General Workers Union.

Mr Stringer: Amicus, MSF.

Mrs Ellman: I am a member of the Transport and General Workers Union.

Q1 Chairman: Could I welcome you this afternoon and ask you if you would first of all identify yourselves for the record. You may not know our house rules. They are very simple. We require rather a lot of voice because these rooms absorb sound and we are taking a record so it would be very helpful if, where you are in total agreement, you do not repeat something. If, for any reason, you wish to draw my attention to something different please do so. I ask you firstly to identify yourselves.

Mr Belcher: Charles Belcher, chairman of National Rail Enquiry Services Limited and also chairman of the National Rail Enquiry Scheme Council.

Mr Scoggins: Chris Scoggins, chief executive of National Rail Enquiry Services Limited.

Q2 Chairman: Thank you. Do you have anything you particularly want to say first or may we go straight to questions?

Mr Belcher: I have a brief number of points to raise. I shall keep you not very long at all, madam. Firstly, that no final decision has been made on the tendering process.

Q3 Chairman: No final decision?

Mr Belcher: No, none at all, and we are evaluating bids presently. All the short-listed bids are established UK call centre operators and none of the bids have anything worse than 50% offshore

source. The re-tendering is very much in support of the SRA process and indeed strong encouragement to control cost within the rail industry and early indications are that as much as £25 million could be saved on existing costs over the next five years. Interestingly, the call centre operation is volatile within this country, as I am sure you know, and also is experiencing fast growth, such that we see a 70% turnover in our supply of staff at present and the industry, we understand, is growing at something like 8% per annum. Lastly, National Rail Enquiries has been successful over the life of its operation, it has been consistently beating targets over recent years and is currently answering 94.8% of all calls and we see the re-tendering process as very much building upon this and improving it.

Q4 Chairman: Well, that all sounds very cheerful. If you have not made your mind up, Mr Belcher, perhaps we shall get the opportunity to assist you this afternoon. Could you tell me, what is the organisational funding relationship between National Rail Enquiry Service Limited and the Association of Train Operating Companies?

Mr Belcher: National Rail Enquiry Services Limited is a wholly owned company of the 25 train operating companies which is administered through ATOC, the Association of Train Operating Companies in terms of professional advice and service provision.

Q5 Chairman: You are wholly owned and you operate, presumably, as an individual company but they tell you what to do, is that it?

Mr Belcher: No, they provide the service personnel.

Q6 Chairman: They actually provide the staff?

Mr Belcher: Yes.

Q7 Chairman: What proportion of funding do you think comes from public money?

Mr Belcher: The funding of services from the 25 train operating companies in proportion to the usage they make of the service, or their passengers

12 November 2003 Mr Chris Scoggins and Mr Charles Belcher

make of the service. So it is pro rata to the number of people who use the service over the year against the total cost of the scheme.

Q8 Chairman: Yes, that is what you charge them, but since the Strategic Rail Authority pay £1.3 billion in subsidies to train operating companies I think we can accept that really you are being funded by the public, can we not?

Mr Belcher: Well, yes—

Q9 Chairman: They may come via the train operating companies but unless the train operating companies have suddenly become very much more profitable in the last 24 hours, I think we may assume the money comes from that. Why do you not sell tickets?

Mr Belcher: Our owners, the train operating companies, would prefer to do that themselves. It is an expertise which they have. What we do do via our train inquiry telephone service and our Internet service is provide an easy link to their telephone vending service.

Q10 Chairman: But if they were serious about wanting it to cost less surely one of the things they would look at is the means of making money and one of the simple means might be for you to sell rail tickets, which would be not only much more efficient but would actually make them some cash.

Mr Belcher: Well, they are selling the tickets themselves but that is an option we have looked at and will continue to look at.

Q11 Chairman: What kind of relationship do you have with their sales services?

Mr Belcher: A very close one.

Q12 Chairman: Close, but they do not trust you enough to actually sell their tickets?

Mr Belcher: They do not wish us to sell their tickets. That is an expertise which they have themselves.

Q13 Chairman: Expertise. Well, that is a lovely word to hear in relation to train operating companies. Do they control the network connections for call delivery?

Mr Scoggins: No, they do not.

Q14 Chairman: So if you take the decision to outsource, to put overseas this particular service, would it be the Association of Train Operating Companies taking the decision because they want to save money, although there are other ways of making money, or will it be yours?

Mr Scoggins: It will be the National Rail Enquiries Scheme Council which will make that decision in the end.

Q15 Chairman: The National Rail Enquiries Scheme Council, make up of?

Mr Scoggins: It is the representative body of all of the 25 train operating companies who are members of the company.

Q16 Chairman: Have they prohibited a pilot of NRES overseas?

Mr Scoggins: When you say “they” you mean the National Rail Enquiries Scheme Council. They have not prohibited a pilot. They are not in a position to prohibit a pilot under the current contracts. Our suppliers have indicated to us that they will be conducting a pilot from overseas and indeed they have set that up.

Q17 Chairman: They have helped set you up?

Mr Scoggins: Our suppliers have set up a pilot offshore operation from their service centre in Bangalore to answer a small proportion of our calls on a trial basis.

Q18 Chairman: So ATOC must have instructed the suppliers who hold the bidding for the tender to include offshore calls handling as part of the bid, must they not?

Mr Scoggins: No, we have not. We have gone through the European standard procurement process and issued tender notices which allow people to bid from locations anywhere.

Q19 Chairman: So you carefully added this one in, did you, and said you thought this was something that ought to be there?

Mr Scoggins: No, we have not added anything in. We have not added a constraint on the location of the call centre service, merely a constraint that the service must have a management presence in the UK, as is required by the European legislation.

Q20 Chairman: That was not really necessarily intended to create jobs in India, I assume?

Mr Scoggins: I am not sure what its intention was.

Q21 Chairman: Well, I think you must be quite clear, Mr Scoggins, that that kind of change is meant to make it possible for there to be no commercial bar between one European country and another.

Mr Scoggins: Indeed.

Q22 Chairman: So you do understand that it is not necessarily meant to create jobs in India?

Mr Scoggins: It is not necessarily meant for that, no.

Q23 Chairman: I see. What are the current conclusions from the pilot project in India?

Mr Scoggins: The pilot has been running for about 8 weeks and so far has been very successful. The quality which we have measured there is as good as, or in some cases better than the quality of our existing service.

Q24 Chairman: So none of your staff has expressed any worries about the quality of service?

Mr Scoggins: None of the staff who answers the telephone for our suppliers.

12 November 2003 Mr Chris Scoggins and Mr Charles Belcher

Q25 Chairman: None of the people responsible for quality has expressed any worries about what is happening with the pilot and the quality of the services being provided?

Mr Scoggins: My quality management people have not expressed any concerns over the part of the service.

Q26 Mr Stringer: I was not completely clear from your answers to the Chairman's questions whether your policy had changed and that you had previously prohibited a pilot and now you were allowing it?

Mr Scoggins: We had been approached by one supplier very early this year to give our permission to set up a pilot from their Bangalore operation. We advised them that we did not wish to proceed with that pilot. Then some months later they have advised us that they are off their own bat conducting such a pilot.

Q27 Chairman: Is this BT?

Mr Scoggins: Sorry, this is BT, yes.

Chairman: I think we should give them sufficient publicity so we know.

Q28 Mr Stringer: Let us be clear about this. You said no, you did not want a pilot and BT put two fingers up to you and said, "We're doing it anyway"?

Mr Scoggins: Well, I would not say they put two fingers up to us but they did not conduct the original pilot, which was of a much larger scale than the current pilot, which is 10 people.

Q29 Chairman: They did not do a big pilot, they did a little pilot.

Mr Scoggins: Exactly so.

Q30 Mr Stringer: Is it now part of the tender documents, or will it be part of the tender documents for any future contract that there must be a pilot within the contract?

Mr Scoggins: No, we have not mentioned anything in the tender document about the location or about the way in which suppliers should pilot the service.

Q31 Mr Stringer: According to your performance measures the service achieves almost 97% accuracy?

Mr Scoggins: That is correct.

Q32 Mr Stringer: What sort of type of inquiries do you monitor?

Mr Scoggins: We monitor the types of inquiries which are set down in the agreement with the SRA. The Strategic Rail Authority regulates the National Rail Enquiry Service and under that regulation we are bound to conform to performance standards in terms of the number of calls answered, which is a level of 93% per annum, and also to deliver a level of quality of service whereby the accuracy of information to a given set of questions must be over an above 95% per annum.

Q33 Mr Stringer: What I do not understand, and perhaps I do not understand the system properly, is how that piece of information fits in with the Which? survey that the LPC did, which said that a huge percentage of enquiries on fares were wrong and usually to the disadvantage of the passenger in as much as they were given a higher fare. How can you achieve 97% accuracy against that sort of information?

Mr Scoggins: Well, there are two factors there. First of all, the Which? survey when it was conducted early in 2002 was based upon a sample, I believe, of about 30 calls, or thereabouts.

Q34 Mr Stringer: I thought it was 50 calls.

Mr Scoggins: Well maybe it was 50, 40 maybe, of that order. Our result of 96.7% is based upon our mystery shopping programme as overseen by the SRA, which is based on 8,000 calls per year done continuously every day through the year. So I think it is a sampling issue and also down to the fact that those questions in the Which? survey were based upon very precise criteria, whereas the overall measure of 97% is based upon the whole breadth of the operation, all the types of information that we should provide.

Q35 Mr Stringer: Does that mean that the Which? survey is being unfair or they are just asking the difficult questions that you usually get wrong?

Mr Scoggins: Well, they are asking specific difficult questions that they know are difficult to answer. The survey was re-done this year, early in 2003, and it found a significant improvement from last year to this year.

Q36 Mr Stringer: I do not have those figures. Could you tell the Committee what the improvement was?

Mr Scoggins: I am sorry, I do not have the precise numbers to hand. I can write to you with them if you like.

Q37 Mr Stringer: The point I am trying to get to is that if you look across the board you are very good. If you look at the Which? survey you are not so good, in fact poor. In that case, how can we be confident that any assessment you made of an overseas operation would be any good when people in a country a long way away are trying to deal with what is at the moment a very complicated situation of rail disruption?

Mr Scoggins: There are two parts to that question. First of all, the overall level of assessment that we do is in line with the SRA, so it covers the whole breadth of the information we provide, which is of course 97%. We also assess our operation on internal measures which we have devised, which are more stringent than the SRA measures and approach some of the more difficult questions, and in the last reported set of results from that survey in May of this year we achieved 89 point something percent. That is still unsatisfactory in our eyes, we would still like to improve that, but taking some of the more difficult questions across the whole

breadth of the spectrum it is significantly different from the 30 or 40 call Which? report sample. The second part of the question is how would we therefore have confidence in our assessment of how that might change if there was a move overseas. Our research, our exploratory visits in March of this year to some selected high quality Indian call centres and our advice from industry experts in the field of call centre outsourcing, both in the UK and in offshore locations, have all indicated to us that we believe the quality may well improve in terms of accuracy of information by some of the service being delivered from overseas. That is because of the different nature of the call centre market there. They attract, in India specifically, very high quality staff with a higher level of educational attainment because it is a more attractive job than it is in the UK. Yes, it is lowly paid compared with call centre jobs in the UK, but it is very highly paid compared with jobs which those individuals can obtain in India. So therefore it is an aspirational position and people who have high degrees of learning ability, who have been in education to the age of 21—

Q38 Mr Stringer: I understand the problems. What I am trying to get at is your testing of the new call centre. Is it not more likely that distant call centres are likely to make more mistakes on the more complicated, more current problems you have got and are you going to specifically test that when you are doing a pilot assessment, or are you going to rely on the across the board, everything, the full bucket of measures?

Mr Scoggins: We will rely on all the various quality measures that we have, but we expect the delivery to be, if anything, of a higher level of attainment for the reason I outlined earlier. All the information which our telephone operators give out to callers comes not from their local knowledge but from the information they receive during their training programme about UK geography and UK rail—even our UK agents come to us with a limited understanding of UK geography—and the detailed level through the systems, the very high developed systems that we provide for them, which are the basis of our having currently only 4 concentrated call centres in the UK where people are still able to give out information about remote locations about which they know very little and have been doing so successfully since 1997, when we consolidated from 65 local operations into first 6 and then 4 much larger, more remote centres.

Mr Stringer: Thank you.

Q39 Mr Donohoe: Could I just get this clear, Mr Belcher, first of all. You indicated in your initial statement that the tenders are out but they are all UK based, is that correct?

Mr Belcher: They are all UK call centre operators.

Q40 Mr Donohoe: What happens if your pilot, as Mr Scoggins is suggesting, is successful? What length of time are you giving a tender our for? If the pilot is successful, will you then be able to change?

Mr Belcher: The length of the call contract is up to five years from next April.

Q41 Mr Donohoe: So why are you doing a pilot just now then if you are not able to change a contract which is awarded to a UK company?

Mr Belcher: Actually, the pilot was a decision taken on behalf of one of existing suppliers renewing the existing contract.

Q42 Chairman: What you are doing is using the English language rather carefully, are you not? You are saying BT is a British-based company even if it does persist in trying to set up pilots in India?

Mr Belcher: Yes.

Q43 Chairman: So we are talking about transferring work?

Mr Belcher: Quite possibly, depending upon the outcome of the tender process.

Q44 Chairman: I think we need to be clear that when you talk about “a British-based company” what you are suggesting is they might have their executives here even if the work is not here?

Mr Belcher: But as I have said, no more than 50% would be positioned offshore in any particular option.

Q45 Mr Donohoe: This is different from what you tried to have me believe, and I do not know what the rest of the Committee believe, when you made that initial contribution. By virtue of what you said, I got the impression that you were not going to consider offshore.

Mr Belcher: No, in which case I apologise. There as no intent to do that. They are British-based in terms of multinationals who may be British-based, not necessarily people who have all their operations within Britain.

Q46 Mr Donohoe: Therefore we are in a situation where when you accept one of the tenders that you get it is possible that quite a substantial proportion of that would be India, or any other place for that matter?

Mr Belcher: Yes.

Q47 Mr Donohoe: Fine. What are the savings that you expect to achieve on that basis?

Mr Belcher: Well, again until we make the selection of the tender we do not know but we anticipate it could be £25 million.

Q48 Mr Donohoe: Having visited the call centres in India myself, the savings are quite extraordinary, are they not, in that the wage structure is totally different? While the wages are extremely high in India they are extremely low in terms of our earnings in that in every call centre in my constituency the average wage is around £12,000 and the average wage in India per annum is something like \$4,000, which works out at about £2,800. That is the top end of the level of wages.

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So you are going to make that kind of saving. Is that something which at this stage you are taking into account?

Mr Belcher: We take into account three things: the quality of the service, the reliability and the efficiency and the cost.

Q49 Mr Donohoe: Mr Stringer asked you in terms of what kind of questions are going to be asked in these call centres. Are you going to move it into the technical area in terms of some of the aspects of some of the questions which come from the public at present? Are they going to cover the whole range? Is this what the pilot covers?

Mr Belcher: Yes.

Q50 Mr Donohoe: So you are going to have a situation where for all sorts of different things on a daily basis they are going to be dealing with every aspect, is that it?

Mr Belcher: Yes.

Q51 Mr Donohoe: What is the timescale of that happening?

Mr Belcher: Well, again the decision has yet to be made but the contracts would start to run from April of next year.

Q52 Mr Donohoe: So what is your estimation then of the number of job losses in this country as a consequence of that?

Mr Belcher: Again, I apologise for being difficult but until we decide on a particular tender we do not know, but it could be around 600.

Q53 Chairman: Is that the whole of your call centres?

Mr Belcher: No, that is the 50% which I have referred to as being the largest percentage that we would have offshore.

Chairman: I see. So it is an interesting gesture. Yes.

Q54 Mr Donohoe: So you are in a situation where you are going to have this type of development. Did you say you have got a four year contract?

Mr Belcher: The new ones would run for up to five.

Q55 Mr Donohoe: During those five years there cannot be any other alterations made, is that right?

Mr Belcher: There is room for flexibility within the contract.

Q56 Mr Donohoe: Total flexibility, is there, where you could transfer 100% of it over there?

Mr Scoggins: As with any contract, there is a variation clause in it which allows the parties to the contract to vary the terms of the contract by mutual agreement.

Q57 Mr Donohoe: But if they come to you to indicate, on the basis of the expertise and the quality of what the answers are and on the basis of the precision, if they get to the point where they are able to say to you, "We can do this 100%. We can

do this," you at that stage would transfer everything over to that particular operator, would you?

Mr Scoggins: We do not think that is likely because of the structure of the Indian call centre labour market and the structure of the UK market and the structure of our particular business. Our analysis at the moment of the risks inherent in our business means that we believe that 50% is the right level to maintain in this country as a minimum. Naturally, as things change in the future we will need to assess, as we are assessing now, not just the costs and the potential for additional savings (if there is any) but also the quality and the reliability of the service.

Q58 Mr Donohoe: If moving the NRES jobs offshore saves, I think you said £20 million?

Mr Belcher: Potentially £25 million.

Q59 Mr Donohoe: Who gets that money?

Mr Belcher: That would be a reduction in the cost of operating the railway industry, which would be reflected in subsidy levels or for that matter premium payments to the SRA and ultimately to the taxpayer.

Q60 Chairman: Not to the train operating companies?

Mr Belcher: Well, via that method—

Q61 Chairman: So it actually goes to the train operating companies?

Mr Belcher: Yes.

Q62 Chairman: When you say it would be going eventually back to the Strategic Rail Authority all you mean is that because they may slightly even make a profit that would mean they would not require so much money from the Strategic Rail Authority? Is that your line or argument?

Mr Belcher: Yes, it would impact on the level of subsidy required.

Q63 Chairman: Yes, but it actually goes to the train operating companies?

Mr Belcher: In the first instance, yes.

Q64 Mr Donohoe: But in terms of the contract, you are there as a wholly owned subsidiary company. You make a saving. You going to pass that back to ATOC even though you are saying the contracts are for four years, or five years?

Mr Belcher: I am sorry, I do not fully understand what you are saying.

Chairman: We shall have the chance to explain this in great detail. The Committee is suspended for ten minutes, please.

Committee suspended from 3.05 pm until 3.15 pm for a division in the House

Q65 Mr Donohoe: I am just trying to read on to the next stage in this as far as where all these decisions are taking place and who you have

actually consulted on it. Has there been any dialogue between yourselves and the Rail Regulator?

Mr Belcher: It is the Strategic Rail Authority which is involved, not the Rail Regulator.

Q66 Mr Donohoe: What has been the dialogue as far as the SRA is concerned?

Mr Belcher: They are fully aware of the process we are following.

Q67 Mr Donohoe: What has the response been?

Mr Belcher: That they had no difficulty with the possibilities of the options of the tenders.

Q68 Mr Donohoe: What are you going to do if you move this thing on through a contract and then find that you have great difficulties? It is not for the first time that things have been transferred abroad and then we find ourselves with no expertise in this country. What would you do in these circumstances? What failsafe system are you going to put in place?

Mr Belcher: Firstly, no more than 50% will be transferred abroad so there will be that retained in this country under any of the options we are currently evaluating within the tender process. Secondly, within the contracts there is the ability to transfer call volumes to other call centres.

Q69 Chairman: Do you mean also in India or anywhere else? What control will you have over that?

Mr Belcher: No, for us to transfer call volumes to other call centres. So if, as Mr Donohoe asks, there is a problem in India we can have the calls transferred back or not transfer them in the first place.

Q70 Ian Lucas: This 50% figure you are referring to, why is it that you have arrived at the 50% figure, that it is not satisfactory for over 50% of the calls to be put abroad? Why 50%?

Mr Belcher: To be prudent.

Q71 Ian Lucas: To be prudent. Is that a decision on practical grounds, on the basis of the level of the skills of the people who are going to be supplying the service from overseas? On what basis have you arrived at that?

Mr Belcher: On the basis of not wanting to keep all our eggs in one basket and having options open to do other things.

Q72 Ian Lucas: Is it your understanding that you are liberty to impose such a ceiling legally?

Mr Scoggins: We will be accepting bids and forming contract with one or more suppliers towards the end of this year which will be based on their statement of where they will be providing the service from. Moving forward from that, over the next five years—

Q73 Ian Lucas: I am sorry, could I just stop you there. Could you just answer the question. Is it your understanding that you are at liberty to impose the 50% ceiling lawfully?

Mr Scoggins: Yes. We are at liberty to form a contract with someone to provide call answering services from specific locations at specific volume levels.

Q74 Mr Donohoe: The concern is, on the basis of what I can see here, it is like industry in general, you have got fragmentation going on. You are set up by ATOC, then you in turn are passing it on to somebody else, who is then passing it on to someone else. The lines of management so far as that is concerned is extremely concerning to me. How do you stick to the quality argument on the basis of that fragmentation?

Mr Scoggins: Two things. First of all, once we have agreed in the contracts the initial allocation of what percentage of calls will be handled from which locations our suppliers are not able to materially change the volumes being handled from those locations either by fluctuating them or by moving to a different location without our agreement. Secondly, in terms of fragmentation, to come direct to your question, we currently have three suppliers who employ their own staff and employ suppliers to them, sub-contractors if you will. Our new arrangements to bids that we are considering in the shortlist at the moment all consist of similar arrangements where we have suppliers and their direct sub-contractors. There is no increase in the level of fragmentation or the level of companies involved in providing the National Rail Enquiry service.

