National Assembly for Wales
Enterprise and Business Committee

Priorities for the future of Welsh Rail Infrastructure

March 2016
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Enterprise and Business Committee

The Committee was established on 22 June 2011 with a remit to examine legislation and hold the Welsh Government to account by scrutinising its expenditure, administration and policy, encompassing economic development; transport and infrastructure; employment; higher education and skills; and research and development, including technology and science.

Current Committee membership:

William Graham (Chair)
Welsh Conservatives
South Wales East

Mick Antoniw
Welsh Labour
Pontypridd

Mohammad Asghar
Welsh Conservatives
South Wales East

Jeff Cuthbert
Welsh Labour
Caerphilly

Keith Davies
Welsh Labour
Llanelli

Dafydd Elis-Thomas
Plaid Cymru
Dwyfor Meirionnydd

Rhun ap Iorwerth
Plaid Cymru
Ynys Môn

Eluned Parrott
Welsh Liberal Democrats
South Wales Central

Gwenda Thomas
Welsh Labour
Neath

Joyce Watson
Welsh Labour
Mid and West Wales

The following Member attended as a substitute for one meeting during the course of this inquiry.

Janet Haworth
Welsh Conservatives
North Wales
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Chair’s foreword

As summer approaches, important decisions about the future of Wales’ railways are about to be made. The Committee felt it was important that we look at the priorities for rail infrastructure in order that we could use our influence in what is a complex decision-making process.

Decisions made in the next six months will have a crucial impact on Wales’ transport network and consequently on the prosperity and quality of life of all of us who live and work in Wales.

It is clear that Wales has multiple needs. At present, we are one of the few countries in Western Europe without a single kilometre of electrified railway. That will change, but engineering delays and a limited funding pot will mean Wales has to fight, cajole and collaborate in order to get everything we want to see.

Electrification of the South Wales mainline (all the way to Swansea), the Valley Lines and the North Wales mainline are all crucial; ensuring Cardiff Central station can be redeveloped to cope with the expected increase in passengers to be a transport hub fit for a 21st century capital city; improving our mainline tracks so they have the structure and capacity for modern freight needs, and the operational support to secure slots at the time needed – these are all vital projects for Wales’ future prosperity.

Over the next few months Wales’ politicians and rail operators will need to speak loudly and clearly with one voice to champion the nation’s needs and to secure the funding to ensure Wales can play a full role in the rail renaissance of the UK.

We trust this report will be useful in that process.

William Graham AM,
Chair, Enterprise and Business Committee
The Committee's Recommendations

The Committee’s recommendations to the Welsh Government are listed below, in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

**Recommendation 1.** Welsh Government should seek absolute assurance that the electrification of the South Wales Mainline will continue as a single project, without a break, all the way to Swansea. (page 16)

**Recommendation 2.** We urge the Welsh Government to play a proactive role with UK Government, Cardiff City Council, the City Region, Network Rail and local businesses to develop a robust plan for Cardiff Central Station accompanied by the track and signalling upgrades needed to create a station fit for a 21st Century capital city. (page 18)

**Recommendation 3.** The Welsh Government should lead strongly on the early delivery of a comprehensive and compelling business plan for north Wales electrification for delivery during Control Period 6 and funded by the UK Government in line with its statutory responsibilities. (page 21)

**Recommendation 4.** Access to English airports from north Wales should be a Welsh Government priority, both in engaging with neighbouring franchise operators and those responsible for their procurement and management to ensure adequate links, but also in identifying and lobbying for investment in the key infrastructure enhancements required to provide adequate capacity. (page 22)

**Recommendation 5.** Welsh Government should continue to work with stakeholders to deliver enhanced services in mid Wales, particularly further improvements linking Aberystwyth to the English Midlands and wider UK rail network. (page 24)

**Recommendation 6.** The North and South Wales main lines, including relief lines, should be upgraded to the largest loading gauge for freight containers (W12) as early as possible. (page 25)
**Recommendation 7.** Network rail should retain a central freight unit to ensure that freight continues to have the type of engagement it needs with the organisation. Welsh Government should work with this unit, the Wales route and freight operators to identify the priority investments required to improve freight services in Wales and work to ensure these are delivered.  