Q75 Mr Donohoe: A final point, if I may. How does this all square with what you have got in terms of what was said originally, your tender? You are moving miles away from that. From what was originally said by Mr Belcher this afternoon to where we are now we are miles apart in what the reality of the situation is and you do not give me great confidence in terms of your ability, for instance, to be able to have within the contract 50% ceilings or that somebody does not subcontract to subcontractors, as has happened in the rest of the industry. You do not give me confidence to suggest that when I, as a member of the public, or any of my constituents for that matter, lift the phone we are going to get a service at the end of it. There is no demonstration of that on the basis of what you are saying. How can you change my mind?

Mr Scoggins: I am sorry if we have not been entirely clear or if it has not been entirely understandable. That is not the intention at all. We believe we are being entirely consistent with what was said at the start of the session.

Q76 Chairman: Can we now write a contract which says that answering services shall be provided from specific locations and say that the location has to be a matter for our suppliers? How can you do

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that? Are you going to say in your contracts that answering services must be provided from specific locations or are you not?

Mr Scoggins: We will be accepting the offers which are put to us on the basis of a set of criteria.

Q77 Chairman: So you are not; in other words you are accepting a service but you are not specifying in any way where it comes from?

Mr Scoggins: We will be confirming in the contract acceptance of a particular offer, which will naturally have in it specific locations.

Q78 Chairman: Have any of your quality staff expressed any worries about the quality of this existing trial?

Mr Scoggins: Quite the contrary.

Q79 Chairman: Quite the contrary? Do you employ a gentleman called Mr Truelove?

Mr Scoggins: Yes. He would confirm that.

Q80 Chairman: Has he expressed concern over the quality from the existing trial? Has he expressed any worries about the quality of your existing trial?

Mr Scoggins: No.

Q81 Mrs Ellman: Where is all the Internet and processing work carried out now?

Mr Scoggins: Our Internet service is hosted in Rotherham and will continue to be so.

Q82 Mrs Ellman: And your processing work?

Mr Scoggins: That is under a contract which has a little over 6 years to run.

Q83 Mrs Ellman: Where is that operated from?

Mr Scoggins: Sorry, we do not have any processing work as such. We have a call centre, we have an information-gathering and knowledge distribution centre, which under these call centre contracts is referred to as the National Rail Communication Centre in the evidence I have submitted, and we have various web and SMS and WAP services which are hosted under separate contracts and which are all hosted in the UK.

Q84 Mrs Ellman: Is it possible that your Internet work and the other contracts you have referred to could be dealt with from overseas in the future?

Mr Scoggins: As I say, they are currently under a contract—

Q85 Mrs Ellman: No, I asked you about the future.

Mr Scoggins: Potentially in the future—I do not know what the market will be like in 6 years' time.

Q86 Mrs Ellman: So is the answer yes then?

Mr Scoggins: Potentially at some point in the future, yes.

Q87 Mrs Ellman: So what does this 50% figure refer to? You wanted to keep a minimum of 50% of what?

Mr Scoggins: Fifty% of our telephone call volumes.

Q88 Mrs Ellman: What could that mean in relation to employees?

Mr Scoggins: We currently employ through our suppliers 1200 people.

Q89 Mrs Ellman: No, what number of employees does the minimum of 50% equate to?

Mr Scoggins: We would expect that to equate to roughly 50% of our current employee base, although we cannot confirm that, as my colleague has said, until we have decided on the tender process.

Q90 Mrs Ellman: But this could expand in the future if you are now telling me that other work could also be sent overseas?

Mr Scoggins: As we said earlier, there is no possibility that further volumes could be moved offshore without our explicit agreement.

Q91 Mrs Ellman: Is it likely that you would give that specific agreement?

Mr Scoggins: Not at this stage.

Q92 Mrs Ellman: At another stage?

Mr Scoggins: Unlikely, I think.

Q93 Mrs Ellman: Why is it unlikely? You have given us the impression that servicing things from overseas presents you with no particular problem so why would it be unlikely that this will expand even further?

Mr Scoggins: As my colleague said, we wish to not have all our eggs in one basket and we see benefits in having our service provided partly from the UK and partly from offshore.

Q94 Mrs Ellman: What kind of representations have you received about outsourcing overseas?

Mr Scoggins: We have been through the European procurement process commencing with the issuing of a notice—

Q95 Mrs Ellman: No, what representations have you received?

Mr Scoggins: We received 9 bids to our final invitation to tender during the process.

Q96 Mrs Ellman: No, have you received any expressions of concern about your plans to consider outsourcing overseas?

Mr Scoggins: No, none of our bidders has expressed any concern.

Q97 Mrs Ellman: No, I did not ask you about the bidders, I asked if you had received any representations. You do seem to be answering our questions in a way which is trying to deflect from what we are trying to get to. I did not ask you a question about your bidders; it would be remarkable if bidders were to make representations

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to you. I am asking you, have you received any representations on what you are doing in terms of outsourcing overseas?

Mr Scoggins: We have received a couple of letters and a couple of contacts from a few individuals expressing concern. We have also received contacts from a number of individuals expressing support for the proposition generally.

Q98 Mrs Ellman: So you are giving an impression then that very little concern has been expressed about this principle, is that correct?

Mr Scoggins: Certainly there has been a handful, literally, of people expressing concern.

Q99 Mrs Ellman: Does this concern create a problem for you, or is it something you think is irrelevant to the work you are doing?

Mr Scoggins: We take all feedback, all concerns and all representations to us about all aspects of our business very seriously and evaluate the issues they bring up, but that evaluation has not led us to have any concerns over the potential outcome of this tendering process.

Q100 Mrs Ellman: As the use of the Internet service grows what implications does that have for the priority given to telephone services?

Mr Scoggins: Well, we are now in the situation where about 40% of our contacts from the public come through our Internet and self-service channels rather than via the telephone. However, we still received last year nearly 62 million calls; similar numbers this year, of course. The number of calls is declining slightly but it is still a very significant part of the business. It is still the busiest telephone number in the UK and it is still the most active telephone number in the UK.

Q101 Mrs Ellman: Do you see your telephone users as important as Internet users and will you continue to do so?

Mr Scoggins: Absolutely. We see all our users as equally important and we endeavour to give all of them the best quality of service that we can.

Q102 Mrs Ellman: What about the development of Transport Direct? What implications does that have for the National Rail Enquiry Service?

Mr Scoggins: We welcome the introduction of Transport Direct, due to launch early in 2004, and we have been working with the Transport Direct team in conjunction with other members of the rail industry to provide information and data feeds to them. We expect that that service will be mostly used by people who are looking to make a decision about how to make their journey, which mode of transport to use, and we think it will be very useful for that. Most people who telephone us (as Transport Direct is only an Internet proposition at this stage) have already decided to travel by rail and therefore we do not see that impacting upon the number of telephone calls significantly.

Q103 Mrs Ellman: Will it have any implications for the attention you give to the telephone calls?

Mr Scoggins: No, absolutely not.

Mrs Ellman: Thank you.

Q104 Clive Efford: Could I just clarify something about this 50% target. You have set yourselves a target of saving £25 million and you think you can achieve that by outsourcing up to 50% of the call service, is that correct?

Mr Belcher: No, we have not set a target but that is an indication from an earlier valuation of the tenders that we are presently looking at.

Q105 Clive Efford: So you have got a good idea of the cost of this service. You have said already that you do not want to have all your eggs in one basket, so we can assume that you have made your decision that you are going to outsource a proportion, it is just going to be up to 50%?

Mr Belcher: We are presently looking at the short-listed bids to see which is the best and that includes some which are partly offshored (if I can use that word)—

Q106 Clive Efford: I think I am asking a question to which I am entitled to the answer yes, and that is that you have made your mind up that you are outsourcing some of this service because you do not want all your eggs in one basket? You have stated that already.

Mr Belcher: The evaluation depends on quality, reliability and cost. Now, we have got down to a shortlist of 4. Very soon we will reduce that to a preferred bidder.

Q107 Clive Efford: But you are not putting all your eggs in one basket?

Mr Belcher: No.

Q108 Clive Efford: We can faff around the words but I think the implication is clear. In terms of the pilot, the reliability of the service, have you had any problems with the reliability of the service so far?

Mr Scoggins: Absolutely none.

Q109 Clive Efford: There has been no breakdowns in, for instance, the power supply or Internet connections or anything of that sort?

Mr Scoggins: The facility has several sets of back-up generators in case of a local power supply failure and the switch-over is tested every day.

Q110 Clive Efford: The current members of staff—you have got 1,200 staff. How many are there in each call centre?

Mr Scoggins: We have 1200 full-time staff. I do not know the precise figures off the top of my head for each call centre. There are around 100 in Plymouth, about 300 in Cardiff, the remainder between Derby and Newcastle.

Mr Belcher: We can write to you, if you like, with the details.

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Q111 Clive Efford: If you could. I think we have established that you are going to change suppliers. What implications are there for your staff? Is this going to mean redundancies or are you going to be able to reallocate them within the service?

Mr Scoggins: Our existing supply contracts come to an end between 31 March next year and 7 June 2005 and those contracts cannot be extended, therefore we need to re-tender them. As part of the re-tendering process we may change supplier. The arrangements between our existing suppliers and their staff in relation to when those contracts end is not contingent upon whom the new suppliers are, if there are new suppliers, nor where the new supplier service will be provided from.

Q112 Clive Efford: In terms of the savings that you are making, at this moment in time there is a great deal of aggressive marketing; there are tax benefits, etc. You have taken those into consideration, that they may not be there in the future, that this may actually become a very expensive alternative to the current arrangements?

Mr Scoggins: The tenders that we are considering are all on a fixed price basis over the duration of the contracts so there is no risk of the cost changing significantly.

Q113 Clive Efford: What consultation have you had with customers over these changes?

Mr Scoggins: We have consulted with the Rail Passengers Council as our main channel of formal customer feedback.

Q114 Clive Efford: That is it? You have not held any of your own surveys of customers to determine whether they would be happy with this new arrangement and that they would feel confident in using that service?

Mr Scoggins: BT, before they set up their trial, had some customer research done through National Opinion Polls, which concluded that there would be very little disaffection amongst customers—

Q115 Chairman: How did they conclude that? Which questions did they ask?

Mr Scoggins: I am afraid I do not know the details of it.

Q116 Chairman: If you get an Indian call centre which does not understand what you are talking about and give you inaccurate information will you be upset?

Mr Scoggins: I believe that they used calls to Indian call centres and to UK call centres as the basis for questioning—

Chairman: Is there not some very clear indication that in fact these are not satisfactory? I am sorry, I do not mean to go on.

Q117 Clive Efford: Could I just ask about training the staff, for instance, with the pilot. What was the cost of training? It must have been quite significant?

Mr Scoggins: As the existing contracts allow our suppliers to supply the service from wherever they like and to change that whenever they like under the current contracts, though that is not the case going forward, we pay the fixed price for the service and they deliver it. Therefore, their costs of training new staff in the locations is transparent to us.

Q118 Clive Efford: So that is not a cost which is going to be taken into consideration in your pilot then?

Mr Scoggins: It is all factored into the prices we have received in the tenders.

Q119 Clive Efford: So there is a cost which has currently been borne by the suppliers but there will be one in the future for training?

Mr Scoggins: The marginal cost of training people in India is very low compared with the cost of training people in the UK. Although it takes longer to train them, naturally, the wage differential and the salary and cost of employment differential is so high that it more than compensates for the level of extra training which is required.

Q120 Clive Efford: What is included in the training process?

Mr Scoggins: General call centre training, as for any call centre agent anywhere in the world—telephone skills, listening skills, how to understand the customer, how to manage the call, general IT and computer skills, of course, which go with any call centre job these days and then rail specific training and National Rail Enquiries specific training and UK specific training about geography, the rail network, the fare structures, the train operating company structures and so on, and how the rail enquiries system works.

Q121 Clive Efford: Do you have contingency plans for a transitional period in order to maintain the quality of service if you are changing over to new suppliers?

Mr Scoggins: We have not finalised those as we have not decided who the suppliers will be from April going forwards, but looking at the different scenarios which could eventuate from our current set of short-listed bids yes, we have drawn up contingency plans for each possible outcome.

Q122 Clive Efford: One last question. Is it your policy that the suppliers recognise trade unions?

Mr Scoggins: We have no policy on that.

Q123 Mr Randall: From what you have been saying I understand that if someone was to telephone the call centre based in India, for example, there would be no difference in quality or service from what is currently happening, is that correct?

Mr Scoggins: That is correct.

Q124 Mr Randall: So the benefits therefore are really economic, is that correct, for moving it?

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Mr Scoggins: We believe there will be benefits in terms of quality improvement.

Q125 Mr Randall: So you think an Indian call centre would be better than one based here?

Mr Scoggins: We suspect that that will be the case, yes.

Q126 Mr Randall: What would you base that on?

Mr Scoggins: Based on advice from specialists in the area, on research and evidence that we have seen of existing operations.

Q127 Mr Randall: You have told me what the benefits are. What assessments have you had of any risks which you might encounter?

Mr Scoggins: Our bidders have all presented to us their risk assessment of their bids.

Q128 Mr Randall: But you presumably are making your own assessment of the risk and not relying on other people telling you?

Mr Scoggins: Indeed, yes.

Q129 Mr Randall: What are those risks?

Mr Scoggins: The risks would come under several categories. First of all, in terms of infrastructure, power supply, transport problems and so on. Those are very heavily mitigated by Indian call centre operations. They have a very high record of reliability of the service; whereas, for example, our existing UK call centres have had around 10 instances of blackout between them just this year.

Q130 Chairman: You are saying that India has a higher level of—

Mr Scoggins: Of resilience to those sorts of things, yes.

Q131 Chairman: One of the suppliers you had difficulty with presumably was BT, was it?

Mr Scoggins: All of our suppliers have experienced outages, all three—power outages, fire evacuations, a variety of reasons.

Q132 Mr Randall: You said that you had this opinion poll but do you not think from a marketing point of view, perhaps because of the high publicity that this particular potential move is generating, that the public, your customers, might suffer a lack of confidence?

Mr Scoggins: I do not believe so. We believe that the press coverage to date has been very balanced in relation to us and in relation to offshore call centre provision generally within a wide selection of articles in a wide variety of publications extolling the virtues of the offshore call centre provision.

Q133 Mr Randall: So you think most people would be perfectly happy as long as they feel that the service is the same?

Mr Scoggins: We believe if the quality of service is the same and the customers can be readily understood and can understand the person who is

speaking to them and that person can confidently portray to them accurate information then they will be happy.

Q134 Mr Randall: You think that people will have confidence in the information being accurate?

Mr Scoggins: As they do today, indeed, because it is the same information.

Q135 Mr Randall: How do you improve the accuracy of the information with which the call centres operate?

Mr Scoggins: We have an ongoing programme in our business plan, which is currently in draft, for the next several years and we have made major inroads into that over the last several years also. We have a continuing programme of improving the accuracy of the information that we provide. If you would like me to give some examples of our plans going forward, for instance, one of our major initiatives at the moment is the live departure board system, which enables customers on the Internet or callers to the call centre to access projected realtime train running—Is the train 10 minutes late? Is it on time? Is it early? Is it half an hour late? Why?—and to factor that into their travel plans.

Q136 Mr Randall: How do you get that information to the call centre and where does it come from?

Mr Scoggins: The call centre agents access it over the Internet in the same way that customers can do directly; not in all of our call centres today, it is being rolled out at the moment. Going forward, we are looking at improving the accuracy of that system and the information it provides by connecting more data feed systems from the customer information systems which operate on every station or on major stations. So, for instance, when you go to Euston and you see the departure board in front of you it displays all the information about the current running of the trains from that station. We are looking to link in the data from that Euston system as well as from the other major stations in the country.

Q137 Mr Randall: So you do not think there will be any loss or delay in the time of the information coming through to a call centre than there is today? If we are talking about a call centre outside the UK there would not be any difference in the information reaching that call centre?

Mr Scoggins: No, the band width of the communication channels which exist between the UK and India and other countries in the world is such that there is no material delay.

Q138 Mr Randall: You get your information from the National Rail Communication Centre?

Mr Scoggins: We run the National Rail Communication Centre.

Q139 Mr Randall: So the National Rail Communication Centre is operated in-house, is it?

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Mr Scoggins: It is outsourced, along with the call centres, but it is something which National Rail Enquiries runs.

Q140 Mr Randall: So it is outsourced?

Mr Scoggins: Yes.

Q141 Mr Randall: How do you ensure the information provided to the National Rail Communication Centre is complete?

Mr Scoggins: Again, we have an ongoing programme of improving the linkages between the National Rail Communication Centre and its data providers, who are largely the train operations rooms, the control rooms in each of the 25 train companies, and Network Rail's control rooms around the country.

Q142 Mr Randall: I have got one final question. This decision, which is obviously an interesting decision, a business decision, was it direct in any way, that at a board meeting or something you sat around and said, "Well, let's see. The tendering process. A lot of people are going outside the UK. That's something we should look at, " or was any sort of guidance given by any other body, something like the Department of Transport or anything like that?

Mr Belcher: No. We sat down one day in a dark room and thought about the options for the next five years of the contract and narrowed down what we thought was reasonable and not reasonable. We were not given guidance, instruction or advice from anyone.

Q143 Mr Randall: Just purely from yourselves?

Mr Belcher: Yes.

Q144 Mr Stevenson: Just for my benefit, have you got any complaints or concerns about your present operation in terms of quality and reliability?

Mr Scoggins: We have a very low ongoing level of complaints. In the last year that numbers about 0.015%.

Q145 Mr Stevenson: In other words, you are very good?

Mr Scoggins: Very, very good.

Q146 Mr Stevenson: It is nearly a bull's eye that really, is it not?

Mr Scoggins: Very much, yes.

Q147 Mr Stevenson: So if your quality and reliability under your present operation, except for the pilot, is bull's eye you can only be considering moving to make more money?

Mr Scoggins: What I said was that we have 0.015% complaints. That is still a level of complaints and there is still, as Mr Stringer noted, some problems with quality in some areas. So there is always room for improvement.

Q148 Mr Stevenson: We can always improve but what I am getting at is, it is not the complaints you get, it is your attitude towards the complaint. You mentioned attitude, I think, Mr Scoggins, and I got the impression from your initial statement made and your answers to my colleagues' questions that you are doing very well and you have got a good operation here?

Mr Belcher: We are doing well, but 94.8% answered is not 100.

Q149 Mr Stevenson: Forgive me, Mr Belcher, I am a mere politician. I left school when I was 15 with a leaving certificate which said, "He is a good attender," but I can do a bit of mental arithmetic. Please bear with me. I am just trying to identify what is your main motivation for seeking to decide on tenders which will take up to 50% of your operation abroad. Quality is very good, can be improved, reliability seems to be excellent, so would you accept that the main motivation is money?

Mr Scoggins: No, I would not.

Mr Stevenson: You would not. Thank you. I will not press that.

Q150 Chairman: Well, you might not but I will. What is it then, Mr Scoggins? If it is not money, what is it?

Mr Scoggins: It is a combination, as I said earlier. On the reliability question, for instance, we have had around 10 blackouts at our call centres this year.

Mr Stevenson: I am coming to that.

Chairman: Sorry, Mr Stevenson.

Q151 Mr Stevenson: Thank you. The pilot scheme—how long has that been in operation?

Mr Scoggins: It has been operational for about 8 weeks.

Q152 Mr Stevenson: So there is this rather indistinct research we talked about earlier and experience and so on, but you have had a pilot scheme for 8 weeks and on the basis in the main of a pilot scheme you have operated for 8 weeks you believe, do you not, that you can dramatically improve your reliability and your quality and you are perfectly happy to take a decision which could mean up to 50% of your operation going abroad on the basis of an 8 week pilot scheme?

Mr Scoggins: No, we have not based our decision on the results from the pilot; after all, it is only 10 people. We have based our decision on research, on an understanding of the market and expert advice.

Q153 Mr Stevenson: So why have the pilot scheme?

Mr Scoggins: We have not had a pilot scheme.

Q154 Mr Stevenson: Well, who has then?

Mr Scoggins: BT, our supplier, has and they decided to—

Q155 Mr Stevenson: Nevertheless, you are waiting for the results of that?

Mr Scoggins: We were not party to the timing of the pilot scheme and therefore the fact that it occurs during the tendering process is entirely outside our control.

Q156 Mr Stevenson: I see. Thank you. Could I ask about your productivity. 62 million calls, I think you said?

Mr Scoggins: Yes.

Q157 Mr Stevenson: What has happened to your productivity over the last five years or so that you have been in operation? What has happened to it? Has it gone up?

Mr Scoggins: By call centre industry standards, a pretty good level of productivity.

Q158 Mr Stevenson: Has it gone up over the last few years?

Mr Scoggins: I could not honestly answer that. We pay our suppliers per call and our suppliers manage their cost base and their productivity.

Q159 Mr Stevenson: Okay. So what has happened to your per call cost then?

Mr Scoggins: If you mean by that has our percentage of calls answered gone up over the last few years to reach the current 94.8%, yes, it has.

Q160 Mr Stevenson: So I can assume productivity has improved?

Mr Scoggins: Yes.

Q161 Mr Stevenson: But I am interested in the cost per call. What has happened to the cost per call?

Mr Scoggins: The current prices reflect the arrangements set out in the contract some years ago. They provided a fixed price and a mechanism for inflating that price in line with inflation year on year.

Q162 Mr Stevenson: I see. Has it come down in real terms or not?

Mr Scoggins: I have not done that analysis. I can do that and write to you, if you like.

Q163 Mr Stevenson: I see. Could I ask about the tenders, because time is getting on. I thought I heard Mr Belcher say that you are down to a shortlist of four.

Mr Belcher: Yes.

Q164 Mr Stevenson: How many originally tendered, in other words before you short-listed them?