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**Recommendation 8.** The Welsh Government should continue to push the importance to freight services of full electrification of the Vale of Glamorgan line, and that it should be funded by UK Government.  

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**Recommendation 9.** We support the Office of Rail and Road’s ambition to ensure that Welsh Government is fully involved in the periodic review process. We urge the Welsh Government to engage fully with the ORR to ensure Wales’ needs are considered.  

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**Recommendation 10.** The Welsh Government should increase its engagement with Department for Transport’s review of project appraisal guidance to increase its effectiveness, and ensure that it does not further undermine business cases in Wales (and other similar areas). In particular, the process must adequately reflect the wider social and economic benefits of rail infrastructure investment.  

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**Recommendation 11.** In advance of any further, formal devolution of powers to Wales, the rail planning and delivery process must provide clear roles for Welsh Government, clear relationships with other parties in the planning and delivery process, and the maximum access to the levers necessary to plan and deliver projects effectively and to manage risks.  

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**Recommendation 12.** Welsh Government should engage rail planning and delivery bodies, particularly Network Rail and the ORR, during Periodic Review 18 to ensure maximum transparency of financial and performance data at a Wales level. We also believe that a key output of the periodic review should be Network Rail targets and outputs set at a Wales level, and improved availability of data. As far as possible, these should be equivalent to those for Scotland.  

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**Recommendation 13.** We believe that Welsh Government should press Network Rail to ensure that its structures are fit for purpose in delivering its functions across route boundaries. We believe these should be developed in parallel with, and relate to, the Welsh Government’s own arrangements for working with English regions. (page 41)

**Recommendation 14.** Welsh Government should work with key national bodies, particularly Network Rail, to ensure that projects to be delivered in Wales are managed from Wales with effective oversight from Welsh Government where appropriate. (page 41)

**Recommendation 15.** Even without formal devolution of infrastructure powers through legislation, Welsh Government must be given greater responsibility for rail infrastructure, including input into the Period Review, HLOS development, project delivery and governance of Network Rail which must be more accountable to Welsh Government. The Welsh Government must be prepared for any increased role, particularly in terms of its structure and the resources available. (page 50)

**Recommendation 16.** There is a strong case for legislative change to devolve responsibility for Network Rail funding to Wales as it is in Scotland. However, in advance of devolution the Welsh and UK governments must publicly and clearly set out how the following issues will be addressed:

- A fair funding settlement to accompany devolution;
- How Network Rail’s debt will be apportioned and future borrowing managed;
- How the cross-border nature of the network will be managed;
- How the risks will be managed, including risks of overspend, latent defects in the network, and emergency remedial works. (page 50)
Recommendation 17. The Welsh Government must increase its efforts to develop key cross border relationships with devolved rail planning and delivery bodies and other key stakeholders in England. This should build on the good work already undertaken in North Wales and north of England. (page 55)

Recommendation 18. In negotiating the details of devolution of franchising responsibilities, the Welsh Government must make it a priority in discussion with the UK to ensure that the next Wales and Borders franchise includes popular, profitable routes which are essential to the travelling public. (page 57)
1. **Introduction**

1. In Wales, the number of passenger journeys has increased by about half from just under 20 million journeys in 2003-04 to about 30 million in 2014-15.\(^1\)

2. Network Rail thinks that passenger numbers in Wales will keep growing in future. For example, it thinks that the number of passengers commuting into Cardiff will grow by 144 per cent between 2013 and 2043. It also expects passenger numbers travelling between the north Wales coast and London to increase by 151 per cent, and between north and south Wales by 77 per cent, by 2043.

3. Rail infrastructure across Britain is under pressure as more and more people are using train services. Our inquiry looked at three main questions:
   - Whether Welsh rail infrastructure is coping with the number of people using trains now, whether it will be able to in the future, and how it needs to be improved?
   - If Network Rail and the other people who plan how to operate, maintain and improve the rail infrastructure are properly considering the needs of Welsh users?
   - If anything more should be done to make sure that decisions about the railways in England and Wales are joined up to give the best possible service in both countries.

4. Our full terms of reference can be seen at Annex A.

5. When it comes to improvements to tracks, stations and other infrastructure, decisions about where to invest are made quite far in advance and delivered in five year plans. The next five year plan starts in 2019. The choices about how and where to invest in future are being looked at now and we want to influence these.

6. We know that Wales needs a modern, efficient railway to improve the economy, and also to help people travel for other reasons like leisure, visiting family or going to hospital. Better railways not only

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\(^1\) Network Rail Draft Route Study.
make life easier for passengers, but also make it easier for businesses to transport goods on freight trains.

7. Between November 2015 and January 2016 the Committee held a public consultation to gather written evidence. In February and March 2016 we held a series of meetings to hear further evidence including one at Glyndwr University, Wrexham.

8. In addition to the Welsh Government, copies of this report will also be sent to relevant UK Government Ministers, Network Rail and the Office of Rail and Road (ORR), all of whom have a role in the decisions which will affect Wales' future rail infrastructure.

Reviews of Network Rail

9. Our inquiry was carried out in the context of three UK Government reviews of Network Rail:

- The Bowe Review (published in November 2015) considered what could be learnt from the preparations for CP 5 (2014-19);
- The Hendy Review (published in November 2015) reprioritised delivery of the CP 5 programme; and
- The Shaw Review2 (a scoping report was published in November 2015 with the final report due in March 2016) is looking at the future shape and funding of Network Rail.

10. We are also mindful that in his response to the Bowe review the Secretary of State for Transport said the role and responsibilities of the ORR will be fundamentally reviewed.

11. We believe the outcome of the Shaw review will be particularly significant for Wales. We hope that our recommendations will influence the action taken following both the Bowe and Shaw reports. We were pleased to note evidence from Welsh Government of healthy and productive engagement with Nicola Shaw. The Minister told us:

   “...in terms of the Shaw review, we have had engagement with the process—a lot of engagement. In fact, she’s been very good in terms of the time and the discussions. The officials have reflected our views quite clearly into the review. We think it’s

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2 This report was agreed before the publication of the Shaw Review on 17 March 2016.
going to be produced alongside the budget in March, her review, and it’s been clear that we’ve discussed with her that more accountability in Wales for rail infrastructure needs to be with us. So, there has been a good engagement in terms of the Shaw review, I would say.³

12. Evidence from the Deputy Permanent Secretary suggested that Ms Shaw’s views may to some extent coincide with Welsh Government priorities:

“So, it feels to me like she fully understands what we want to do. Her view is that there ought to be more competition in the rail network more generally, that some form of closer vertical integration—I don’t think she’ll go as far as saying that vertical integration is the right answer, but I think she’ll say that some form of vertical integration is the right way—that different methods should be tried, and I hope she’s going to say that the proposition from the Welsh Government on particularly the Valleys would be a good thing to try. That’s what I’m hoping for.”⁴

Preparations for rail Control Period 6 and beyond

13. Rail industry priorities and funding are set in five year “Control Periods”. Preparations are led by the ORR, (formerly the Office of Rail Regulation). Infrastructure investment “choices for funders” are developed by Network Rail, working with the rail industry and funders such as the Welsh Government, leading to publication of the Secretary of State for Transport’s High Level Output Specification (HLOS) and Statement of Funds Available (SOFA), and ultimately to the development of Network Rail’s plan for delivery. Preparations for Control Period 6 (CP 6)(2019-2024) are now getting underway.

14. Network Rail will set out its “choices for funders” for CP 6 and beyond in its Wales Route Study. This is due to be published shortly.

15. ORR will begin to prepare for the next Periodic Review, the formal process leading to the production of the next HLOS and SOFA, early in 2016.

³ Enterprise and Business Committee, Transcript, 24 February 2016, Para 148.
⁴ Enterprise and Business Committee, Transcript, 24 February 2016, Para 151.
16. We have scheduled this inquiry so that we can report while these decisions are being worked on.

Powers and devolution

17. Unlike in Scotland, planning and delivery of rail infrastructure in Wales is not devolved. Primary responsibility and funding for the development of the Welsh network rest with the UK Government.

18. None the less Welsh Government has also invested significant money in the rail network. Since January 2014 £235m has been committed and, at time of publication, £176m had been spent.\(^5\) So this inquiry covers the decisions by both the UK Government and the Welsh Government.

Developments in Wales

19. The Welsh Government has published its Draft National Transport Finance Plan (NTFP) which includes Welsh Government priorities for rail infrastructure.