Mr Scoggins: We had around 60 initial expressions of interest. We had 42 responses to our OJEC notice, which we screened down on pre-defined selection criteria to 13. We issued our invitation to tender to 13, of which we received 9 responses, of which we short-listed 4.

Q165 Mr Stevenson: So out of the 13 were there any of them that did not propose outsourcing?

Mr Scoggins: They are all outsourced; I presume you mean offshoring. Yes, all 9 of the responses we received to that tender were based on a blended onshore and offshore service.

Q166 Mr Stevenson: I see. In your tender you did not say where the operation should be?

Mr Scoggins: That is correct.

Q167 Mr Stevenson: Has there been any discussion during that process on this issue of where the service should be operated since you invited tenders?

Mr Scoggins: Do you mean discussion between us and the bidders?

Q168 Mr Stevenson: Yes, any discussion at all?

Mr Scoggins: Yes. We have made no secret of the potential outcome. We have discussed it with various bodies and we have had various meeting with the bidders.

Q169 Mr Stevenson: I need to get this clear. Even though in your tender you did not specify where, during that process you have had discussions about where the operation should be?

Mr Scoggins: Indeed.

Q170 Mr Stevenson: Thank you. Are you a profit-making company?

Mr Scoggins: No, we are not.

Q171 Mr Stevenson: You do not make a profit?

Mr Scoggins: I believe we make a nominal profit.

Mr Belcher: A nominal profit.

Q172 Mr Stevenson: You are a not for profit company?

Mr Scoggins: No, we are actually a normal limited company and our profit last year was about £10,000.

Q173 Mr Stevenson: So you are seeking to make a profit?

Mr Scoggins: No.

Q174 Mr Stevenson: You are a company and you are not seeking to make a profit?

Mr Scoggins: That is correct.

Q175 Mr Stevenson: So you are a not for profit company then?

Mr Scoggins: We are not constituted as a not for profit company.

Q176 Mr Stevenson: So you could make a profit? There is nothing in your Articles to stop you making a profit, that is what I am getting at?

Mr Belcher: The benefits or costs flow directly through to the train operating companies.

Mr Stevenson: Okay, I think I know what you are saying to me.

Chairman: If they make a profit it goes straight back to ATOC.

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Q177 Mr Stevenson: Well, one wonders whether that will reduce the public subsidy or increase ATOC's profit but that is another matter.

Mr Scoggins: ATOC does not make a profit either—

Q178 Mr Stevenson: Do you find it a bit bizarre that a company such as yours, which is mainly or wholly funded through the public purse one way or the other is seeking to accept tenders where up to 600 of its employees could lose their jobs and the service goes elsewhere?

Mr Belcher: I think our responsibility is set out in our licence conditions and the business plan has been accepted by the Strategic Rail Authority, which is to deliver best quality and best reliability in the most cost-effective way.

Q179 Mr Stevenson: Even though as a company which is mainly or wholly funded out of the public purse if 600 people lose their jobs the public purse will have to pick up that tab?

Mr Belcher: The business plan which is accepted by the SRA has those words within it—quality, reliability and cost-effective price—and at present the SRA is applying great pressure on all the train operating companies and parts of the industry to control costs. We are seeking to do that in order to make the industry more effective.

Mr Stevenson: Thank you.

Q180 Chairman: Do you recognise trade unions yourselves?

Mr Belcher: As part of the train operating companies, yes.

Q181 Chairman: Is it your policy that your suppliers should recognise trade unions?

Mr Belcher: We have no policy on that.

Q182 Chairman: You have no policy at all?

Mr Belcher: No.

Q183 Chairman: So if, for example, your suppliers recognised trade unions in the United Kingdom but did not choose to do so within the Indian subcontinent you would regard that as being nothing to do with you at all?

Mr Belcher: That would be a decision for our suppliers, yes.

Q184 Chairman: I see. So you lay down no conditions and you are absolutely certain that you can maintain the level and the quality of everything you do on the basis of shifting half the work some place else?

Mr Belcher: If that decision is made, yes, we are confident.

Q185 Chairman: Have you laid down any terms about training new staff?

Mr Scoggins: Yes, we have. We are laying down the training manual. We are laying down the overall contents of the training programme. That must be included as the minimum in the suppliers' training programme for their staff and we have mandated a minimum period of training which is in excess of the level of training our current suppliers provide for their staff.

Q186 Chairman: You have informed us several times today that most of your decisions are taken on the basis of research. Would you be astonished to know that there is research saying there are very considerable difficulties with call centres on the subcontinent?

Mr Scoggins: There is some research suggesting that but the majority of research that I am aware of indicates to the contrary.

Chairman: Thank you, gentlemen. It is very nice to meet people who are so confident of their judgment. We shall have, I am sure, the opportunity to talk to you again.

Witnesses: **Mr Ian Buchan**, Chief Executive, National Express Group Trains Division (Qjump Limited), **Mr Mike Havard**, Managing Director, CM Insight and **Ms Anne Marie Forsyth**, Chief Executive, Call Centre Association, examined.

Q187 Chairman: Good afternoon. Thank you for coming. I wonder if you would be kind enough to identify yourselves for the record.

Mr Buchan: My name is Ian Buchan. I am chief executive, trains division for National Express, the owners of Qjump.

Mr Havard: Mike Havard, founder and managing director of a customer management consultancy, CM Insight.

Ms Forsyth: Anne Marie Forsyth, chief executive of CCA, the professional body for contact centres.

Mr Buchan: I have nothing, thank you.

Mr Havard: Just briefly to say that as an advisory firm in the area of customer management we have good and broad experience of call centres in the UK and internationally. Clearly some of the work, in fact most of the work we are doing in any offshore context carries a lot of confidentiality clauses with the range of clients that we have but outside of that clearly I am prepared to help you with whatever information I can.

Q188 Chairman: Did any of you have anything you wanted to say?

Q189 Chairman: What is the attraction of outsourcing to overseas locations like India?

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Mr Havard: We have done research on this and have good experience over the last three or four years and the principal driver is one of economics, the costs savings. However, as has been indicated earlier, there is good evidence that quality advantages can be gained when it is enacted in the right way, through diligent implementation, good contracting and solid implementation. The clear benefit, the initial driver which has been there for the past years is about the costs savings as the primary issue.

Q190 Chairman: Is there some specific enterprise which is more appropriate than others?

Mr Havard: If you look at the activity which is currently out there, over 50% of activity in India, for example—and remember that offshore is broader than just India—is engaged in financial services and the next largest category is technology and technology support. So those two have clearly found favour with organisations which have investigated it. Our own views and experience are that clearly it starts with back office and simple functional processes and then progresses from there as organisations find their feet and find the value and the benefits they have derived.

Q191 Chairman: Are you quite happy about security? Financial services, one would have thought, was a sensitive area. Are you quite happy that your research has shown that information transmitted is totally confidential and secure?

Mr Havard: Well, again from the experience of organisations which have done it—and this is many UK banks and financial institutions—based on the level of investment they are committed to, maybe not currently but are building up to, then the answer is, yes.

Q192 Chairman: But is it not true, Mr Havard, that banks and financial services are particularly noted for their inability to be honest about how much money they have lost; indeed their inability to be frank about the degree of fraud and what it costs them in the average year is, may I say, notorious. So what evidence have you got, evidence as opposed to subjective views, that people who transmit secure information—which is of course not the case here, thank goodness, although I suppose it depends who is picking it up; it would be unfortunate if somebody was told which trains to blow up going through Crewe—in general terms what evidence have you got that there is security of information?

Mr Havard: I am not a banker and I am not party to the details of that, but what I can tell you is that the nature of the data protection rules which surround this require that organisations have cover in terms of data protection and confidentiality through the contract they have with third parties.

Q193 Mr Stevenson: There is research which suggests that since the early 1990s successive Indian governments as part of their economic reform package have done all sorts of things to attract

technology and call centre industries to their country, tax breaks and so on. Would you confirm that?

Mr Havard: Absolutely, and not just in terms of external incentives and attractions. They have done a considerable amount in terms of their own infrastructure, investment in technology colleges and such like.

Q194 Mr Stevenson: We heard from NRES that subject to whatever tenders they accept it could mean that 50% of their current operation is transferred overseas. (a) Do you think that is likely? (b) They indicated that they saw that as the maximum, they could hold the line there. Do you agree with that second assertion?

Mr Havard: Absolutely. We agree that not having all your eggs in one basket is the route to go. Again, our research has shown that through utilities, financial service companies and others the clear view is that they would not want to have an all or nothing scenario.

Q195 Mr Stevenson: Do you think they could maintain their stated policy that they intend, as part of not having all their eggs in one basket, to have something like 50% of their operation here in the UK? Do you think that can be sustained?

Mr Havard: In terms of sustainability from an offshore perspective there is a good many factors which suggest it is a completely sustainable environment for managing significant volumes in the future.

Q196 Mr Stevenson: I see. Mr Buchan, what are the advantages of keeping call centre operations in the UK as you see them?

Mr Buchan: Well, Qjump is a young company. We have only just started. We are developing it at the moment and therefore we have not looked at the issues of any possible move overseas because at the moment our emphasis is on developing the company. We have a set up in Sheffield, we have about 300 staff in a bespoke call centre there and at the moment that is our facility, which we are expanding.

Q197 Mr Stevenson: Would it be right for me to conclude from that that you have no plans to outsource your operation?

Mr Buchan: We have no plans at present to outsource it, no.

Q198 Mr Stevenson: That being the case, how are you able to maintain that policy position while paying relatively high staff costs in the UK compared with, for example, India?

Mr Buchan: Well, at the moment ours is a new business. We are expanding it, we are developing it, we are looking at new outlets to sell rail tickets and so on and we have a business plan which will take us hopefully to profitability over the next couple of years. So at the present time we are trying to develop new markets and build the business that way rather than looking at any other avenue.

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Q199 Mr Stevenson: As part of this business development, which I understand and appreciate, quality and reliability as well as cost are factors which must be to the forefront of your business ethos even when you are developing the business. So do I understand from your answer that your company is satisfied with quality, reliability and cost?

Mr Buchan: We are satisfied at present with all of those factors but I would not be able to say that we could rule out any potential avenue in the future. It is a very rapidly developing business and I could not rule out any possible avenue we might pursue down the line, but at the moment we are not pursuing that avenue.

Q200 Mr Stevenson: I do not think you have quite responded to my question about competitiveness. How are you going to maintain your competitiveness given your business policy certainly in the short to medium term?

Mr Buchan: Well, the way we are trying to do it at the moment is we are looking for outlets which our competitors are not necessarily pursuing. We are looking at the way new technology can lead us into new areas. New contacts can lead us into new areas and so on, and that is the way we are pursuing to develop the business at the moment.

Mr Stevenson: I see. Thank you.

Q201 Clive Efford: Could I just go back to these eggs in the basket. What constitutes a basket? Is this to drive down costs? Is this to hang a sword of Damocles over staff in this country so that they keep their overheads down? What is the benefit of not having your call centres all in the UK?

Ms Forsyth: I suppose the reasons have been given by those who have done it. There are three reasons, I guess. One is cost reduction, which is the big thing. You can balance costs so if you are under costs pressure you can get a costs benefit from doing two things. The second one that I hear of is a chance to re-engineer processes, which is a buzz word for doing things differently. The third one, I suppose, is a chance to expand your business into new markets, which I do not think in this case would be applicable but for more global operations like HSBC and others that would be it. So those would be the reasons, I think, for spreading to more than one location.

Q202 Clive Efford: Just so that I can understand, what difference does having more than one basket make to achieving those things. Why can you not do that from all your call centres overseas or all your call centres in the UK? Why do you have to have call centres in different locations across the globe?

Ms Forsyth: I am not sure you do have to have them in different locations. From my perspective, I think there are some hugely successful operations here in the UK doing very well. For example, we have in excess of 750,000 people employed here in the UK and that is from the research house, Contact Babel 2003. In fact it is slightly more than

that, I think it might be 790,000. You have approximately 5,000 customer-facing staff dealing with UK operations in India. So I think in terms of perspective we need to understand what we are dealing with here in terms of numbers. That is not in any way to underestimate it. What you have at the moment in India is a range of mostly pilot activities for those organisations who are trying and seeing and I guess it is under test, it is under pilot and I guess if you asked any of them they would say that they are waiting to see what the results are.

Q203 Clive Efford: From that experience then what would you say we could expect for the future of the call centre industry in the UK?

Ms Forsyth: My own view—and this is a CCA view collectively from our members because we have done quarterly research on this and have also amassed a fair amount of information—is that offshore is very much on trial just now. Where it has been proven to be successful is in back office processing—

Q204 Chairman: The more routine straightforward clerical work in effect?

Ms Forsyth: Yes, the processing which backs up the operation at the customer-facing end, i.e. the call end of it, the back-up parts of it. There are some well-known, well-publicised cases of organisations who have taken a portion of their voice business to India and these include HSBC, BT and Prudential, plus one or two more.

Q205 Chairman: Surely BT cannot have had any problems!

Ms Forsyth: I am not sure if they have had problems but I know that they have around 17,000 people employed in the UK and my understanding is around 700 at the moment in India.

Q206 Clive Efford: So the future for the industry?

Ms Forsyth: My own view of the future of the industry is that it is in a consolidation phase. We deal now in contact centres with more complex issues, it is not just straightforward scripted situations, conversations, it is far more complex. You only have to think of what you use them for to understand that—financial, health information, a whole range of different things. Standards are really important. Moving up the value chain is hugely important. We will never compete on per hour basis, so on commoditised routine transactions organisations have a choice to automate, perhaps to offshore. That is the choice which is open to them. My own view is that there is a lot of growth. That is evidenced by our studies. It is not the same heady growth as five or six years ago but it is still nevertheless single digit growth, 4 or 5% at the moment.

Q207 Chairman: What would it have been?

Ms Forsyth: It would have been in the early days, five years ago, 20% per annum.

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Q208 Chairman: So it is a more reasonable amount of growth?

Ms Forsyth: It is more reasonable and contact centres today are into delivering more. They were all in set-up mode in the early days. There was an awful lot of excitement around job creation in areas which had suffered hugely from manufacturing losses. I think the future, in answer to your question, is dependent upon professionalisation, professionalising what we do in contact centres and doing it quickly.

Q209 Clive Efford: Mr Havard, do you have a comment on how you see the future of the industry in the UK?

Mr Havard: I agree with everything Anne Marie said. I think it is still in a growth phase. There are some clear challenges that organisations are facing. Consumer contact is growing. The constraint on their costs needs to increase and so some of them are reaching quite critical decisions in terms of their business but overall we see it as a positive position.

Q210 Clive Efford: Mr Buchan is a new business in the industry. How do you see the future?

Mr Buchan: Well, from our point of view I think there will be considerable growth in many, many areas and the emphasis will remain on quality and efficiency and so on, so I think there is no doubt it will develop.

Q211 Clive Efford: Is it in decline? That is really what I am driving at. You have said that you are not going to be able to compete on costs. Does that make it inevitable that we are going to see the sorts of decisions which are being considered by the National Rail Enquiry Service?

Ms Forsyth: In answer to your question about whether it is in decline currently, the answer is no, because there is still growth in this year. In the future it depends upon organisations' approach to customer service. For example, people say they cannot compete on cost and that is absolutely true but what we can do is pay a lot more attention to the dreadful costs of attrition in call centres where you have lots of people who are trained and leave very early and our estimated cost per person is round about £3,500. It is a huge amount of money being wasted on recruitment and re-training and everything else and some of that, I have to say I think emanates from the image around call centres. We have not particularly welcomed call centres as a nation over the last few years. The press has not been particularly positive and we often hear stories from people who say, "Oh, I'm going to work in a call centre until I get something better." It is a dreadful way to describe a job which at the end of the day is absolutely not low skilled. It is becoming increasingly complex and I believe that the complexity of that, once we realise that it is a very, very vital part of our service economy—most organisations use contact centres in one way or another, whether they have their own or whether they outsource them and we are an 80% service economy in this country. It is a hugely important

part of what we are doing. More and more people are using this indirect way of communication. The unanswered question is to what degree will the offshoring of some of the larger contracts make to that growth line; in other words at what stage will it flatten off? I do not know the answer to that but I do know that what we can do is work very hard at moving up the value chain and professionalising what we do in this country.

Q212 Clive Efford: Briefly, more people will be employed in this industry in the future, in your opinion?

Ms Forsyth: Yes.

Q213 Clive Efford: You have mentioned training but what are the training needs of staff who work in call centres?

Ms Forsyth: Training needs are quite diverse. The training needs are around customer-facing training and also on industry specific. So, for example, in financial services the training is around regulation because these people at the front end need to be fully aware of the financial services regulations. So in that sense the training can be quite complex. A lot of training is done in-house by individual organisations. CCA's role in this is about teaming up with universities. We team up with Nottingham and Trent at the moment to accredit in-house training; in other words to give people real university points in accordance with the training they have done in-house. It is not at the moment prolific, it is in its early days, but we are hoping to move forward with much more of that and give people who wish it the opportunity to have professional qualifications. A lot of training is done but it is not readily transferrable from organisation to organisation; in other words people do not have a passport to accredit the training they have done at the moment but that is coming.

Q214 Clive Efford: What you describe is that actually the training needs are quite intense, it is not such a low grade job as some might have us believe. Do you have any comment then on moving an organisation like the NRES to India and the training needs that will be required there. Is it realistic? Is up to 50% the scale of the shift of a service that you would recommend, for instance?

Ms Forsyth: We are not in a position to recommend. We are an absolutely independent organisation and our role is in setting fixed standards for the market place rather than interfere in commercial decision-making. I think the earlier comment I heard was that training is cheaper. I have not really got a view on that. If they can achieve everything else in India then they must have the training providers lined up, but I am not sure of the training provision which is available there, in answer to your question.

Q215 Clive Efford: What can the Government do to ensure the future of the industry and that of the people who work in it as well?

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Ms Forsyth: CCA has lobbied the Government for some time now to promote a more positive image around working in call centres.

Q216 Chairman: How do they do that? The Government may be quite good at promoting images but what did you have in mind?

Ms Forsyth: Well, you often see things released through the Department of Work and Pensions around “Think of a career in Army,” or retail, or something. “Think of a career in contact centres” is another avenue. Having said that, the Government itself is next year going to be the biggest employer of call centre personnel in the UK. It is going to have around 17,000 people employed through the Department of Work and Pensions and I see that as a hugely positive step forward because it allows those people to say, “The job you are applying for is like the job I do,” because they will be working in a contact centre environment and I think that is positive. So that is happening. Other areas, I think, through DTI involve themselves in just promoting and understanding the value of contact centres. For example, it is only recently that the contact centre sector has had its own SIC code. It has not until now, which has made things different in terms of measuring.

Q217 Mr Stringer: This experience from India and other parts of the world seems quite theoretical. Are there any real examples that you have got of absolute disasters when people have outsourced their work to India or elsewhere?

Mr Havard: From our perspective, no absolute disasters. There have been organisations which have perhaps been over-zealous in their implementation and have perhaps not been quite as diligent as they should be. They have seen some opportunities for fast deployment and what we are seeing right now is organisations taking a steady approach, good piloting, good contracting with the offshore supplier and ensuring that everything is effectively buttoned down.

Q218 Mr Stringer: What has been the most unsuccessful case you know of?

Mr Havard: I think it was—and I cannot name the organisation but it was involved in an outbound sales activity and I think that that actually was affected by the more general issue with telesales rather than it actually being an India issue, to be honest, but that is certainly a case of retrenchment.

Q219 Chairman: You would not be surprised to learn, as I did last night, of someone who after twenty years of using catalogue sales has cancelled because over six months she was neither able to make an Indian call centre understand what she was talking about nor to get accurate orders? Would that be a surprise to you?

Mr Havard: In the work we do we hear examples of all sorts of difficulties with calls and you will have exactly the same encounters in the UK, to be honest.

Q220 Mr Randall: You were saying that the call centre industry suffers from a bit of a bad press. Do you think outsourcing to India improves its image or makes it worse?

Ms Forsyth: I think there is irony in all of this and the irony is that this debate today and the press over the last few weeks I think has been rather encouraging because it is forcing us to look at the real issue of what contact centre jobs actually are. We have never really had that debate aired in the press before, we just talked about them generically. Having said that, I think that the press certainly in looking at the issue of offshore in isolation has been pretty negative.

Q221 Mr Randall: So it does not help your case much if a major supplier like the National Rail Enquiry Service moves its operation or some of its operation overseas? That is not good news for the UK call centre industry?

Ms Forsyth: What it does is to signal to other players, I suppose, that it is possible.

Q222 Mr Randall: We heard that the service that would be provided would be as good, as reliable as exists at the moment. Would you say that that is perfectly possible if it moves across to the subcontinent?

Ms Forsyth: I have heard mixed reports from some organisations who have done work in India and work here and some of the positive things I have heard are high quality staff and good work ethics, improving technology. Some of the negative things that I have heard are the difficulty in culture. It is accent but it is also cultural misunderstandings. The evidence through the research that I have seen around the customer and what the customer wants is that very routine transaction dealings could possibly be dealt with but when you get into more relationship issues and conversational matters it becomes more difficult to manage.

Q223 Mr Randall: Mr Havard, would you say that the service could be the same?

Mr Havard: Absolutely. What I would say, to answer a previous point about is this bad news or good news for the call centre industry in the UK, is that I think one of the things we should be doing—and in fact we recommended this to the Department of Trade and Industry when they were involved in some work with us nearly three years ago—is understanding why the Indian operations, for example, are being successful and what can we learn from those principles and apply them back to the UK. You cannot obviously take the cost advantage but there are some other significant areas they have some advantage in, for example their approach to technology, infrastructure, power supply and robustness, their approach to quality systems, their approach to middle management training. These are all areas that the UK could and should learn from with support from various bodies.

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Q224 Mr Randall: If you are saying it is perfectly possible for the service to be as good and it is cheaper, undoubtedly, that is the main driver, you were talking about the Department of Works and Pensions, why should they not move it all over there? If I was an operator with a call centre why should I choose the UK rather than going overseas?

Mr Havard: There is a whole range of factors. It is an issue of risk assessment and looking at where the cost advantage is and where the quality areas are. If an organisation takes a view that the cost advantage is there and the quality can be guaranteed—

Q225 Mr Randall: But you just said the quality would be the same potentially?

Mr Havard: Correct, yes.

Q226 Mr Randall: So then I would go for the economic advantage and, as you have also said, we could not really compete with that?

Mr Havard: Absolutely, but there are some other risk considerations that an organisation would need to look at and in fact do. That is about the nature of the interaction itself—

Q227 Mr Randall: The nature of the interaction meaning what?

Mr Havard: Sorry, the style.

Q228 Mr Randall: What it is like speaking to somebody on the other end of the phone, whether they understand the peculiarities of the part of the country or that sort of thing?

Mr Havard: No, it is more to do with potentially sensitive issues that you might get in a DWP type encounter that would need some very strong focus on style. Our experience, and we have measured this, is that offshore operations can get there, they just perhaps need a greater degree of investment and training. So it all needs to be factored in and views taken on the risk of that.

Q229 Mr Randall: Could I ask you, Mr Buchan, do you think it is sensible that the National Rail Enquiry Service provides information but you cannot buy tickets at the same time, you have to ring somebody else up to go and get the tickets?

Mr Buchan: At the moment we are developing these systems, we are expanding it and the level of competition that comes from having a couple of commercial operators doing it I think is helping to develop the market more rapidly when it is at an early stage, when new technology is coming along. I think once it gets to a more mature stage then there may be a better justification for examining the set-up to see whether there are benefits in combining or merging or generally evolving into that situation, but at the moment I think there is great scope for developing these markets and I think the stimulus of competition is helping to drive that forward.

Q230 Mr Randall: I am just trying to find out whether you share my view that if I rang up to find out about a train, what time it goes and so forth, I might like to close the deal by buying a ticket rather than saying, “Well, that’s all right,” and now get on to another line.

Mr Buchan: We are developing links so that that could become more seamless, so that you can do it as a much more seamless operation between the two, but I think at the moment our concern as a commercial operator is to develop the market, to look for new avenues to sell and I think we do that more effectively at the moment in a competitive environment.

Q231 Mr Randall: Do you think it would be any more difficult or less difficult if the National Rail Enquiry Service call was overseas?

Mr Harvard: I do not think it would be any more difficult provided the issues of quality had been effectively addressed and had not been affected. Then I do not think there would be any technical additional difficulties, no.

Ian Lucas: Just one question. Would you expect the chief executive of a company to know whether the productivity of his workforce had increased over the last five years?

Q232 Chairman: You are a consultant, Mr Havard, you must be worth a lot of money! Do you expect chief executives to know whether the productivity is going up or down and would you expect him to know how much?

Mr Harvard: Yes, I would expect him to know value for money and the quality of the service that he is getting from suppliers. If productivity of the supplier is not one of the key measures but the value he is getting from them is then I would expect him to know the ultimate measure, not necessarily the measures the supplier uses.

Q233 Ian Lucas: In particular, before making a major decision about how the service is being delivered, would it not be right for him to make an assessment of the productivity of his own workforce?

Mr Harvard: Absolutely, as one of the measures, but then there are other factors in that. Productivity can come at the expense of quality, for example, so all measures need to be looked at in balance. But the answer is yes.

Ian Lucas: Thank you.

Q234 Mrs Ellman: National Rail Enquiries told us with some confidence that a better service could be provided from India than it could here in the UK. That does not seem to quite fit with the information we have just been given from the Call Centre Association. Would you like to comment on that?

Ms Forsyth: I think what I said was I had heard positive and negative. I am not sure I would be able to qualify. They obviously have information I do not have access to. They have had pilots and so forth. I think given the magnitude of the service they run in the UK versus perhaps the pilot, which

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is much smaller, in India I am not sure how the comparisons have been made so I cannot argue if they have done the research but I would have to say that I would like to know what they were measuring each against, the pilot versus what happens here in the UK.

Q235 Mrs Ellman: Given the potential impact of a decision which could mean that around 50% of people working in call centres found their work was placed overseas in relation to rail services, would you expect the information that was based on to be made available to you as an association?

Ms Forsyth: Again, if it is commercially sensitive I am not sure we could ask for it, but I would imagine it is something they will want to disclose if they are making that decision as to the rationale why.

Q236 Mrs Ellman: Would you be prepared to request that in the national interest?

Ms Forsyth: One of the issues the CCA has is that we are neither a regulatory nor a mandatory body. We rely on providing valued services to those who wish to subscribe to us. To manage call centres you are not required to be part of a professional body. So we do not have any rights to ask them for anything. We can put into their domain, into their view, best practice, that is our role, but we do not have the authority to demand anything.

Q237 Mrs Ellman: It is not about having the authority to demand but would you not think that if you are looking after consumers' interests you should be able to request that as that is important information?

Ms Forsyth: We are membership driven, we have got 600 members who run call centres. I guess if they wanted to see that we would then ask if we could see it because others may well base their decision-making on that.

Q238 Mrs Ellman: What else specifically should we be doing here to improve our standards? You mentioned an improved image, but apart from that what could we specifically do so that we could compete more favourably in terms of quality?

Ms Forsyth: There is actually quite a lot, I believe. We have developed over the last few years a standard framework which is non-prescriptive but it looks at the best practice that we have gathered together over the early years of running call centres and it is based on a series of processes aimed at very much the professional development for the employee within and communication and ultimately the aim is that the customer gets a better service out of that. That standard is still relatively new but I can tell you that it has been adopted on a self-audit basis by a lot of our members and in fact some of them have actually gone forward and had it independently assessed by British Standards Institution and I think there are now 24 separate contact centre sites in the last year which have gone through that. We would like to see a lot more of that and we are working really hard with the

organisations to take that up. We have case studies on the benefits to organisations who have done it. So this is not just about badges, this is actually about real company benefits with reduced attrition, better morale and everything else. So we are promoting that and obviously any assistance in that from anybody would be fantastic. That is at an organisational level. On an individual level, I mentioned earlier about people viewing working in contact centres as a career and that is something we are very much promoting and to back that up we are working with a lot of different agencies and training bodies to look at professional career structures. Again, there is not enough resources frankly within our organisation to do that and we do seek partners and assistance in that.

Q239 Mrs Ellman: What would you like Government or other bodies to do? If quality is going to be the key factor in the future, quality of service, then surely we need to do more than leave it to individual companies?

Ms Forsyth: I think we need good quality information on what we have, so Government research into this sector is vital and I know that that is happening at the moment. DTI are actually commissioning research into the contact centre competitiveness. So that is beginning and I hope that is the start of some more because until we understand what exactly we have and how valuable it is, it is difficult to chart when it moves.

Q240 Mr Donohoe: Just two quick questions. First of all to you, Ms Forsyth. In terms of the area I come from it seems that we have got to saturation in getting recruitment in the industry. Is that not part of the factors that we have got to look at in terms of why they are moving overseas?

Ms Forsyth: Yes. We are now almost at full employment so it is a completely different situation than it was several years ago when lots of people were moving into this industry. Some of the things they can do is to look more widely at the labour pool, for example people who traditionally would feel locked out of employment opportunities, the long-term unemployed. There are some active projects through the National Employment Panel, who we work with in locating, encouraging and breaking down the barriers for contact centre employment. Disabled people—there should be no reason why disabled people cannot work well in call centres, in fact it can be a great advantage for them. So we need to look more widely but there are lots of people who would wish to. I think it gets back to the image and their view of where it is going to lead them.

Q241 Mr Donohoe: The second question, I think to you, Mr Buchan, is that as we move towards five years hence are we not going to find ourselves in the situation where we have got a new generation coming up behind us who will more and more rely on the Internet to be able to do most of their purchasing?

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Mr Buchan: Yes.

Q242 Mr Donohoe: I am virtually computer illiterate (some say I am illiterate) but even now I use the service on the net for all sorts of different things and that is going to develop where you are going to get a situation, are you not, where call centres will become less and less used? In those circumstances do you foresee that maybe in five to ten years that the number of the semi-skilled (if that is the right expression) is going to drop quite dramatically and that the take-up will be done by places like India?

Mr Buchan: Well, I do not think there is any doubt that we are seeing a very rapid expansion of people using the Internet and I think new technology coming along will emphasise that and possibly increase the rate whereby people are transferring. So there is a distinct possibility that as new technology comes along more and more people will be able to get rail information and rail tickets independently, if you like, of a staffed call centre and therefore I think it is possible that the numbers will reduce as more and more people get used to using the Internet and as the systems get more and more self-sufficient so that you could maybe buy your tickets on the Internet and actually print them

off at home and then use them on the train. So these sorts of things may well reduce the numbers in rail call centres, yes.

Q243 Chairman: Finally, Mr Havard, the National Rail Enquiry Service currently costs £40 million a year to run. Does that sound like a reasonable amount of money for an operation of this sort?

Mr Havard: I have no idea. I could not give you a straight answer to that, I am sorry.

Q244 Chairman: Do you have any comparable costs in mind for any, including customers for whom you have acted as a consultant?

Mr Havard: To give you an example of how difficult an answer to that question is, we conducted some work with the National Audit Office just looking at Government operations and the range of equivalent costs per call minute varied from under 60p through to about £27. For various reasons there is a huge variety in costing structures and charges out there, so to give an answer off the top of my head to that would be very difficult.

Chairman: I think, Mr Havard, you just blew the National Audit Office's credibility straight out of the window but thank you very much for coming. We are very grateful to all of you.

Witnesses: **Mr Anthony Smith**, National Director, and **Mr Stewart Francis**, Chairman, Rail Passengers Council, examined.

Q245 Chairman: Good afternoon, gentlemen. I am sorry to have kept you waiting. Would you please identify yourselves.

Mr Smith: Madam Chairman, I am Stewart Francis, chairman of the Rail Passengers Council and this afternoon I have with me Anthony Smith, the national director of the Rail Passengers Council. I apologise that, unlike last week, our gender balance is not quite as good as it was.

Q246 Chairman: Well, Mr Francis, we do not expect miracles! Could I ask you if you actually had something you wanted to say or should we go straight to questions?

Mr Francis: I wonder if I could on this occasion, as we have not obviously had the chance to put in any written evidence. I start by saying we really welcome the fact that you are asking these questions as the Transport Committee, throwing the spotlight on information which is often seen by many as a soft issue on the railways. In fact providing timely and reliable information is a critical issue for millions of passengers. The research we have undertaken and our postbag confirms is that there is a basic and universal need for accurate information, especially at times when performance remains poor on many routes and of course much of the network is being rebuilt. This is likely to remain the situation for several years to come. It is especially at times of disruption that passengers want, need and deserve accurate information. To get it wrong simply can lose the railway custom. Information provision is

changing. Less than a decade ago a host of regional telephone enquiry bureaux provided a pretty poor rail enquiry service, often at long distance call rates. The RPC undertook its own mystery shopping exercise to highlight this inadequacy and we campaigned for a single national low cost number. We have that and to be fair I think that NRES has transformed telephone information provision both in terms of speed and accuracy, although of course it is not perfect. However, it should be pointed out that it is answering 14 million calls a year. We acknowledge the major strides that NRES has taken, partly assisted by technological progress but also by its own efforts. We also think that the emphasis on measurement, having moved from a quantitative to qualitative measurement, is extremely helpful as well. The only other thing I would mention, Madam Chairman, is that we decided earlier this year to undertake a major research project with NRES into the information which passengers want, when passengers need it, which means can be used to provide it sufficiently quickly to satisfy their needs and we are concentrating on when services are disrupted with either planned or unplanned engineering works because that is frequently when things go wrong. We want to pinpoint best practice and highlight priorities for improvement.

Q247 Chairman: Are the conclusions of that report available, Mr Francis?

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Mr Francis: The research is just underway now, Madam Chairman.

Q248 Chairman: Could I be cheeky and ask when that is going to be ready and could we have a copy?

Mr Francis: I wonder if I could ask Anthony to answer?

Mr Smith: Unfortunately, it will not be ready, Madam Chairman, until about spring of next year. It is quite a large scale piece of research.

Chairman: Oh, naughty Mr Smith! Thank you.

Q249 Mr Stringer: I do not know if you were here for the evidence given by NRES earlier on but I could not understand why your assessment of the accuracy of the information was so different from their own mystery shopper assessment. They were claiming 97% accuracy and you were finding considerably less. Can you tell us why you think that is?

Mr Smith: In the context of 14 million calls the research which we have conducted both in terms of the research we did with Which? magazine last year and in terms of a relatively small scale exercise which our southern committee did this year did uncover some problems. It is very difficult to put that in the context of numbers to say just how many of those 14 million calls are correct, but our own research indicates that the vast bulk of the calls are dealt with adequately. It is when the more complicated questions come when there is perhaps some difficulty.

Q250 Mr Stringer: Your research indicated, did it not, that on complicated questions NRES were hopeless? It is 30-odd out of 40-odd, I cannot remember the exact figures, where they got the detailed information wrong, was it not?

Mr Francis: I can only echo what Anthony Smith has said and it was a relatively small sample size. I think the point is made that when NRES are tested with more complicated information then there is a struggle. However, I understand now that NRES has taken up a theme that we challenged them with when this research was conducted and published and that is when more difficult questions are asked can the caller please be put on to someone else who is capable of answering the more difficult enquiry and NRES, I believe, have taken steps to put that in place. I suspect that the majority of calls that NRES receive are fairly standard questions and can simply be answered. I think that second tier of information which can be accessed is obviously important.

Q251 Mr Stringer: Are you going to follow up that research? You have said it was a small sample. It would be interesting to find out, would it not, what the real situation was with a statistically significant sample?

Mr Francis: We follow up with NRES on a whole range of issues which passengers raise with us through our regional committees. In total in the last twelve months we have dealt with about 21,000 appeal complaints. About 400 of those are about NRES. Interestingly, a greater number of

complaints are about train operating companies' own information services rather than NRES itself. So it is a relatively small proportion but the sort of areas that passengers were raising with us and we are taking up with NRES are that sometimes it appears that time pressures mean NRES staff do not always give a full range of fares available on a particular journey to customers. Season ticket prices and poor performance disclaimers concerning season ticket discounts was another area of concern. Engineering works—it does appear that the late provision of information into NRES means that passengers can be given false information. A classic case of that was the debacle at Stoke when the west coast mainline did not re-open on time. NRES was still giving out information that you could travel, that the railway was opening on Monday up until Sunday evening. If you put garbage in you get garbage out, I suspect. The other point which is sometimes raised with us is the grasp of British geography in the somewhat complicated geography of the railways. So all those points. We are constantly in dialogue with ATOC and the train operating companies trying to improve those aspects of service.

Q252 Mr Stringer: You were very clear in your opening statement that the creation of NRES had improved the situation post 1996. Is the level of improvement in the quality of information still going on or have they reached a plateau?

Mr Francis: I think it is. The emphasis, I think probably quite understandably, by the then regulator was the quantitative aspect of NRES, how many calls were they answering and were they answering them within 30 seconds. I think we have actually got over that hurdle now and the questions which are being asked of NRES now are actually about quality. I think that is helpful and I think there are indications that as every year goes by, quite understandably with new technology and their own efforts, that improvements are being made.

Q253 Mr Stringer: Again, you have given as an example that you believe there should be a two tier service. If it is a complicated question it should be passed on to perhaps somebody who has got more time or is better trained. Are there any others you could suggest to improve the service?

Mr Francis: I think we have always looked for a one-stop shop on the telephone. The fact that you can make an enquiry and get the time of your train and how much it costs but you cannot buy a ticket, you have to be given another telephone number to buy the ticket. But we are looking forward to the time, which I understand is not so far away now, when you will be able to purchase a ticket. Clearly, the other aspects are information about places you are likely to visit and connections with other forms of transport. We might be a little bit further away with that and I am not quite sure how much joined up thinking is going into that area but those are the sorts of things we would be looking for on behalf of our passengers.

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Q254 Mr Stringer: Finally, I am right in saying that your job is to monitor the National Rail Enquiry Service but it is the SRA which has the sanctions, is that right?

Mr Francis: It is our job on behalf of rail passengers to monitor the entirety of the railway and take forward their complaints, represent them and in my view to help set a strategy for the railways of the future which passengers would support. It is not our role to directly take responsibility for monitoring NRES, it is part of what we do. The regulatory control is with the SRA, although regulatory action, I understand, is taken by the regulator himself.

Q255 Mr Stringer: Is that system effective or could it be improved?

Mr Francis: I believe that it was effective when we were talking earlier about how quickly NRES were able to answer telephone calls. The then regulator did take out an enforcement order on NRES and there were noticeable improvements over the next twelve months. Since the responsibility has shifted to the SRA, I think it is fair to say that there have been improvements in NRES, so therefore I am not really able to answer that question any further.

Q256 Mrs Ellman: National Rail Enquiries tells us that a better service could be provided overseas from India than it could from the UK. Does that statement surprise you?

Mr Smith: I think the pure consumer response to that is as long as the quality of the answers is good and as long as the price is right consumers do not really care where the service is coming from. We have done some checks around our regional committees to see how that principle works out in practice for this particular question and with 140-odd members up and down the country from Penzance to the north of Scotland the response back was very much that as well. As long as the answers are right and as long as the price is right, where it comes from is irrelevant to consumers.

Q257 Mrs Ellman: But National Rail Enquiries went further than that. They said they thought that a better service could be provided in India rather than in the UK. Would that statement be a surprise to you?

Mr Smith: I could not comment on whether a better service could be provided. The key issues from our perspective really in this particular inquiry are the quality of the information and ensuring that the quality of the information is maintained and improved for passengers. How they provide that or how they specify the contracts is entirely a matter for them; it is a private organisation.

Q258 Mrs Ellman: Were you consulted about the possibilities of expanding overseas and outsourcing?

Mr Smith: No.

Q259 Mrs Ellman: Do you have a view on that as a principle?

Mr Smith: I would merely say what I said before. As long as the quality is right and as long as the price is right where it comes from is not of relevance to consumers.

Q260 Mrs Ellman: Do you think that consumers would lose any confidence if they felt that calls were being handled from overseas?

Mr Smith: I think consumers' confidence would be soon lost if the quality in any way seemed to be being compromised over a period of time. That confidence would be lost very quickly. But if the quality is provided and it is maintained I think that confidence could be met.

Q261 Mrs Ellman: Do you have any concerns about the employment implications of a massive switch to overseas outsourcing and to its impact on call centres as an industry in itself?

Mr Francis: I do not think that is really a question to put to us as representatives of rail passengers. Our direct concern is not about employment opportunities in the United Kingdom, it is about representing rail passengers' interests.

Q262 Ian Lucas: Have you done any work to monitor the quality of the service which is being provided from India at the moment, the pilot project that we heard about?

Mr Francis: No. In fact I did not know about the pilot project until fairly recently.

Q263 Ian Lucas: When did you find out about it?

Mr Francis: Probably not until I knew that you were sitting in this inquiry.

Q264 Ian Lucas: You were not told about the proposal to move the NRES service overseas, you have just confirmed that. You have not been involved in the monitoring of the service that is being provided now. Are you disappointed with the level of cooperation that you are receiving from NRES on this?

Mr Francis: No, not at all and I did not say we were not monitoring. What I was trying to say there is that we are not the official monitoring body of NRES. Of course we monitor NRES in the sense that passengers tell us when things go wrong. Our committee members have visited all NRES centres. They have seen good practice there where it has become joined up with Network Rail centres and things such as that. We have done our best to encourage best practice. So we are not monitoring NRES in terms of formal regulation but we are doing it as part of our work on behalf of passengers. In terms of our input to NRES, I suppose it is up to others to judge and I think it falls into how does an RPC influence what happens on the railways? It is for others to judge how influential we are. I can only say that when NRES was first formed the RPC made a lot of noise about the quality of NRES and that chimed obviously with what the regulator was saying and NRES did improve.

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Q265 Ian Lucas: Is it not the case that when a major strategic decision is made by NRES to outsource calls overseas in this way it would be nice to be told, from your point of view?

Mr Francis: Yes.

Q266 Ian Lucas: You mentioned, I think, Mr Smith, the reaction from the various committees across the country. Is it fair to summarise that reaction as neutral on the issue?

Mr Smith: Neutral, yes. As long as the quality and the price is right where it comes from does not matter.

Q267 Clive Efford: I just want to ask you what benefits you think should flow to passengers as a result of these changes. We have heard about £25 million worth of savings. How should they benefit passengers?

Mr Francis: I think in the broadest sense when I was before this Committee last week we talked in some detail about the need for the industry to become more cost-effective. The rail passengers I talked to are perfectly aware of one of the issues that you raised with us last week, that they are paying amongst the highest fares in Europe, that there are question marks over how cost-effective the industry is in managing infrastructure, renewals and maintenance. Therefore, there is an element of the rail passenger view that would say any efforts which are made to actually try and reduce the cost of the railways would be welcome.

Q268 Clive Efford: Mr Smith, do you have anything to add to that?

Mr Smith: The amount in prospect of £25 million is a relatively small drop, I suppose, in the context of the whole funding of the rail industry but at the moment every penny counts with the railways.