20. The Welsh Government has also commissioned or undertaken a number of studies in recent years, including the Welsh Government Ministerial Task Force on North Wales Transport report. This considered proposals for electrification / modernisation of rail in north Wales, drawing on work by Greengauge 21, a not-for-profit organisation promoting high speed rail. Further work on the business case for north Wales electrification has been commissioned by Welsh Government.

21. Electrification of the Great Western and South Wales Valleys lines is planned for delivery in CP 5 and CP 6. Exploitation of valleys electrification is integral to Cardiff Metro proposals.

Developments in England

22. Planning for CP 6 comes at a time of significant devolution of rail responsibilities in England, including the establishment of Transport

\(^5\) Enterprise and Business Committee, Meeting Transcript, 24 February, Para 143. Detailed figures provided by Welsh Government at the Committee’s request.
for the North, Rail North and West Midlands Rail. It is clear these will have a significant direct effect on Wales. High Speed Rail (particularly HS2) is under development in England. Various commentators have described this as an opportunity and a threat to services in Wales.
2. High level priorities

23. This chapter addresses the operational effectiveness of current rail infrastructure for passengers and freight within Wales and priorities for the development of Welsh infrastructure, particularly in CP 6 (2019-24) and beyond.

24. We heard about a great many priorities for investment including: increased line speeds, capacity and train frequency, along with longer platforms, electrification and reduced journey times. We have prioritised those we see as key, and broken down our priorities by geographical region.

South Wales

Electrification London to Cardiff

25. While work has been delayed following the Hendy Review, electrification of the Mainline from London Paddington to Cardiff Central is progressing for delivery in CP 5. It is vital that this work is completed without further delay.

26. Great Western Railways (GWR) raised concerns that delays to the GWML electrification scheme, would impact on improvements to train services. The company will introduce a new long distance train fleet for South Wales from 2017, but any journey time improvements will only be seen with increasing line speeds.

Electrification Cardiff to Swansea

27. Electrification to Swansea is now listed for delivery in CP 6. We share the concerns of Professor Stuart Cole and others about the lack of hard dates for completion of this section of the electrification of the Great Western Main Line. Delays to the London to Cardiff section, have pushed the Cardiff-Swansea section out of the current five year control period and in to the next.

28. Professor Cole stated that the benefit cost ratio for electrifying the Great Western Main Line between Cardiff and Swansea is weak if

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6 Enterprise & Business Committee, Transcript, 3 February 2016, para 141.
considered in isolation. He suggested that any delay in electrification to Swansea would increase capital costs and could jeopardise the project.

29. However, Network Rail and Department for Transport (DfT) sought to reassure us. Brian Etheridge of DfT reiterated the Secretary of State's commitment to electrifying all the way to Swansea.

“The overall commitment is undiminished. I think the Secretary of State has made very clear that he's not pausing any of these programmes, he’s not stopping them, and the Hendy review has not removed any from our agenda. ...we’re still working very, very hard to pin down the exact dates of delivery. So, I think we’re very clear on Cardiff. We expect to move seamlessly, as you say, to the rest of the route.”

30. Despite this reassurance, the Minister told us of her disappointment at the delay in electrification west of Cardiff. She acknowledged the commitment to delivery in CP 6 but told us “we haven’t got anything solid in that regard”. To bring certainty we believe a firm commitment and delivery date is required urgently.

**Welsh Government should seek absolute assurance that the electrification of the South Wales Mainline will continue as a single project, without a break, all the way to Swansea.**

**Cardiff Central Station**

31. In our report on Rugby World Cup Transport Planning at the end of 2015 we noted the urgent need for major redevelopment at Cardiff Central. The report said:

“The Committee feel strongly that as a major gateway to Wales, Cardiff Central Station does not meet the needs and expectations of travellers. It is no longer fit for purpose to welcome visitors to a modern European capital. The station cannot cope with the demands placed upon it. It is vital that the capacity of the station is redeveloped as soon as possible in

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7 Enterprise and Business Committee, written transcript, 11 February 2016, para 397.
8 Enterprise and Business Committee, written transcript, 24 February 2016, Para 79.
order to accommodate the growing numbers of passengers arriving and departing. This must be an urgent priority.”