Q269 Clive Efford: It is significant enough for NRES to consider the decisions they are taking, but I was thinking more in terms of how the enquiry service is structured and perhaps the range of services it is able to provide being addressed as a result of there being £25 million splashing around.

Mr Smith: I think the passengers would hope that if savings of that magnitude were made at least some of that money would find its way back into reinvestment, into developing other forms of information provision which could benefit all passengers.

Q270 Chairman: I do not think you were given any indication, were you? Did you hear the evidence of our previous witnesses? Did you get the impression they were going to give all the money back in terms of new services?

Mr Smith: No.

Q271 Chairman: I thought I might have missed something. What are the barriers to a more streamlined information and ticket service?

Mr Smith: I think the barriers are partly technological in terms of creating capacities to meet the demand for information which is out there and I think the demand for information is growing exponentially, as in many other areas of life.

Q272 Chairman: Are you aware of whether that capacity is available in India?

Mr Smith: No, I have no idea at all.

Q273 Chairman: Are you aware of research by Amicus which suggests customers prefer call centre operators to be located in the United Kingdom?

Mr Smith: No, I was not aware of that.

Q274 Chairman: Are you aware of any call centre which has its operators announce their degrees when they answer the call?

Mr Smith: No, Chairman.

Q275 Chairman: Since we have been assured today that graduates deal better with the situation than we peasants, what indication have you that that is the case?

Mr Smith: None at all on the evidence that we are aware of.

Q276 Chairman: You mean you did not notice where the change came? The improvement did not manifest itself in terms of the qualities of the people who are employed in call centres? You have told us it has got better since it was originally instituted. Have you been given any evidence of a change in the quality of the people employed in call centres?

Mr Smith: No, Chairman.

Mr Francis: Could I just offer this thought. When we were taking a trawl around some of our members there is an instinctive reaction to say that people would prefer their calls to be answered by someone within the UK. If you do go on and explain there can be considerable savings and efficiencies made then the answer does change.

Q277 Chairman: Yes. Does it also change in accord with what you say will happen to the amount of money which is saved and what that will be spent on in future?

Mr Francis: Yes.

Q278 Chairman: There are a few ifs in that, a little bit of modification in the question..

Mr Francis: Yes. I absolutely agree with that.

Q279 Chairman: Well, I think we all learn which questions to ask when we want a particular answer. Could you tell us, have you made any contribution to the development of Transport Direct?

Mr Smith: Yes, we have been involved in some of the working groups and consultation around Transport Direct but I would not claim that we have been directly involved in setting up, no.

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Q280 Chairman: No, but you have had an input?

Mr Smith: Yes.

Mr Smith: Yes.

Chairman: Gentlemen, you are always very coherent and sensible. Thank you very much for coming. We were so impressed with your gender balance last time, Mr Francis. See if you can do better in future!

Q281 Chairman: You are involved in it and you have got a fairly clear indication?

Witnesses: **Mr David Fleming**, National Secretary for Finance, and **Mr Ciaran Naidoo**, Research and Policy Officer, Amicus; **Mr Richard Rosser**, General Secretary, and **Mr Manuel Cortes**, Negotiations Officer, TSSA, examined.

Q282 Chairman: Would you be kind enough, gentlemen, to identify yourselves and would you please accept my apologies for keeping you waiting.

Mr Cortes: Manuel Cortes, negotiations officer, TSSA.

Mr Fleming: David Fleming, national secretary, Amicus.

Mr Rosser: Richard Rosser, general secretary, TSSA.

Mr Naidoo: Ciaran Naidoo, policy and research officer, Amicus.

Q283 Chairman: Do either of you wish to make any opening statement?

Mr Rosser: I do not.

Mr Fleming: No, thank you.

Chairman: Thank you very much.

Q284 Mrs Ellman: National Rail Enquiries has told us that they are considering outsourcing up to 50% of their work overseas. What impact would that have on employment?

Mr Rosser: If I can comment on that. I am very interested to hear the figure of 50%. That is certainly the first time that that indication has been given to us and, as you will see in the evidence that we submitted, we did write to ATOC about this and they did not manage to volunteer that information to us; indeed the attitude of ATOC was that it is all a matter for the suppliers. That is not to say we are a bit suspicious of that approach. I think there is some evidence that ATOC has been driving this. As far as the impact of it is concerned, if ATOC are talking about the call centres at Cardiff, Plymouth, Derby and Newcastle then to state what I appreciate is the obvious, it depends whether they are looking at taking railway enquiry work away from one or two of those centres in its entirety or whether they are looking to reduce it across the board over four locations. As far as the impact on jobs is concerned, it will presumably depend upon whether the companies which are currently providing these services manage to find alternative, presumably non-railway work, to take over if they lose the railway contracts. I know that will be the argument which may be advanced if I sit here and say there are job losses threatened but we do know that there does appear to be an increasing trend amongst a number of organisations towards outsourcing this work. So if this goes on and gathers steam then eventually, and maybe not too far in the future, we will find a call centre loses work (and perhaps it will be this railway work) and there will not be alternative work to take

on because there is a trend increasingly amongst a number of organisations to put this work overseas. The second point I would make on this is that the nature of the kind of people who work in at least many call centres, I had better not say it is every one of them since I do not know what the position is—we did provide a breakdown of the labour force in the one at Cardiff—many of them are young people, many of them are women and the idea, as I understand it, has been to seek to provide as many job opportunities as possible for young people and, as I understand it, it is also to provide job opportunities which will enable parents to work. One of the things about the call centres is that they meet those two criteria. There is also quite a lot of part-time work available and once again there is a demand in certain quarters for part-time work. So it does seem that if there is a suggestion of moving the railway work elsewhere, to another country, and no other alternative work comes in then two groups in the community for whom one would have thought the objective was to increase employment are the ones who are going to be hit hardest. Quite frankly, in the railway industry under privatisation it has completely failed to control costs. Many of the things that we said would happen with the fragmentation of the industry has come true and quite honestly if the people who are going to pay the price for the failure of this industry to control costs—because all the argument about transferring the work seems to be on the grounds of costs—are young people, women, people who want part-time work then I think this industry has got a lot to answer for.

Q285 Mrs Ellman: It has also been suggested to us that public feeling about getting a good service is irrespective of where that service is located. Would you like to comment on that?

Mr Rosser: Well, my guess is that that is probably true actually. There is a question as to whether they will get the same quality of service. I am quite sure they could do on the relatively routine questions which come but whether they will do on the less routine questions, which might entail having some knowledge of the railway system and the geographical location of various places may be open to some doubt. I would not be sure whether that would necessarily be the case. Interestingly enough, you have mentioned this. Certainly our colleagues in Australia, who are faced with the same kind of issue, have been trying to persuade their government to step in and stop this kind of thing happening and

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also pressing them to pass a Bill which says that if a call centre is answering a query it has got to indicate where it is located. That is presumably something which in Australia some people think it is appropriate.

Q286 Chairman: We could actually do that with the technology we have now, can we not?

Mr Rosser: We could do it here, but maybe the Australians have a rather different attitude than we do and perhaps what is happening there reflects their rather different attitude. But I would accept the basic point that I do not think that people are going to worry too much if the quality of the service is maintained. The question is, will the quality of service be maintained? But I think people might be worried if they knew what the consequences of that transfer were and if they knew that a potential consequence—obviously I cannot sit here and say it is an actual definite consequence—is a loss of jobs for young people in this country, for parents in this country and part-time workers in this country, I think they might take a different view if it did lead to fewer jobs and led to more unemployment and then the state presumably had to pick up the bill in terms of paying for people who were unemployed and perhaps the state had to pick up and we all had to pick up the consequences which can arise, the social consequences which can arise if there is an increase in unemployment. All I can say is that all we hear are statements about what the savings will allegedly be if it goes out to another country and those are clearly bottom line savings for the particular companies concerned. What we never hear are what will the costs be if that work goes overseas, because there could be costs, if people in this country, particularly the kind of groups I have mentioned, find there are fewer job opportunities for them. I think it is a very relevant question to ask, has anybody done an analysis of what the costs would be of this because there are plenty of people prepared to sit here and tell you what they think the savings are.

Q287 Mrs Ellman: Is there anything specifically you would like either the Government or the Strategic Rail Authority, who are responsible for that service, to do in relation to the potential impact on jobs and other losses that the customer has identified?

Mr Rosser: We had raised that with the Transport Minister, Dr Howells. We also wrote to him at the end of October and we asked him actually to intervene. We suggested to him that he had got quite a lot of leverage since he was providing quite a lot of money for the industry and we did point out that the job losses, if they take place, will be in parts of the country that are usually the first to feel the effects of any economic downturn and are in parts of the country where probably public money has been invested to try to encourage firms to locate there. Of course he is in a constituency where I suspect he may have some people who are working in the call centre at Cardiff. We have not yet had back a response from him. I think another thing Government could do, although one would like to think actually that the industry would do it since there does seem to be an

approach which basically says that if the industry thinks it has got a problem and argues it has to put the work out to other countries to save costs, the usual thing seems to be to come along and announce it is all the Government to blame and it is never the failings of the industry itself. I can certainly say to you that one area of particular concern to us, and whether it is a justified concern at the moment I do not know, but bearing in mind we have appropriate Health and Safety legislation in this country which covers aspects of call centre work and the kind of issues which can arise for people working in call centres we would certainly hope that at the very least somebody is asking if the same conditions are going to apply in India to people who might be engaged in doing this work. I do not know the answer to that question but my suspicion is that certainly the industry probably has not asked the question.

Mr Fleming: If I could just answer that question and then maybe go back to the consumer reaction, if that is okay. First of all, from the Government point of view, from Amicus we were involved publicly on the British Rail issue and I would have to say, with respect, it is the TSSA staff who are affected in those call centres. We have been heavily involved because in the finance sector Lloyds TSB, the Prudential, Aviva and a number of other companies have already outsourced and have outsourced in pilot projects in India particularly. The Deloitte consultancy estimate in the finance sector alone that 200,000 jobs could leave the UK by 2008. So we are looking at not just offshore but a form of economic migration. We have had dialogue with our own parliamentary group of MPs and we are looking and starting dialogue with the DTI. We are very concerned that in the case of Newcastle where British Rail are affected there is also the closing of a Lloyds TSB call centre. Newcastle has just recovered from the loss of ship building and the loss of manufacturing. These service industries have filled that gap. If the somewhat apocalyptic estimates come true—they are well researched and it is not a union research—there is going to be a dearth of jobs and opportunities and skill base in those cities in a short distance of time. We are not convinced that the Government has a strategy to look at what will happen next if economic migration takes place and we are asking for that to be a wider part of the situation. We do believe the service centres will go. We do believe the cost argument is strong but we do believe it is only the cost argument which actually applies; there is no concern for communities, no concern for the infrastructure of jobs. Many companies will protect us by giving us a no compulsory redundancy agreement. That seems adequate from a union point of view, but the jobs go from natural wastage and eventually centres close and areas change in terms of their infrastructure. So we are on a wider level asking the Government to review whether there is a strategy to stop there being a complete vacuum in terms of skill mixing, job availability, as my colleague said, particularly for the young, particularly for women, particularly for part-time staff. Just on the consumer reaction, in our written evidence we referred to a report we

commissioned by Performance House and there are enough copies of the executive report here. You may already have them. But we found that was a 1500 randomly selected sample where we commissioned external consultants. We obviously asked a range of questions but we found the reaction to offshoring was very strong. I will not dwell on figures, they are in the report, but 82% of the respondents expressed a concern about the idea of job losses and 31% of that group were worried about their own jobs and I think if you are doing a random selection that has a significant impact on the way communities think and react about this. I think this is crucial as well, 78% believe customers' opinions were not being taken into consideration when these decisions were made and there is this sometimes real concern and sometimes mythical concern that the services which are going out there will not be provided to the same level and to the same impact and the stories move with that. Sixty-three% actually said their offshore migration, if it was stark and apparent, would actually affect their purchasing decisions. This was a random selection and I think that should not be ignored.

Q288 Mrs Ellman: You say that people expressed a concern about whether equal services would be provided from overseas but what is the actual evidence on that?

Mr Fleming: I am afraid that the actual evidence is very much anecdotal. We are slowly picking up evidence now which suggests that some companies are finding that their pilot scheme made a mistake or that their system was not working, not in the UK but the significant example of G Capital in Australia have brought their services back from India to Melbourne because it had affected customer input and customer satisfaction. There are other Australian companies which had done that already.

Q289 Chairman: Were they that much ahead of us?

Mr Fleming: Well, I believe that probably we are now just at the beginning of the kind of migration which has existed—

Q290 Chairman: What I am saying is they were further ahead through the cycle and what you are saying to us is that they have now discovered that in many instances it did not work?

Mr Fleming: I can certainly confirm that G Capital have had huge operations in India long before some of the establishments of the UK centres, yes.

Q291 Mr Randall: Presumably it is not just this particular decision, you are concerned about the message it is sending out to the whole industry?

Mr Fleming: It is not just rail and transport, it is a message for the whole call centre industry but also it is a back office industry. We do not believe there is actually a full stop to the jobs that can go out there from the very basic jobs to call centre jobs, to voice response jobs, to selling, to IT and to very high skilled IT services. The job market is there in India to fill these jobs and that is fine, so to speak, but it is the impact of the economic migration which says,

“We can do this.” Our multinational companies will do it, our industries will do it and nobody but nobody is taking into consideration the damage that will have not only to communities but also to intellectual capabilities, to the skills balance and the skills need and skills educational development within many industries and that is starting to concern us. I had a confidential meeting with a chief executive of a major finance sector company who said they were not going to outsource, to our great delight. They were going to do a pilot scheme but they were not committed because they, on their own evidence research, were concerned about the intellectual capability and how that would affect the provision of financial services in the UK.

Q292 Mr Randall: Would you say that the British call centre industry is declining or increasing?

Mr Fleming: I believe the evidence we have is that it is about level now. Obviously we have heard the previous input about growth and there is confidence in the Call Centre Association. We do not have the same evidence with back office staff. What we are concerned about is that every morning many will pick up the newspaper, every morning we pick up the phone and are summoned to a meeting where we are told that 1,700 jobs are going, 3,000 jobs are going, 4,000 jobs are going, and this is now cyclical, it is daily. In the last two months we have looked at 20,000 jobs already outsourced from the finance sector. It is a very dramatic situation.

Q293 Mr Randall: You have already mentioned that you think the Government should have a role and Mr Rosser mentioned what they were thinking about in Australia. Presumably what you would like to see as well is almost—I cannot think of the slogan but the equivalent of “Buy British” for this, the advantages of having a British call centre. Presumably you want to persuade the consumers because it is going to be consumer driven ultimately, where people are going to want to be answered by somebody in the UK and they might even say locally?

Mr Fleming: There are two levels to this. I do not believe that there is any harm at all in call centre operators being able to tell you where you are getting the service from. That is one case. From the point of view of dignity at work and the comment about Health and Safety policies, in the call centres in India definitely and there are something like 200,000 people in call centres providing services to the western world, not one of them is unionised; not one of them has the guarantee of the same rights and the same procedures that we have in the UK. Many are asked, perhaps reasonably in terms of the service provided, to go through training for accent neutralisation. Many are asked to use Anglo-Saxon names and not disclose where they are coming from. I actually believe that is disgraceful and breaches dignity at work. I think the Government ought to have a view if the companies are exploiting their services they are providing.

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Q294 Mr Randall: You are basically saying, and I think some people might agree from their own experience, that a call centre is disguising where it is actually coming from in certain instances.

Mr Fleming: When you politely ask, “Where are you speaking from?” it is not unreasonable for somebody to say, “Yes, I’m speaking from Belfast,” or, “I’m speaking from Leeds,” but you will not get that response if you ring a call centre which is abroad. I found that with the British Rail enquiries trying to get from London to Burnley and got the wrong information. There is one horror story from yesterday where they re-routed me via Stoke and not Manchester, but that is my own grievance. But they would not tell me where the call centre was.

Q295 Chairman: They would not tell you?

Mr Fleming: No. One of the dangers of this is that it can get xenophobic and I have to say we have made strong links and we are making strong links with the Indian trade unions through our own European and international network. It is about dignity at work. I can imagine the abuse people get down the phone. Even in the call centres in the UK it can often be horrific. I would not like to think that was the case elsewhere but I do believe that everybody has a reasonable right to say, “I’m talking to you. I’m looking for detailed advice. I would like to know where I’m getting it from.” I do not see a problem with that.

Mr Rosser: Could I just come back to a point which Mr Randall made. First of all, one of the arguments which is put for putting the work overseas is a high turnover rate in this country. Well, we have certainly seen a statement which has come from the Australian call centre industry which refers to a study they have done and it refers to turnover being as high as 22% in India, so maybe it is a bit of a myth to imagine that high turnover is not a problem there. We have also seen a statement which has come from something called the NFO family of companies, which refers to the situation in India and it says that the call centre industry is not seen as a long-term career option. It also says: “Further, although employees were fully aware of the unique demands of the jobs they were walking into, such as peculiar working hours, the need for assuming pseudo-identities, learning foreign accents, etc., they were not quite prepared for the burn-out rates or their ability to handle the ‘work-life balance’. Thus, today they believe that employers are not doing enough when it comes to HR policies to reduce stress at work or providing sufficient holidays to recuperate from stress at work. Helping employees cope with their work-life balance is a more immediate concern area for the employers.” I think that does rather suggest that the conditions are not entirely satisfactory. There is also evidence by the way that the turnover rate may well be increasing. Could I just say on that, in this country there is a high turnover rate in call centres in this country. It is very low paid work, scarcely above the minimum wage, and I am sure the costs of turnover, the costs of everlastingly recruiting and training people cannot be an insignificant factor.

Q296 Chairman: Would you agree with that figure of 3,500 we were told previously?

Mr Rosser: Yes. Perhaps if a little more attention was paid by the industry here to trying to produce a situation where people felt encouraged to stay rather longer in the call centre industry and to gain more experience at dealing with the queries they might be able to provide an even better service than they do now.

Q297 Mr Randall: Presumably, therefore, one of the things you think the Government could have a role in is ensuring that any British company, any British outfit which is using that would have to have responsibility for the people they are outsourcing, putting it on an even playing field.

Mr Rosser: You mean the same conditions Health and Safety-wise in India?

Q298 Mr Randall: Absolutely.

Mr Rosser: I think that would be certainly a good step to be taking, yes.

Mr Naidoo: Two academics have just completed a very thorough report on the call centre industry in India, Peter Bain and Phil Taylor. They are the leading call centre academics in Scotland.

Q299 Chairman: That is available from where?

Mr Naidoo: I have passed it to the Committee’s specialists so the Committee has that available. The evidence they have is actually suggesting that the turnover rate in India is on average 35% and in places like Bangalore the turnover is 60%. So if you look at the actual retraining which actually has to take place, firstly training to do the job, then the accent neutralisation, then the cultural training, this is a considerable cost and I think a 6 week pilot would not actually elicit the long-term issues. I think it is not a reasonable amount of time to understand that.

Chairman: So we should stick with the Coop in Stockport!

Q300 Mr Randall: In Australia there is some migration back. We have not got anything coming back to the UK, having experimented outside?

Mr Fleming: No, because I think the process has started now. But what is happening is that we are now hearing companies like the Alliance & Leicester, the Royal Bank of Scotland, who say they will not offshore and the anecdote of the conversation with the chief executive there. There are now question marks and there is now a kind of reverse competition because the competition was to see who could get most people out there cheapest.

Mr Cortes: Just going back to the previous point about turnover, because it is not like an iceberg hitting the Titanic. There are measures which can be taken and the Australian call centre industry has put in place measures which have reduced the turnover rate from over 23% to 15% over a three year period. So obviously that is something that the industry in Britain could be tackling rather than trying to run away elsewhere and take the problem with them. They are not tackling the problem.

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Q301 Mr Donohoe: On the basis of some earlier evidence we had there is no doubt that there are areas of the country where you have reached saturation. The companies which are involved in my own area, for instance, are suggesting that they cannot recruit any further and they are having to move on. Is that something that you see as a possibility within the railway industry and within this particular area that we are talking about?

Mr Rosser: I personally was not aware that they have got any significant recruitment problems in the four centres we are talking about. I would only comment that knowing that the rates of pay are only just above the minimum wage—

Q302 Chairman: We are talking about just over £5? What are we talking about exactly?

Mr Rosser: Just over £5 an hour. It may well be, of course, that if there are other jobs in the locality which are offering more money then they might be having a recruitment problem.

Mr Donohoe: I can tell you that it is not that. It is quite clearly that they are having to move on because they are having all sorts of difficulties in terms of recruitment, not on the rate (which is now £7 an hour) but on the basis that they have just got to the point where there is nobody suitable for them to employ. That is the major problem and that is in an area which has high levels of unemployment.

Q303 Chairman: Are you suggesting that is not the case elsewhere?

Mr Rosser: I am not aware that it is the case elsewhere. What they are saying then is that although there may be people out there who need a job they are saying they cannot train them to do this kind of work. Well, I would like to know how much and what kind of resources they actually put into training people since I am not aware the call centre industry is desperately good at that.

Mr Cortes: My experience is that the biggest problem call centres have got is not recruiting people, it is actually retaining them, and that must be the responsibility of the employer.

Q304 Mr Donohoe: The point is that there are so many different tiers within call centres. We go from having a whole call centre in my constituency with nobody but PhDs operating, giving very highly technical information out and they are getting paid £45,000 a year, that is the position, to the point where you are getting at the very bottom, just above the minimum wage, as you said, with women working part-time. The fact is that what we have got to look at, is it not, is that there is another element to that where new technology is coming on board, particularly the use of the Internet, and as to whether or not you are going to be in a situation five years down the line where there will be a call centre of the nature you are talking about left in the United Kingdom. That is something which has got to be looked at as well as everything else, surely?

Mr Rosser: Yes, clearly if new technology is going to come along and, as I understand the point you are making to me, is going to reduce the need for such

jobs then there is certainly an issue which needs to be looked at and nobody, least of all myself, is going to sit here and somehow say that we should stop new technology coming in. But that is a rather different issue. It has still got the serious impact on jobs but from actually a conscious decision to transfer existing work to another country.

Q305 Mr Donohoe: A final point, Mr Rosser. You indicated earlier one of the areas where you thought that the Committee could make recommendations to the Government and that was that you would not be allowed to call bar, so that you would know where they were coming from. How do you police that? How do we as a country manage to overcome that problem when you are in a global market place?

Mr Rosser: Well, we certainly cannot send, metaphorically speaking, “police officers” in there to do it, but I would only say—I am talking about the railway industry—that the stance we are getting from ATOC, it appears to us, is almost to wash their hands of it and say, “It’s up to the suppliers.” Frankly, if pressure cannot be applied to either ATOC or the suppliers to ensure that if they are thinking of putting the work there at the very least they could make sure the same Health and Safety standards apply then I am not sure there probably is much that we can do. But Government provides a lot of money to the railway industry and I do not believe that Government does not have some leverage as a result of that.

Q306 Mr Stringer: What is the level of unionisation within the industry?

Mr Rosser: In the UK?

Q307 Mr Stringer: Yes.

Mr Naidoo: In the call centre industry around about 50% of call centres are unionised.

Q308 Mr Stringer: But in terms of the total number of people working in the call centre industry, how many of them are union members as a percentage?

Mr Naidoo: I would say around 40%, roughly. It is higher than you would expect it to be.

Q309 Mr Stringer: I would hope it would be higher still, as a union member.

Mr Fleming: I am afraid it is not. It is very difficult. Where we have established recognition agreements for people moved into call centres we maintain a very high level of density, but we struggle to keep the figures because of the high turnover and that is another issue. Many of the call centres are new developments and they are notoriously anti-union and we have a big battle ahead of us, although I have to say that is changing now through what we are facing with the offshore issue.

Q310 Mr Stringer: What do you think the Government could and should do about this as a problem—not the union membership level but the movement offshore? I am sorry if that was ambiguous.

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Mr Fleming: Again, we have said it before. What has happened so far is that we have had meetings with the DTI, with the Treasury from Amicus and we have been told that it is really none of the Government's business because it is a business decision, a multinational decision and if they are making good quality cost decisions then that is up to them. Also the argument runs—and the evidence has been conflicting even in the time I have been in this meeting—that where we are losing jobs migrating to either India or China or wherever the case maybe those jobs are being replaced by sometimes a higher level of jobs, higher technical jobs. We do not believe we have the evidence to suggest that is the case. We would ask the Government, and we will be asking it in other committees as well, to look at this in terms of not only a learning and educational skills issue but as a strategic employment issue. We do believe that call centres and service industries fill the gaps left by many of our manufacturing industries. We do not believe the argument on the Internet is made yet but we do believe the argument about offshoring made by management consultancies, that we are going to lose many, many jobs and it is going to impact upon many, many communities and I believe this ought to be subject to an assessment, an analysis, a review and also the Government actually taking a view about how transparent the service which the British

consumer gets from these call centres is—where we are getting the information from, the quality of the information, the background and whether the people there are being trained with dignity.

Q311 Mr Stringer: You are not asking a lot of the Government, are you, if what you are asking them to do is study the situation, analyse it and ask people to be honest about where they live? Is that really all you are asking?

Mr Fleming: Well, when we are faced with the response, “Well, it's none of our business at all,” then we have got to be very incremental about what we do ask for. But I believe there must be a thorough investigation on whether the rationale and the business rationale is in the interests of the UK economy.

Chairman: Gentlemen, I am afraid that I do have to suspend the Committee but you have been so tolerant. Would you think it was very awkward if we were to perhaps garner up one or two other questions and write to you and ask if you could give us any additional information you have got and perhaps that might deal with the problems of confidentiality of some of the information? Could I say thank you very much for not only being so patient but for helping us. The Committee stands adjourned.

Written evidence

Memorandum by National Rail Enquiries (NRE 01)

1. HISTORY

The National Rail Enquiry Scheme was set up in 1996 to provide rail passengers with one national impartial telephone information service which was regarded as a “Network Benefit” at the time of the privatisation of the railway.

The Scheme inherited 65 Telephone Enquiry Bureaux operated by British Rail. A decision was taken early on to outsource the operation which resulted initially in a consolidation into 6 call centres operated by 4 suppliers. Market consolidation since then has produced today’s situation where 4 call centres located in Cardiff, Derby, Newcastle and Plymouth are operated by 3 suppliers (BT, First Info and Serco). Recent developments have sought to provide much of the same information on the internet.

The Scheme operates under a Scheme Agreement between Strategic Rail Authority and the Train Operating Companies acting through the Association of Train Operating Companies (ATOC). The requirement to provide such a service is a license condition on each of the Train Operating Companies.

The Scheme Agreement mandates the information types to be provided and sets down the minimum performance standards for the operation of the service in terms of number of calls answered.

The original Scheme Agreement was revised to reflect changing conditions in 2000, notably:

- increasing the above performance standard,
- including a minimum standard on the quality of the operation in terms of the accuracy of the information given, and
- adding an obligation to provide real time train running information.

The service is frequently held up as one of the most notable success stories of rail privatisation, and received the prestigious Rail Business of the Year Award in 2002.

2. GOVERNANCE AND MANAGEMENT

National Rail Enquiries was initially operated as a department within ATOC, however the service difficulties and the lack of accountability for delivery resulted in a review of the structure in 1999. National Rail Enquiries is a sizeable business in its own right, with a budget now in the region of £40 million per annum. Therefore, the Scheme Council agreed in March 1999 to create a company structure to manage the contracts and operational delivery of the Scheme. This was constituted as NRES Limited and was approved by the Regulator and Franchising Director.

A Board of Directors was established to manage the company’s operations and financial affairs and to take on responsibility for governance and contractual issues. The Board is elected by Scheme Council and is chaired by Charles Belcher the MD of West Coast Trains.

The relationship between the Scheme Council, Scheme Management Group (SMG) and the Board of NRES Ltd works well. The Board concentrates on contractual and financial issues and SMG focuses on developmental and quality issues.

The National Rail Enquiries management team structure has dedicated resources for the key channels (telephone and self-service) and for the key functions (quality, customer service and information flows).

The roles and responsibilities set out above are reflected in the Scheme Agreement. This sound management structure, together with current and relevant documentation, has provided a stable foundation on which National Rail Enquiries can develop in line with customer and TOC aspirations.

National Rail Enquiries is funded by direct contributions from the Train Operating Companies. The following principles apply to scheme cost allocation and to the determination of participants’ voting percentages:

- calls allocated by rolling survey of calls made, based on the journeys requested
- scheme voting percentages are determined on the same basis

3. OBJECTIVES OF NATIONAL RAIL ENQUIRIES

The overall goal of the service is to increase customer satisfaction and so contribute to a greater use of rail as a mode of transport. This goal encompasses the regulator’s aim of maintaining a quality impartial national telephone enquiry service for rail passengers.

In order to achieve this goal the objectives of National Rail Enquiries are as follows:

- Increasing the public's propensity to travel by train.
- Contributing to a positive view of the industry as a value-for-money service to the country, to attract the necessary investment.
- Meeting the regulatory requirements of the Scheme.
- Operating cost effectively.

This section details these objectives.

Propensity to Travel by Train

To increase the public's propensity to travel by train, we need to satisfy customers' information needs:

- Timely, accurate, up to the minute and impartial information on rail services and products, over easy-to-use channels that suit the customer's environment.
- Consistent information regardless of the channel chosen.
- Confidence that their journey will normally reflect the itinerary and updates we provide.
- High customer satisfaction.

A market research survey undertaken in August 2003 to assess the journey generative effect of National Rail Enquiries has concluded that of the calls answered by National Rail Enquiries:

- 91% of calls were journey neutral, where the journey outcome of the call was known
- 6% of calls generate new rail journeys
- 3% of calls abstract rail journeys
- (In 31% of the calls surveyed the journey outcome of the call was unknown as the journey had not yet happened)

Therefore the net benefit of National Rail Enquiries is generation of additional rail journeys from 3% of calls answered. Of 58 million calls answered, 1.74 million calls lead to a new rail journey. This research confirms the findings of a similar study carried out 3 years ago.

Positive Rail Industry Image

National Rail Enquiries can contribute to a positive public and government image of the rail industry by:

- Offering accurate and consistent information on all fares, products and services, enabling customers to discover the cost effective nature of rail travel.
- Limiting the impact of service disruption by rapidly collating and disseminating the latest news on impacted journeys.
- Disseminating such disruption information to customer service staff throughout the industry (not just to National Rail Enquiries customer service agents).

Regulatory Requirements

At the core of the Scheme is the need to satisfy the requirements of the regulator, the Strategic Rail Authority (SRA):

- We need to continue to ensure that we satisfy the regulatory requirements placed on the service. At present these cover call answering performance, information accuracy, and impartiality.
- No major investment is required to achieve the current prescribed levels, although some tweaks to our self-service channels will be required as these grow in importance.

Reducing Unit Cost to Serve

Through reducing unit costs to serve customers, we improve TOC abilities to invest in other areas of improving their train services for passengers. Unit costs of serving customers must be reduced by:

- Enabling and encouraging further sustainable migration of customer contacts to more cost effective channels. This entails providing services that meet all of the customer's need, otherwise customers will telephone as well as using the new channel.
- Reducing unit costs in each area of our supplier relationships through striking lower cost deals with those suppliers or moving to new suppliers.

4. CONTACT CENTRE PROCUREMENT PROCESS

Our existing contracts expire over during the 2004–05 financial year. Our re-tendering of these contracts is governed by EU procurement legislation under the Utilities regulations. These regulations require that we select suppliers on the basis of the most economically advantageous tender.

We issued a notice in the Official Journal of the European Commission in June 2003 to which we had 42 responses. These were evaluated to a common set of scoring criteria defined in advance of the evaluation process, and an Invitation to Tender was sent to 13 bidders in August 2003. 9 responses were received which have now been shortlisted, again using a common set of pre-defined criteria, and final evaluation of 4 bids is currently underway.

Our evaluation criteria throughout have been based on selecting the best combination of reliability, quality and value for money. Location, unless it is relevant to reliability, quality and value for money must be a matter for our suppliers.

5. SUMMARY OF CURRENT OPERATIONS

This section summarises the current operations of the Scheme under the following heads:

- Contact centre
- Self-service channels
- Quality management regime
- National Rail Communications Centre (NRCC)

National Rail Enquiries offers rail customers and potential customers a variety of services via the following channels:

<i>Channel</i>	<i>Type of Information</i>		
	<i>Journey Planning</i>	<i>Line of Route Status</i>	<i>Train Service— Specific Running</i>
Contact centre	Live	Live	Live
Internet	Live	Live	Live
WAP	Live		Live
SMS enquiry			In development

The contact centre operation is regulated by the SRA via the Scheme Agreement that sets out the information that must be supplied, and the minimum performance standards that the contact centre operation must achieve.

4.1 CONTACT CENTRE

Current Performance

The measure of call answering performance is the percentage of calls answered (PCA) figure. This can be a highly volatile measure because of the variability in volume of calls received in a variety of unforeseen circumstances.

The call answering performance for the year Apr 2002 to Mar 2003 was as follows:

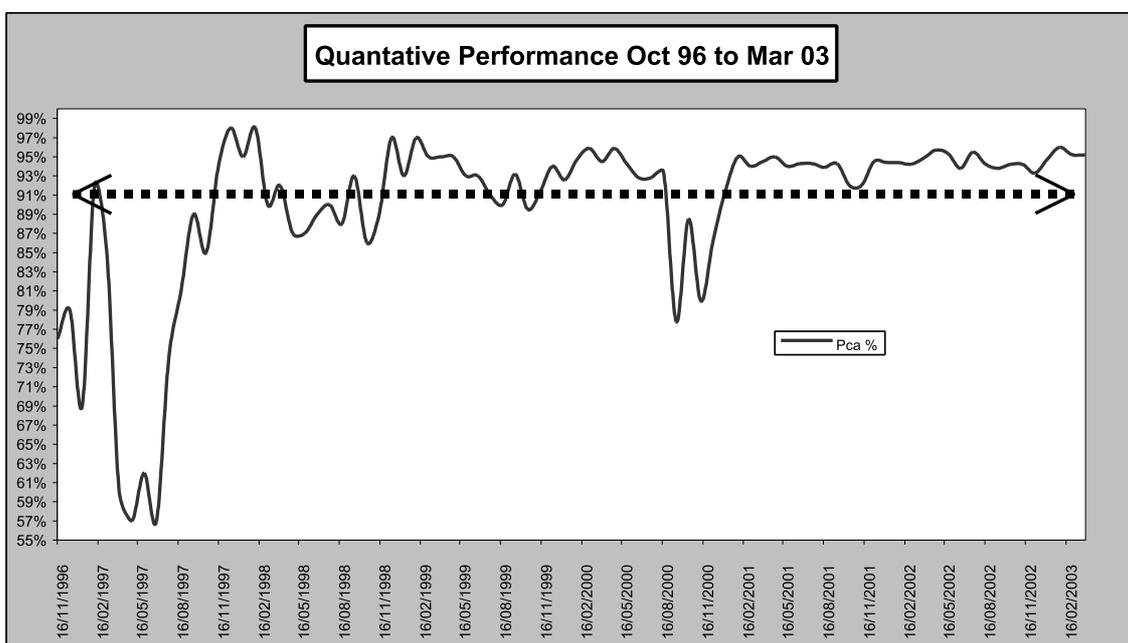
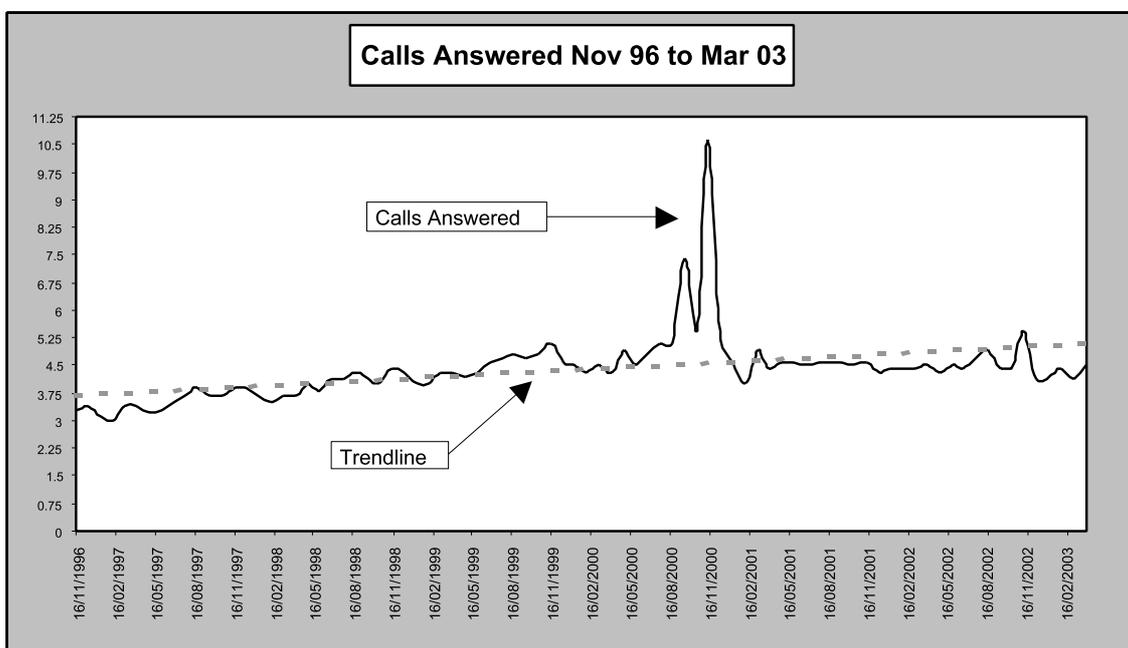
- Number of calls offered 61, 873, 800
- Number of calls answered 58, 656, 220
- Number of calls receiving engaged tones 164, 521
- Percentage of calls answered (PCA) 94.8%
- Percentage of calls engaged 0.3%

In the 12 months to 31 March 2003 NRES answered 58.5 million calls, equating to 94.8% of the overall 61.8 million calls offered. Demand was down by 0.5 million on last year, however the percentage of calls answered improved by 0.7%.

Calls receiving the engaged tone in the year 2002–03 averaged 0.26%, which was slightly less than the 2001–02. These incidents are entirely due to technical glitches. Technical Best Practice forums have been held and increased focus on this issue has kept the line failures to a minimum.

In addition to the everyday operational problems, there was a fair amount of strike action called by the RMT and Potters Bar accident in period three further tested the scheme. The year contained two bouts of bad weather the October storms and the heavy snowfall in January.

Following on from the success of the previous year the PCA for 2002–03 was 94.8% exceeding the regulatory target of 93% by 1.8%. A further regulatory requirement was for the PCA not to drop below 90% for any four-week period. Again this was not the case with lowest period ending on 93.3% (Period 08).



Surveys of customer satisfaction are carried out twice per year through interviewing actual callers. These show that satisfaction is at a high level and is improving across all categories of questions asked. The headline figure is that 99% of customers would recommend National Rail Enquiries to family and friends, a figure that is consistent with last year.

The level of complaints received by the Scheme, Suppliers and ATOC has declined still further to around 10,000 in 2002–03, from the already low figure of 15,000 in 2001–02.

The latest Mystery Shopping assessment of information accuracy (November 2002 to May 2003) produced a headline score of 96.7% as a measure of calls where the information provided was accurate, comprehensive, and delivered in an acceptable manner. This is the same score as that reported in last year's plan, although interim results for the current survey indicate that performance is improving.

We continue to experience information accuracy problems due to the continued state of Train Services Data Base (TSDB) data resulting from non-compliance with the T-12 licence conditions. However the implementation of the journey planner bulletins has enabled timetable inaccuracies to be flagged for Customer Service Agents for journeys within the next four weeks.

Mystery shopping is carried out on a continuous basis, to gain as accurate a picture of qualitative performance as possible. Following each Quality Survey an action plan is developed which commences with a best practice meeting with the suppliers, followed by a comprehensive quality workshop and finishing with a roadshow at each of the contact centres to pass the results and actions needed direct to Customer Service Agents.

The number of staff employed by our suppliers for our business in their contact centres stands at around 1200 FTE (full time equivalents).

The special interest needs continue to be served via a Minicom service for the hard of hearing and a Welsh language service.

The scheme is divided into geographical zones, which have been resourced as follows:

<i>Zone</i>	<i>Supplier</i>	<i>End Date</i>
South	Serco	31/3/04
Wales & West	First Info	31/3/05
London/Anglia/South East	Serco	31/3/04
Scotland/North West/Midlands	BT Ignite	7/6/04
North East	BT Ignite	7/6/05
All zones Nights	BT Ignite	7/6/04

Following an independent review, the telephony network contract was re-let to BT in 2002 and terminates in 2007.

The regulated contact centre Performance Regime was agreed in the revision of the Scheme Agreement following recommendations from the last Scheme Review and an independent report. The key features are: -

- answering 93% of all calls attempted (PCA)
- PCA measured over the whole year, with a minimum PCA of 90% per period
- introduction of a quality measurement standard based on the Mystery Shopping programme, with a target achievement of 95%
- use of automated call answering technology in defined circumstances
- year-on-year growth projection

Call Routing Using Intelligent Contact Management

Take Back On Transfer

National Rail Enquires have continued to use the advance features of the BT ICM platform and took part in the UK trial of Take Back On Transfer. Three of our Contact Centres now offer callers who wish to book tickets the opportunity to be transferred to the relevant telesales centres, with Cardiff scheduled to offer the service soon. Commercial Policy Group agreed the criteria upon which the Customer Service Agent determines which telesales centre to transfer the call to.

Transfer of calls from TOCS and Traveline

As well as transferring out to Telesales, TOCs are now able to transfer enquiry only calls into National Rail Enquiries where we are able to fulfil the enquiry only leg of the call. Should the caller subsequently wish to purchase the ticket(s) we transfer the call to TOC telesales as above. Traveline are now also transferring rail-only enquiry calls to us via the same mechanism.

Dynamic Call Routing

A key factor in the PCA improvements in the last two years is dynamic call routing. This is currently achieved between BT's Derby and Newcastle sites, which are treated as a virtual Contact Centre dealing with 55% of the overall Scheme demand.

Calls From Abroad

We now offer the ability for customers to call us from abroad, e.g. UK rail customers who wish to plan journeys on landing at an airport after an overseas trip. This requires callers to dial a special number, which is advertised on our web site.

Inter-Supplier Dynamic Loadshare

Due to the volume and geographical constraints of the current supplier contracts, we are unable to achieve total virtual Contact Centre status, where calls are routed based on customer service agent availability rather than geographical origin.

However all suppliers have now agreed to automatically loadshare calls which cannot be answered in 45 seconds to other suppliers where there are shorter queues. This will be trialled once Cardiff is on Take Back On Transfer.