32. During this inquiry, Richard Rowland, Western Programme Alliance and Planning Director for Great Western Railway, highlighted the station as a key concern.

“For Great Western’s point of view, …our key concern is Cardiff and Cardiff Central, both in terms of everyday custom, because that’s likely to increase by around 70 per cent over the next few years, according to the Network Rail studies, but also events, as well. We saw in the Rugby World Cup that the station wasn’t sufficient for dealing with the flows of customers that came out of the stadium.”

33. We were heartened to hear that master planning has begun for the station redevelopment within Network Rail, and that discussions are starting to take place with key stakeholders. The recent redevelopment at Reading is an example of what can be achieved in terms of modernisation and redevelopment. We hope this example will continue to inspire and inform work in Cardiff.

34. Tim James, head of strategy and planning for Network Rail in Wales, said that planning had begun on redevelopment:

“We are very proud to be proposing a scheme that will transform our capital station into something that really is truly fit for a modern capital city. We’re really in the very early days.

“We’re quite clear that a new station has got to provide sufficient capacity for the next 30 to 50 years. It’s got to give a much better experience for customers, particularly in terms of queueing for events. Our plans, really, are to rebalance the north and the south sides so that they’re of equal prominence, both under cover, and also with something like a Reading-style facility to hold people in comfort while they wait for a train.”

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9 Enterprise and Business Committee, Rugby World Cup Transport Planning, December 2015, para 28.
10 Enterprise and Business Committee, written transcript, 28 January 2016, para 335.
11 Enterprise and Business Committee, written transcript, 11 February, Para 98.
35. Financial considerations will shape what happens next with Cardiff Central Station. How much will it cost, and where will the money come from? A World Class station will come with a World Class bill. What is affordable to funders is likely to shape the final outcome.

36. Alongside redevelopment of the station itself, there is also a need for track and signalling upgrades around Cardiff Central Station.

37. Michael Tapscott of Arriva Trains Wales told us:

“I think our biggest concern with this [Cardiff Central] is the capability of the track either side of the station. We understand that relief lines are being developed or are part of that development, but our concern is that we will have a nice station but that having those pinch points outside Cardiff is still going to be a big issue for the future.”

38. These aspects will also need to be addressed as part of station redevelopments if we are to create a Capital City transport hub fit for the 21st Century.

We urge the Welsh Government to play a proactive role with UK Government, Cardiff City Council, the City Region, Network Rail and local businesses to develop a robust plan for Cardiff Central Station accompanied by the track and signalling upgrades needed to create a station fit for a 21st Century capital city.

Electrification of the Valleys Lines

39. Our evidence found broad support for the Welsh Government’s proposal for a Metro system in South East Wales. The concept has captured the imagination of stakeholders, and is increasingly visible to the public. The challenge now is to deliver that vision with pace.

40. Electrification of the Valleys Lines is a project that has high level agreement, with funding arrangements now agreed between the Welsh and UK Government. However, there remain questions about the scope of the work, and the total cost.

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12 Enterprise and Business Committee, written transcript, 28 January, Para 339.
41. Professor Cole suggested that a decision as to the model for the South East Wales Metro—be that heavy rail or light rail—must be made, and that any delay could be detrimental.

42. Michael Tapscott, Arriva Trains Wales, said:

“Probably the biggest risk with this is actually time, so actually deciding on where we’re going to head towards, what the configuration of light rail, heavy rail or whatever that’s going to be—. Because that’s key. We’ve got to make sure we understand in what direction we’re going.”13

43. However, the Minister was clear that the decision about heavy or light rail was one that would be guided by industry through the procurement process, not dictated by her.

44. James Price, Deputy Permanent Secretary - Economy, Skills and Natural Resources said:

“So, we’re saying, ‘You’re the experts—you tell us what you want to do’. That extends to if you want to use all heavy rail or some light rail or something that we’ve never heard of, frankly, because what we have learnt is that the boundary between heavy rail and light rail is increasingly being blurred.”14

45. The committee raised concerns about whether all Valleys Lines would be electrified, and how lines might be prioritised in terms of business cases.