Contingencies—Dealing with High Call Volumes

Whilst Suppliers may be very astute at forecasting demand, there are times when call volume surges beyond predicted levels. The surges can be down to a number of issues such as strikes, severe train disruption, bad weather or even adverse media coverage of the railway. On some occasions there are no explanations for high call volume. Whatever the reasons we have an undertaking to try and meet the demand. Un-predicted high call demand can be dealt with in a number of ways:

- Front-End messaging
- Loadsharing
- Network Select-Link messaging
- Internet Diversion

Front-end Messaging

Front-end messaging is applied at Contact Centre level and is only used when there is an incident affecting demand for that supplier. The wording for the message has to be agreed by the National Rail Enquiries on-call officer. The message will usually be authorised when the calls in queue to customer service agent online ratio is 2/1 or above or when the average time to answer is over a minute. The script advises callers that there has been an incident and that it will take longer than usual for their call to be answered.

Loadsharing

Inter-Supplier loadshare remains as one of our key contingencies for call answering. This again is most effective one there is an incident affecting a supplier or when a Contact Centre has to be evacuated, and spare capacity across the other sites can be used by agreement. We are currently in the process of automating the procedure and are confident that we can further enhance call-answering performance.

Network Select-Link Messaging

Network Select-Link messaging is used in two scenarios. Firstly when there is a planned strike or major engineering works which will result in an increase in demand of around 20 to 25%. The Select-Link is deployed to divert these calls from the Contact Centres to the message where a series of simple recordings may meet the caller's information needs. The National Rail Communications Centre updates the recorded messages as the situation changes. This mechanism leaves the Contact Centres to deal with other more complex calls.

The other scenario where Network Select-Link messaging is used is where severe disruption is caused by unplanned incidents (e.g. bad weather). This is when the call demand goes into overload and calls start to loop (Callers hang-up and re-dial repeatedly) and the call demand may increase by 200 to 300%. We have the facility to place up to eight recorded messages covering the country and are able to divert a considerable amount of calls. This proves invaluable, as the Contact Centres are overloaded and most calls cannot be answered by a live operator.

Contact Migration to the Internet

In all of our messaging used whether set in the network or at the Contact Centre, we continue to quote the nationalrail.co.uk website as an alternative source of information. This has a lasting effect especially with real-time train running information now available and is reflected in the Live Departure Board usage statistics.

4.2 SELF-SERVICE CHANNELS

National Rail Enquiries currently provides the following services on self-service channels (internet and WAP):

- Online journey planning (internet and WAP)
- Live departure boards (internet and WAP)
- Line of route disruption updates (internet only)
- General rail travel information (internet only)

Online Journey Planner

Throughout most of 2002–03 National Rail Enquiries supported the Network Rail timetable, from the time when Railtrack had ceased funding for the service.

We replaced this with a full online journey planner, provided under contract by Trainline Rail Enquiry Services, in March 2003. A smooth transition for customers was ensured through appropriate warnings of the upcoming change on the Network Rail site and through putting in place a “forwarding address” click-through at the old location of the Network Rail site.

Our new site offers full journey planning, fares information, ticket availability and the opportunity to purchase tickets from online rail ticket retailers by passing the customer's chosen journey and ticket details to the selected online retail web site.

Following an enthusiastic reception to the site we have been responsive to customer requests for modifications, and we are currently updating the site further to ensure that virtually all tickets and services are shown.

Demand for the service rapidly rose from the initial levels (which reflected those seen on the old site) to around double that demand today. We currently serve around 2.5 million visits per period (where one “visit” means all enquiries from one PC received within 30 minutes), or about 40% of our total customer contacts.

Timetable information only is also available via WAP from mobile phones through Kizoom as a sub-contractor to Trainline Rail Enquiry Services. This service is popular among WAP users, but as the number of WAP users is relatively low this service only accounts for around 1% of our total contacts.

Live Departure Boards

The new national Live Departure Boards Service went live to the public on 3/6/03, replacing the pilot service that had run since December 2001.

This new service provides customers with projected arrival and departure times for every train at all 2500 stations nationally. Train movement data from the Network Rail TRUST system is augmented with templated information entered by TOC train controllers into Nexus Alpha's Tyrel system at 23 of the TOCs. Templated Tyrel information updates projected running times for delays (and reasons for delay), cancellations, additional services, and altered stopping patterns.

The latest release of this service also takes updates from some TOC Customer Information Systems (CIS), currently just from WAGN, and shortly to be expanded to include some Network Rail Major Station CIS feeds. This feed will ensure that customers receive exactly the same messages from Live Departure Boards as they would from the CIS on-station.

The system is also rather more robust than the pilot, in that:

- the TRUST feed will no longer fail when disruption is severe
- when the TRUST feed does fail for any reason the Live Departure Boards can still show all trains from the timetable and updates received from Tyrel and CIS systems

Live Departure Boards has attracted a lot of positive publicity for the railway. Demand continues to grow especially at times of disruption. Accurate measurement of demand is not currently possible (although developments are in progress to address this), although we believe demand to be above 60,000 visits per period.

Live Departure Board information is also available over WAP on mobile phones, a service provided by Kizoom under a data licence from National Rail Enquiries. Again this service is popular among WAP users, but the low uptake of this technology restricts the popularity of this channel.

An SMS enquiry facility to enquire about real time train running using Live Departure Board based information will shortly be available, again provided by Kizoom under a data licence from National Rail Enquiries.

Line of Route Disruption Updates

The National Rail web site (www.nationalrail.co.uk) includes a Service Alterations page that shows planned engineering work impacts and unplanned incident disruption impacts on train services. These bulletins are updated throughout the duration of the disruption by the NRCC.

It is not currently possible to accurately measure the number of accesses to this service, although anecdotally it is very popular.

These updates are also made available to Customer Service Agents via the National Rail Enquiries intranet system.

General Rail Travel Information

The National Rail web site (www.nationalrail.co.uk) also contains a wealth of general rail travel information, such as station opening times, cycle conveyance rules, and taxi companies serving stations where there is no taxi rank. Again it is not currently possible to accurately measure the number of accesses to these sections of the site.

4.3 QUALITY MANAGEMENT REGIME

A consistently high level of quality is key in steering the National Rail Enquiries customer service focus that is aimed at getting more people to travel by train. All actions identified in the Quality Improvement Plan in last year's Business Plan have been closed. This Business Plan has a major focus on quality throughout.

The basic foundation for quality at National Rail Enquiries is use of the same information by all contact centres. All suppliers use the Rail Journey Information System (RJIS) data source through the RJIS data warehouse. In addition, the adoption of HERO for non-journey-specific data provides consistency of information across the full range of enquiries in every centre.

Quality is currently measured by two distinct methods, mystery shopping and customer satisfaction surveys. Mystery shopping measures accuracy of information and the customer satisfaction survey records actual callers perception of the service. Both measures currently concentrate on the contact centres but this will be developed to cover the emerging information distribution channels and specifically National Rail Enquiries Online.

Mystery Shopping surveys are continuous with an overall level of accuracy being calculated each six months. In addition various ad-hoc mystery shopping surveys are undertaken to support the main programme and to cover additional areas of information provision or specific processes. The customer satisfaction survey is undertaken at six monthly intervals with actual National Rail Enquiries callers being interviewed normally within 24 hours of their call.

In addition to these measures carried out by National Rail Enquiries, contact centre service providers have an ongoing contractual obligation to measure their own quality using mystery shopping, call monitoring and other techniques.

Current Performance

Mystery Shopping Wave 12 (November 2002 to May 2003):? 96.7% on the regulated measure? 89.4% on our internal measures
Customer Satisfaction Wave 4 (March 2003):

- Overall Satisfaction 76%
- 99% would recommend the service to family and friends

Current Methodology

Mystery Shopping

The mystery shopping programme undertaken by ATOC is centred on Customer Service Agents being tested for their level of accuracy on various scenarios which are of typical enquiries made to National Rail Enquiries. The individual scenario results are weighted according to the frequency of the scenario type and combined for each of the contact centres to arrive at an overall level of accuracy.

Two sets of acceptable answer are measured, firstly the criteria agreed with the SRA for regulatory purposes to which a threshold of at least 95% overall level of accuracy must be achieved. The second level of acceptable answer, used internally between National Rail Enquiries and the contact centre service

providers, is based on additional customer focussed information being provided for the same scenarios. Over time this level of acceptable answer has been continually changed to drive upwards information accuracy and completeness.

Customer Satisfaction

The customer satisfaction survey involves actual callers to National Rail Enquiries being interviewed by telephone by an independent specialist company, normally within 24 hours of the call. They are asked to rate various attributes of the service on a scale of 1 to 10 out of 10 with 1 being the worse and 10 being the best ever. The results show the percentage of respondents who rate each attribute as nine or 10. Customer satisfaction measurement specialists normally report the percentage who rate a service as eight, nine or 10—but in the case of National Rail Enquiries this level of measurement provides limited information on where improvement could be made as our scores at this level are generally extremely high.

Apart from overall satisfaction the other attributes of the call which are measured are:

- Politeness and friendliness of the customer service agent? Completeness of information provided?
- Understanding the needs of the caller?
- Clarity of the customer service agent?
- Trustworthiness of information provided?
- Customer service agent taking enough time during the call?
- Customer service agent asking the correct type of questions?
- Time taken to answer the call?
- Would the caller recommend National Rail Enquiries to family and friends?

Feedback Process

Following each wave of Mystery Shopping and Customer Satisfaction Monitor an action plan is developed. Each quarter there is a best practice meeting with senior operations management from all contact centre suppliers present. This forum agrees the directions for action over the coming quarter, and suppliers bring forward best practices that each have developed to share with the other suppliers.

The best practice meeting is followed by a comprehensive quality workshop (again, all suppliers are present together) to review the outcomes of the previous action plan and to work out the new action plan in detail.

We believe it is critical to present the outcomes of the quality measurement programme and the actions and expectations going forward on-site to as many supplier staff as possible (including Customer Service Agents). We therefore visit each contact centre location and run roadshows to pass the results and actions needed direct to front line staff.

4.4 NATIONAL RAIL COMMUNICATIONS CENTRE (NRCC)

The NRCC has become business critical to National Rail Enquiries in enabling us to meet the high standards for provision of current information that customers now expect. The principle purpose of the NRCC is to ensure that National Rail Enquiries has accurate information to enable calls to be answered effectively.

The NRCC's main responsibilities are to:

- co-ordinate the collation and dissemination of train service disruption on a line-of-route basis across the whole of the UK national rail network
- maintain the data held in the HERO system used by our contact centres to supplement information not contained in the journey planning system(s)
- populate bulletin information on train service disruption and alterations arising from non-compliance with T-12 in the IPTIS and RJIS journey planners used by our contact centres and by TOC telesales and station staff.

The NRCC is open 24 hours each day with the exception of Christmas Day where hours of opening are dependent on the level of TOC operated services planned to run.

The role of the NRCC has increased significantly since it was opened in 2000. It is now providing information not only to National Rail Enquiries contact centres but also to:

- Our web site (www.nationalrail.co.uk)—Service Alterations page, product and promotional information, and disruption messages on the Live Departure Boards
- Journey planners
- TOCs

- Local radio
- Ceefax

The NRCC is pivotal in delivering accurate information to existing and future rail customers.

The current level of staffing for the NRCC is 10 staff, including managers, providing shift cover 24 hours a day, 7 days a week. This is currently supported by an additional person to assist with the compilation of engineering work bulletins for IPTIS and RJIS—a cost effective way of mitigating the provision of incorrect timetable information due to non-compliance with T-12.

Chris Scoggins, Chief Executive

November 2003

Memorandum by CM Insight (NRE 02)

1. ABOUT CM INSIGHT

1.1 CM Insight is a UK based customer management consultancy founded in 1998 by Mike Havard, now Managing Director.

1.2 CM Insight is focused on the contact/call centre, believing it to be absolutely central to our clients' customer management strategy. As such, we have made it our singular study and focus; working with our clients to improve the customer experience they deliver and their bottom line performance.

1.3 Our services embrace every area of contact/call centre operations and contact management strategy:

- Contact/call centre and customer management planning
- Contact/call centre implementation and migration
- Offshore? Performance management
- Education and market intelligence

1.4 CM Insight is objective and impartial: our advice is untainted by vested interest or third party allegiance. We are an independent consultancy—neutral to vendors, locations and technologies. Maintaining the integrity and robustness of our approach is key to our success.

1.5 As customer expectations and the cost of meeting them rise we work with blue chip clients across all industry sectors and government to improve customer service and reduce costs. CM Insight has managed national and international programmes on behalf of clients, deploying focused resource and robust methodologies to maximise the opportunities and minimise the risks inherent in the adoption of new customer management practices.

1.6 CM Insight is neither pro-India nor pro-offshore. We remain neutral to the concepts, but are enthusiastic about how we can help our clients achieve sustainable competitiveness and value for their customers.

1.7 For a number of clients we've been involved in evaluating and providing guidance on the potential opportunities and challenges of offshore developments. Through our published research as well as our client work we remain advocates of maintaining at least a critical mass of service provision from the home market to provide a balanced portfolio of offshore customer services.

1.8 Our experienced business consultants and analysts are expert in every aspect of customer management strategy and contact/call centre operations. Their consultancy skills are complemented by hands-on industry experience; each has held strategic operational roles within companies, public sector organisations or outsourced service providers

1.9 As an independent commentator and subject matter expert, CM Insight is frequently asked by the media and industry for comment on offshore contact/call centre and outsourcing issues.

2. WHY COMPANIES ARE PLACING CONTACT/CALL CENTRES OFFSHORE

2.1 Contact/call centres have become a central business activity for any company with a large and disparate customer base. Customers depend upon the high speed access to information and services contact/call centres provide and now expect more and more from them—in terms of 24-hour access, for example, or multi-channel services. The cost of meeting these service expectations is rising steeply. As a result, many companies are opting to complement their UK contact/call centre operations with offshore deployments, where operating costs are, undoubtedly lower, but service quality remains high. This allows them to keep pace with the escalating cost of service provision and, at the same time, improve overall service performance in line with customer expectation.

2.2 Though cost is a key issue, our research and experience tells us that UK companies who have made the move offshore are generally impressed by the quality of offshore operations and the sophistication of the service they deliver. We have worked with a number of companies who have moved offshore initially to reduce cost but have maintained or extended offshore operations on the basis of the quality of service they have experienced.

2.3 Offshore operations are generally robust, offering good working environments with strong personnel management. Indian contact/call centres for example have been rigorous in their pursuit of international business process standards such as ISO9001 and Six Sigma. Salary levels are generally well above the service sector average for those countries.

3. OUR RECOMMENDATIONS TO CLIENTS CONSIDERING OFFSHORE

3.1 We urge companies to be as diligent in pursuing “quality” in offshore operations as “cost advantages”. Companies must invest to ensure their offshore partner understands the context of the customer interactions they’re managing and has appropriate performance measures in place to maintain the quality of the customer experience. Companies must be very clear about the types of activities they plan to place offshore and that they have adequate training and technology in place to support them.

3.2 It is vital that UK companies can be assured their offshore operations will deliver to the same standard as the UK and that this standard can be sustained consistently. We encourage our clients to ensure that rigorous performance measurements are in place to review the standard of service provided and the quality of the conversations taking place between offshore contact centres and their customers. Irrespective of location, diligent planning and risk assessment is required to identify and avoid risks to long-term provision of consistent, high quality performance.

3.3 Our research and experience tells us that UK companies are increasingly willing to outsource to offshore locations such as India, but will continue to combine offshore with UK-based contact/call centre activities, building balanced portfolios of on and offshore capability.

3.4 While the benefits of offshore have been much spoken of and are potentially very real, companies must take a cautious approach, since these are still relatively immature markets that are growing quickly. We would advise any company considering offshore to take professional advice from experienced independent advisors who know the market well.

4. ABOUT MIKE HAVARD, FOUNDER AND MANAGING DIRECTOR OF CM INSIGHT

4.1 Internationally recognised as a leading thinker and practitioner in customer contact management, Mike has been directly involved in the development of many of the customer management techniques that have shaped today’s industry.

4.2 Mike appears frequently on the international conference circuit and lectures for several academic institutions. He also sits on the editorial board of several professional publications and is a special advisor to the UK’s industry body, the Call Centre Association, sitting on their Industry Standards Board. He is frequently called upon to advise government agencies and multi-national companies on contact/call centre deployment and investment strategies.

4.3 Before founding CM Insight in 1998 he held a series of senior strategic and operational roles at SITEL Corp and BT.

4.4 Mike is author of the management text book, “Call Centre Outsourcing—The Guide” and co-author of the authoritative study into India’s potential and risks as an offshore call centre location for western businesses, “The Call for India” published in 2001.

November 2003

Memorandum by Amicus (NRE 03)

1. Amicus is a TUC-affiliated trade union representing some 1 million workers across a range of industrial sectors including; manufacturing, not for profit, health and finance.

2. Amicus is extremely concerned regarding the plans to re-locate National Rail Enquiries call centres to India for 3 reasons:

- (i) The employment consequences.
- (ii) The inconclusive business case.
- (iii) Issues surrounding corporate social responsibility.

3. Reports in the press indicate that up to 1700 jobs are at risk across four call centres in areas where the call centre industry is a hugely important source of employment. The call centre industry has compensated for the decline in manufacturing in areas like Derby and Newcastle. To cut 1700 jobs when the positions

still exist is unacceptable. National Rail Enquiries provides a domestic service to customers using the British rail network, we believe that it is right and proper to support domestic employment rather than make cuts at the expense of local communities which will rely on National Rail Enquiries.

4. The part public subsidisation of National rail Enquiries must lend considerable weight to our argument against the export of 1700 jobs. The Government should where possible use tax payer's money to support the domestic economy and employment.

5. If the proposals to export 1700 jobs to India goes ahead, it will set a bad example and a dangerous precedent. If offshoring continues unchecked the employment consequences on the UK service sector will be devastating. In the financial services alone, (where figures are available) Deloitte Consulting predict that up to 200 000 UK jobs could head east by 2008. The Government will in effect be condoning the export of UK jobs abroad. Call centre and other related industries have been the major contribution to the record employment levels. The DTI and the Call Centre Association have estimated that of all the new jobs created in Britain, 38% are in call centres. There is no doubt that the Government's commitment to full employment is under threat.

THE BUSINESS CASE

6. There is a tremendous amount of hype surrounding the case for outsourcing. The cost savings in the short term are significant to say the least. However, we believe that too many organisations are making the decisions to offshore from a simplistic position. The business case is more than just labour costs. Leading call centre experts Bain & Taylor 2003 have recently completed the most rigorous and objective piece of research on the Indian call centre industry funded by Scottish Enterprise. The report to be published in late November identifies some considerable disadvantages to exporting call centres to India.

- Outsourcing from the UK is still in its early stages in reality it is still unclear whether the advantages of exporting voice services outweigh the disadvantages. There are difficulties in converting the English speaking resource into an actual ability to interact with customers for whom English is the mother tongue. Many applicants fail the hurdles of speech and accent tests. State governments have had to intervene indicating the scale of the problem.
- A sizeable minority of organisations have experienced recruitment difficulties with the shortage of skilled agents reported as the most significant reason. As the industry grows these problems will be exacerbated.
- Rates of attrition in India in reality are similar to those in the UK the average is 25–35% and 50–60% in particular locations. The cost of recruitment, language training, cultural training, training to do the job itself will add considerably to costs in the light of significant attrition. This will be a considerable and costly problem in the long term. High attrition may damage the quality of customer service and will be compounded by language and cultural differences. This must be a crucial consideration for National Rail Enquiries.
- Wages in the Industry are rising and will continue to rise as competition for skills increases.
- Power cuts are common. The backup supplies by call centre companies, though apparently successful, has considerably increased infrastructure costs.
- Transporting employees to work presents huge logistical challenges for employers. At stake is the very ability of call centres to operate effectively. Organising free transport by providing fleets of buses, mini buses and taxis is a further cost. Logistical difficulties are further compounded by severe weather conditions.
- The recent rise in communal violence can not be underestimated when examining whether India has the political stability to maintain call centre functions in the long term. The recent nuclear tensions between India and Pakistan against a backdrop of wider geopolitical tensions need to be noted.

7. In the long term it is highly questionable as to whether India as a destination represents value for money particularly when it will be animated by considerable upheaval in the UK. The rail network depends on National Rail Enquiries for the smooth and accurate provision of information and services to the UK customer. We believe the evidence suggests that the highly questionable £10 million savings is not worth the risk, particularly in the light of the current image of the rail network from the perspective of the general public.

CORPORATE SOCIAL RESPONSIBILITY

8. Several issues emerge relating to ethical practice which the committee needs to consider if the plans to offshore were to go ahead and should be taken into consideration as part of the case to offshore in the first instance. Firstly the widespread practice of third party providers not revealing to customers their Indian location. A strong ethical case can be made for the right to be informed.

9. Requiring or expecting Indian agents to adopt westernised names and identities could be seen as manifestations of neo-colonialism and racism, which may contravene the Race Relations Act in the UK. If there is nothing to hide Indians who provide services to UK customers, should be free to adopt their own names and identities.

10. Companies who recognise trade unions in the UK should extend this right to Indian employees. Failing to do so leaves companies open to the charge of treating Indian workers inequitably. It is hypocritical to claim that services provided remotely from India replicate those provided in the UK when a key element of the employment relationship—trade union recognition—is not being offered in India.

11. India is no exception to the internationally recognised phenomenon that call centre work is stressful and repetitive. Managers of Indian call centres report that the combination of working at night—six days a week, ten hours a day—is extremely stressful. Together with hiding their identities, repetitive work and abusive customers is taking its toll on agents health, social and family life. Exhaustion, withdrawal and burn out is common.

November 2003

Memorandum by TSSA (NRE 04)

I am writing to provide some details which the Committee might find useful to consider prior to the oral evidence session on Wednesday 12 November with the Transport Salaried Staffs' Association's General Secretary Richard Rosser and our Negotiations Officer Manuel Cortes.

The Transport Salaried Staffs' Association (TSSA) is a modern, growing trade union for people in the transport and travel industries in the UK and Ireland. We have over 32,000 members working for the railways and associated companies, London Underground/Transport for London, the travel trade, and in shipping, ports and buses.

In terms of National Rail Enquiries we have members employed in the call centre operated by SERCO in Cardiff. We also have members employed in rail customer service centres by Vertex in Dingwall and Edinburgh (for the Virgin group), Seaco in Newcastle (for GNER), Q-Jump in Sheffield (for National Express Group), First Info in Plymouth (for First Group), B2S UK Ltd in Tonbridge (for Connex and Thameslink) and Eurostar and Rail Europe both in Ashford.

During the course of this year our members in these centres have experienced varying degrees of uncertainty. This is primarily as a result of the haste being shown by some UK call centre employers to outsource elements of their operations overseas, most notably to India. Incomes Data Services¹ recently reported on the general trends of call centres in the UK. They reported that the tendency to move operations offshore was relatively small in comparison to the overall size of the parent companies. However, they also reported recent forecasts by the American consultancy firm McKinsey, and the Indian IT and software services association Nasscom predicting that the sector would employ 4 million people in India by 2008. The extent to which this expansion is at the expense of jobs in the UK call centre industry is debatable, what is more certain however is that this together with developments in technology such as e-mail have led our members to believe that their future employment is less secure.

A recent article in the Guardian on 15 October (attached), reported that the Chief Executive of National Rail Enquiries visited Call Centres in India earlier this year and that this was the subject of a report to the Association of Train Operating Companies (ATOC) Board. The Guardian reported the Chief Executive's memo as referring to "short-term ridicule and cynicism" before going on to report that "we should consider this in the context of a significant proportion of calls going offshore, rather than just for the pilot". It seems reasonable therefore to assume that the trend to outsource rail call centre operations offshore is in its early stages.

As a result of discussions with Vertex in February this year, notifying us of their intention to outsource some of their operations to New Dehli, the TSSA entered into correspondence with the Strategic Rail Authority (SRA) and subsequently ATOC on the question of NRES. Copies of our correspondence with ATOC are attached as appendix A for information. It seems clear from the replies received that the industry, despite being heavily reliant on public subsidy, believes that the location of call centres is a matter for suppliers alone. It also appears that these decisions are being taken with the sole objective of cutting costs. What is less clear is whether the expected savings will be used to reduce the levels of subsidy or increase the levels of profits. On the face of it taxpayers money could be used to outsource public services abroad at the expense of jobs in the UK.

¹ IDS Pay & Conditions in Call Centres 2003, September 2003.

The TSSA's Executive Committee concern at these developments resulted in Association being actively involved in the following resolution which was recently adopted by the TUC at its Congress in Brighton:

COMPOSITE 9 OFFSHORE WORKING

Congress notes that some employers have outsourced work "offshore", particularly to countries with low-wage economies, as a key part of their strategy to reduce costs, and the consequent effect upon the job security and terms and conditions of UK workers.

Congress notes that the areas of work being remotely sourced are diverse and include call centres, IT, software development and support, travel and tourism.

Congress further notes that much of the outsourcing involves customer service work, directly or indirectly subsidised from the public purse, from areas of the UK which would themselves benefit from additional employment opportunities.

Congress notes that recent research has forecast that 100,000 jobs will relocate to India by 2008 and that a third of UK call centres will close by 2005 with a loss of 90,000 jobs.

This decline will inevitably have a disproportionate effect upon those parts of the UK, such as Northern Ireland, Scotland, the north of England and Wales, which bore the brunt of the massive job losses in traditional industries witnessed during the Thatcher years and then saw the growth of the call centre and service industries.

Congress agrees that it would be dangerous to respond to employer initiatives to relocate work overseas with arguments that could be misconstrued as "British jobs for British workers". Our aim must be to protect our members at home and ensure compliance with decent labour standards abroad.

Congress believes that, with the emergence of a global labour market, a global organising strategy is required. Congress urges affiliated unions to work within their Global Union Federations to ensure compliance with ILO core labour standards, including the conventions on the right to organise and on collective bargaining throughout company supply chains.

Congress calls upon the General Council to undertake a detailed study of the current position as well as the implications for jobs and the UK economy. The General Council are instructed to report to next year's Congress and make direct representations to Government on these issues.

Mover: Communication Workers' Union

Seconder: Connect

Supporter: Transport Salaried Staffs' Association

Railway call centres employ significant numbers of young people and women, and offer both opportunities for part time work as well as a degree of flexibility over hours (see details of staffing at the Cardiff call centre in Appendix B). The Government has rightly put considerable emphasis on putting financial resources into reducing unemployment among young people and in making it easier for parents to take up employment. What is happening may be perceived to be in the financial interests of individual railway companies, but we would question whether it is in the national interest particularly if it results in people, including young people and women, being without a job who would otherwise be in employment. These call centres have helped revitalised local economies adversely affected by the decline of traditional industries. The prospect of losing call centre employment will have a significant impact on those communities—and could well cost the taxpayer in the long-run in terms of subsidising unemployment and regenerating future employment.

Frank Ward
Policy Adviser

November 2003

Appendix A

Mr G Muir
A TOC Director ATOC 3rd Floor 40 Bernard Street
London WC1N 1BY

15 August 2003

Dear George

At the last meeting of my Executive Committee concern was expressed about reports that ATOC are intending to outsource call centres for National Rail Enquiries to other countries including India. If this is true, it could have a significant adverse impact on existing jobs in NRES call centres in this country.

I would be grateful if you could let me know what the actual position is on this issue and in particular whether there are any plans to outsource call centre work and if so what the impact will be on jobs and at which locations. I would be extremely grateful if you were able to respond to this letter by 27 August.

Yours sincerely

Richard Rosser, General Secretary

ASSOCIATION of TRAIN OPERATING COMPANIES

Richard Rosser Esq
 General Secretary
 tssa
 Walkden House
 10 Melton Street
 London NW1 2EJ

26 August 2003

Dear Richard

Thank you for your letter of 15 August. I returned from annual leave today, and now reply to your question relating to call centre outsourcing.

National Rail Enquires contracts with various suppliers for answering calls. Quality, reliability and cost are controlled in these contracts, but not the location whence the calls are answered.

Over the next twelve months, our call answering contracts come up for competitive re-tendering which is required to be carried out under EC procurement rules. These rules require that we select suppliers on the basis of the most economically advantageous tender. We will be looking for the best combination of reliability, quality and value for money.

Location, unless it is relevant to reliability, quality and value for money, has to be a matter for our suppliers.

Yours sincerely

George Muir, Director General

Appendix B**CARDIFF NRES STAFF, OCTOBER 2003**

	<i>MALE</i>	<i>FEMALE</i>	<i>TOTAL</i>
Agents—Part time	49	81	130
Agents—Full Time	150	72	222
Supervisor—Part Time	0	5	5
Supervisor—Full Time	14	9	23
Support & Management Part Time	0	0	0
Support & Management Full Time	16	19	35
TOTAL	229	186	415

<i>AGE RANGE</i>	<i>Agents Male</i>	<i>Agents Female</i>	<i>Support + Mngmnt Male</i>	<i>Support + Mngmnt Female</i>	<i>Spvrs Male</i>	<i>Spvrs Female</i>	<i>TOTAL</i>
55+	16	8	3	0	0	0	27
45-55	12	14	2	3	1	1	33
35-45	16	29	4	4	2	3	58
25-35	47	30	6	8	9	8	108
21-25	37	24	2	0	2	2	67
18-21	27	31	0	1	0	0	59
16-18	9	7	0	0	0	0	16
TOTAL	164	143	17	16	14	14	368

Memorandum by RMT (NRE 05)

With respect to the above the RMT would wish to make the following key points for your consideration.

1. The National Rail Enquiry service was established to coordinate and provide information by phone and internet to passengers. The service is funded by the Train Operating companies, who in turn are funded by the tax payer.

2. This is therefore an essential public service to passenger's part funded by the taxpayer. The companies proposing to transfer this work have a clear obligation to demonstrate how this transfer will improve that service.

3. What additional profits are envisaged and what proportion of these profits will be reinvested in the service? We fear that any money saved will not be reinvested in the service. Instead our concern is that this is a cost cutting exercise, with the taxpayer funding the loss of British jobs to be replaced by low cost overseas workforce. It is particularly worrying that as our manufacturing base is in decline we are now also seeing the erosion of jobs in the service industry.

4. Currently the rail enquiry service primarily deals with standard calls and the operators provide information which is available on their database. However the service is also equipped to deal with unforeseen circumstances, such the downing of overhead lines, trains failure and poor weather conditions. This is due to the enquiries interface with Network Rail and the Train Operating Companies.

5. We doubt whether the new service will be able to deal with such unforeseen circumstances as quickly and accurately. Moving the enquiry overseas to a different time zone hinder the speed at which accuracy of information can be passed to the enquiry centre.

6. We believe that the proposals represent a backward step with regards to the government's policy of working towards an integrated transport system. Rail enquiries should have an interface with other transport systems, such as information on buses and roads.

7. We would also put the example of the Transport for London Call Centers. These serve not only 3 Million tube users, but also information with regards to bus services, waterways and also some train operating companies. We understand that TFL have no plans to transfer their call centre work, this may well because TFL is accountable through the Mayor as a public service provide, the National Rail Enquiry companies are not.

8. We think it is a legitimate question to ask whether, as this is clearly a cut cost cutting exercise, whether the transfer of the call centre to India will be end there, or whether, due to costs, there will be further transfers of this service.

We hope this short note assists the Committee in its deliberations.

November 2003

Memorandum by the SRA (NRE 06)

Under the terms of the Railways Act, a Passenger Licence is needed by anyone who wants to operate a passenger tram over any part of the national network.

Each operator's Passenger Licence contains a paragraph entitled "Through Tickets & Network Benefits". Put very simply, this paragraph requires the licensee to be a party to, and to comply with, arrangements approved by the SRA for a telephone enquiry service as well as several other "network benefits" such as through ticketing and national conditions of carriage.

To fulfill the licence requirement for arrangements for a telephone enquiry service, the SRA has approved the National Rail Enquiry Scheme (NRES) agreement. This is not an agreement between the operators and the SRA, but an agreement which the SRA has approved between all train operators to operate a national enquiry service. Each operator's franchise agreement also directly requires them to participate in the NRES agreement.

The NRES agreement sets out how the scheme will be managed and paid for, the range of information which the service must provide to callers, and the quantitative and qualitative call-handling standards which the scheme must meet. The scheme is currently required to answer at least 93% of all calls presented to it each year, and no less than 90% of calls within any 4-week railway accounting period.

In line with the NRES agreement, NRES Ltd—it has been made a limited company wholly-owned by the train operators—has a small full-time management staff and major issues are considered by a management group and council on which train operators are represented. A twice-yearly survey determines the proportion of enquiries which relate to each operator's trains, and the costs of providing the NRES service are distributed amongst all the train operators on this basis.

NRES inherited 40+ small ex-British Rail call centres, each of which had its own public telephone number and opening times. Demand exceeded supply at most call centres, often by a considerable margin. NRES soon introduced a single memorable 24-hour nationwide number allowing calls to be switched to make best use of the available capacity, and progressively outsourced call handling. Calls are now handled by three private suppliers (only one of which is associated with a train operator) at four large modern call centres. Well over 93% of all calls are now answered and complaints about access to train information have almost disappeared. NRES handles almost 60m calls per year, up from about 40m at privatisation, but through outsourcing NRES Ltd has managed to contain costs. NRES has expanded to offer train information on the internet (www.nationalrail.co.uk) although there is no regulatory requirement to do so.

The SRA can take formal enforcement action against each train operator in line with section 55 of the Railways Act 1993 if any of the terms of the NRES agreement are not complied with, because this would in turn be a breach of each operator's Passenger License and (for franchised operators) franchise agreement. The SRA monitors quantitative and qualitative performance data supplied by NRES to ensure that NRES

is complying with its performance standards. The SRA holds quarterly liaison meetings to discuss the results with NRES managers. Under the terms of the NRES agreement, the SRA must also approve an annual business plan and must approve any material changes to the NRES agreement itself, including NRES' performance standards.

However, the NRES agreement sets out the service standards in output terms, such as the percentage of calls that must be answered, the information that must be provided to callers and the quality standards that must be met.

The NRES agreement includes "proforma conditions" approved by the SRA which must be used as part of the contract between NRES and call centre suppliers. These proforma conditions ensure that the relevant outputs are built in to the call-handling contracts along with other key factors such as quality monitoring, safety, impartiality, a right of audit by NRES, provision of adequate staff training and competence, complaint handling, and so on.

However, beyond what is contained in the proforma conditions, inputs such as the physical location and number of call centres, the number of staff employed, the type of telephony equipment used, and so on, are not specified in the NRES agreement and the SRA does not attempt to regulate them.

December 2003

Supplementary memorandum by National Rail Enquiries (NRE 01A)

Thank you for your letter of 19 November addressed to me and for the letter of the 21 November addressed to John Truelove. The following addresses the questions you ask—item 5 addresses the question in your letter of the 21 November.

1. The Which report—

— Enclosed

2. Staff

- Our written evidence showed the number of staff employed by our suppliers for our business in their contact centres stands at around 1200 FTE (full time equivalent).
- Details of the number of staff from time to time in each call centre is held by our suppliers.

3. Cost per call

- The total contact centre costs last year were approximately £32m answering approximately 59 million calls. The average cost per call was therefore approximately 58p.
- The following table shows similar figures for the last five years:

<i>Year</i>	<i>Total cost</i>	<i>Number of calls*</i>	<i>Cost per call</i>
2002–03	£32 million	59 million	54p
2001–02	£32 million	63 million	51p
2000–01	£31 million	62 million	50p
1999–2000	£30 million	60 million	50p

4. The Pilot

- There is no provision in the current supply contracts requiring suppliers to seek the approval of National Rail Enquiries for a change of location. Nonetheless, our support for such a move was requested by the supplier concerned. In considering this, we knew that when the re-tendering took place we would receive bids from suppliers based on calls being answered off-shore. We had to take into account that we would in due course have to decide whether answering from off-shore would deliver the quality and reliability we require; that there would be questions in the public's mind; that a pilot would give us experience of the quality which could be delivered; that the pilot would give the supplier experience of the process, etc. As there were a number of considerations, the matter took some time to resolve, but in due course the supplier initiated a pilot.
- Since planning for the re-tendering began, there has been no secret of our intention to seek quality, reliability and value for money, and that we expected to receive bids with an element of off-shore supply. People from the SRA were aware of this, but took the view that this was our job to handle—within the context of the objective of quality, reliability and value for money.

5. Evaluation of the Pilot

- The pilot is being assessed using the same mystery shopping process as we have used and continue to use for the continuous assessment of the total service, which assesses the accuracy of responses to a range of questions representative of the different types of questions passengers answer.

-
- No change of this kind, if a change at the re-tendering is decided upon, is without risk. The risk must be managed. The pilot has confirmed what we had expected to find, and is adequate and appropriate for the purpose. We do not consider that a longer pilot or a larger pilot would add significant relevant information.
6. Surveys
- We have been informed that the results of a focus group, not organised by us, indicated that the main concern was for the quality of the service and not the location from which it was delivered.
7. Location
- The tender documents do not specify location, but they do require bidders to indicate location in their bids. Our aim is to control total quality, reliability and value for money for the whole service and not merely for part of it. This requires that we do not have all our eggs in one basket—for example if the entire service was provided from overseas. We therefore need to know location and will control it in the new contracts.
 - The original bid of each of the preferred bidders contained a variety of alternatives including differing levels of onshore and offshore provision. All of these bids included some offshore options. The alternatives that we have selected for detailed negotiation contain in our view the best combination of reliability, quality and value for money.
8. Savings
- Some of the savings will be ploughed back into National Rail Enquiries services, some into other ATOC services, and some back to the train companies reducing their subsidy requirements in the longer term. National Rail Enquiries is increasing resources in certain areas of passenger information, as indicated in the written evidence, and ATOC is increasing resources in, for example, a major new system to improve the handling of reservations.
9. Location and approvals
- The existing contracts do not require approval for a change to location. The new contracts will. This is not the same as saying that location is our affair. It is not. It is for the supplier to decide how they are to bid. Their bid will be evaluated in its totality against our key criteria—quality, reliability and value for money. Once a bid package is agreed, major changes, including changes to location, will require our approval to enable us to manage total reliability.
10. Routing to India
- Though National Rail Enquiries does control the system of central call routing, suppliers could route calls to India without our technical support.
11. Train operator position
- The appropriate representative bodies have approved selection criteria against which the bids will be evaluated. These criteria include quality, reliability and value for money together with a requirement that the total package of contracts to deliver the total service is resilient and does not put all our eggs in one basket. These selection criteria have been approved in the knowledge that there may be an element of overseas supply. Bids will be evaluated by the evaluation panel against these criteria. The recommendation of the evaluation panel is then presented to the Board of NRES Ltd for a decision.
12. Training
- National Rail Enquiries has developed detailed training for the use of any new suppliers.
13. Sanctions
- The new contracts contain detailed arrangements for bonuses and penalties, to ensure the achievement of quality and reliability, which would be applicable if the service from a new supplier was not available on the due date.
14. Evidence
- This matter was covered during the hearing.
15. Data
- Offshore call centres would will use the same data and systems as used in the UK. There is an on-going programme, throughout the whole National Rail Enquiries service of continuous improvement. This has hitherto been voluntary for the existing suppliers. For the new suppliers, it will continue and be contractual. We expect therefore that quality will improve.

16. Recovery of the service

- The contracts will contain provisions to allow us to redirect calls away from a supplier if the quality is below threshold. As we will not be relying on one call centre, we would build up supply from other centres, in these circumstances.

Chris Scoggins

Chief Executive, National Rail Enquiries

December 2003

Supplementary memorandum by the Department for Transport (NRE 07)

UPDATE ON TRANSPORT DIRECT PORTAL PROJECT

Overview

Work on the Transport Direct Portal project has proceeded well. *The contract to design, build and operate is on time and on budget.* The building of the Portal will be finished by the end of 2003, with the public first expected to have access in Spring 2004—this will allow live-testing to be conducted. *There will be no public launch until the Portal's output is of acceptable quality.*

Background

In December 2002, SchlumbergerSema were awarded the contract to design, build and operate the Transport Direct Portal.

The Portal will provide a comprehensive, easy-to-use, multi-modal travel information and ticketing service. In the long-term, this will provide travellers with:

- integrated Journey Planning
- real-time travel information
- through ticketing

All modes, as well as relevant mixtures of all the modes, will be covered.

First Version

The first version of the Portal will be available via the Internet. The table below shows the key features that the first version will and will not deliver to mainland UK travellers.

The service will be enhanced at regular intervals over the coming years. The priorities for each new build will be informed by research into customer demand and user feedback.

In the coming years, the Portal is also expected to be accessible via kiosks, digital TV, mobile phones and PDAs.

<i>What will be new</i>	<i>But, the following limitations will apply</i>	<i>What it won't do</i>
<ul style="list-style-type: none"> — Compare door to door journey options for car and public transport 	<ul style="list-style-type: none"> — Some areas will not have details about public transport options (local buses) so door to door public transport planning will not be universal 	<ul style="list-style-type: none"> — No AIR journeys (except for the highlands and islands) — Give price comparisons
<ul style="list-style-type: none"> — First car planner with historic congestion data—so should give realistic journey times 	<ul style="list-style-type: none"> — Only part of the trunk road network has this data — Within the most congested areas (cities) we will not have such data 	<ul style="list-style-type: none"> — No real time information about sudden congestion caused by things like bad weather or accidents — No parking information — Ability to door mixed car and public transport journeys (drive to station take the train)

<i>What will be new</i>	<i>But, the following limitations will apply</i>	<i>What it won't do</i>
— Public transport price information	— Only for long distance journeys by coach or train. For these there is a wide range of fares. What people really want to know is what is available or how they can secure a bargain fare	— Won't be able to check whether a fare is actually available or find the user the cheapest fare — No bus fares
— Enable ticket purchase by passing the user to a retailer without the need to re submit your journey details	— You will only be able to buy train and coach tickets	— You won't be able to buy local bus, ferry or air tickets — You will need to do a series of transactions for a journey involving more than one mode

November 2003

Supplementary memorandum by the Association of Train Operating Companies (NRE 08)

NATIONAL RAIL ENQUIRY SERVICE

Thank you for your letter of 21 November addressed to Keith Ludeman, Chairman of ATOC, to which I am responding on his behalf. You asked for some details of the ATOC and NRES budgets as further evidence to the Transport Committee's inquiry.

I set out below a statement for the Committee's information:

"Most activities of ATOC are carried out by separate "schemes", each of which is decided on and funded separately. As each scheme is budgeted separately, there is therefore no such thing as an ATOC Budget.

However, if the schemes are added up, NRES represents about half the total. You ask whether there was any overspend in ATOC last year. There was not.

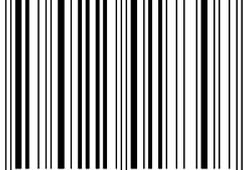
NRES is a separate scheme. Its budget plus approvals last year was approximately £37 million, which it underspent."

I hope that this answers your queries, but please do not hesitate to contact me should you wish for further details.

George Muir
Director General

December 2003

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