46. Roger Cobbe – Arriva UK, said:

“Typically, the business case [for electrification] is strongest when there’s the most number of passengers and the number of carriages per hour along a particular section of line... We don’t know how much of the Valleys lines there will be funding available to electrify. But, clearly, it’s sensible for the passenger and the taxpayer to do the ones that are of the highest value.”15

47. It became clear that the Minister’s vision for the Metro is far more wide ranging than a simple electrification of the existing Valleys Lines.

13 Enterprise and Business Committee, written transcript, 28 January, Para 379.
14 Enterprise and Business Committee, written transcript, 24 February, Para 262.
15 Enterprise and Business Committee, written transcript, 28 January, Para 373.
This ambition is commendable. Future committees of the Assembly will need to keep a close eye on developments as further details emerge.

**North Wales**

*Mainline speed improvements*

48. Two main elements emerged in terms of the North Wales Mainline - line speed and electrification. Tim James, Network Rail, said:

“There are many benefits from modernising north Wales. In fact, there are two choices for funders within our paper. One of them, which is probably a timely precursor, is some work to improve line speeds between Chester and Holyhead anyway, as part of work we’re doing to re-signal the line, which needs some funding — roughly about £20 million — which will give journey time savings, which is a good precursor, then, to any electrification.”

49. Rebecca Maxwell, on behalf of the North Wales Economic Ambition Board (NWEAB), highlighted the importance of improving line speeds. She said:

“In terms of the condition of the rail service — the rail network — in north Wales, the main difficulties we see are that services are too slow on the line. That leads to them being less frequent than they need to be to encourage that shift from road to rail use.”

*Business case for electrification of the main line*

50. A large number of stakeholders emphasised the need for investment and improvements to the NWML, with many calling for its electrification.

51. The Hendy Review — which sought to put more realistic dates on Network Rail’s investment programme — has pushed a number of UK electrification schemes from the current CP 5 into CP 6 (2019-24). The

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16 Enterprise and Business Committee, written transcript, 11 February, Para 121.
17 Enterprise and Business Committee, written transcript, 28 January, Para 8.
NWEAB suggested that delaying NWML electrification to a later control period, i.e. after 2024, may disadvantage North Wales in terms of connectivity to HS2 which is planned to reach Crewe in 2027.

52. From a Welsh perspective there is a compelling case for electrifying the North Wales mainline. As part of the core Trans-European Transport Network, there is an expectation that this should be done by 2030. However, based on current passenger numbers, it seems the business case would score low on Network Rail’s criteria.

53. Attempts to build a stronger business case by including wider social and economic impacts are progressing. It strikes us that, as with Valleys Lines, the key issue will be getting someone to pay for it. As a Trans-European Network route in a non-devolved policy area, there is a strong case that London-Holyhead is an important part of the UK network and should be paid for by the UK Government.

54. Winning this argument will be key to delivering a modern rail line for North Wales which connects to the HS2.

The Welsh Government should lead strongly on the early delivery of a comprehensive and compelling business plan for north Wales electrification for delivery during Control Period 6 and funded by the UK Government in line with its statutory responsibilities.

**Wrexham-Bidston**

55. Our consultation showed considerable support for undertaking improvements to the Borderlands Line between Wrexham and Bidston.

56. Doubling this line is seen as a vital local link, and would provide a relatively easy win for North Wales.

**Airport access**

57. Merseytravel, amongst others, called for improved direct access from North Wales to both Liverpool Airport and Manchester Airport.
58. Rebecca Maxwell, NWEAB and Denbighshire CC, said:

“We’re also supporting Arriva Trains in their application for some direct routes from north Wales and Cheshire into Manchester Airport. Currently, we’re very poorly served, despite having quite a significant number of passengers at the airport starting their journeys in north Wales and Cheshire. So, we are underrepresented on that. And we lose out really to other markets, and we feel that that’s something that could be done now, without any infrastructure investment, through a redistribution of train paths and services.”\(^{18}\)

59. The airport was cited frequently as an example of how intra-franchise rivalries can create problems for passengers. Despite Arriva Group operating both the Northern, and Wales franchises, the two are competing for limited track capacity.

60. The key issue here is ensuring that services for Welsh passengers have clout when negotiating for track access, and to ensure infrastructure is upgraded to provide the capacity required to accommodate demand.

61. Rowland Pittard, Railfuture, said:

“I think one of the best examples is the problem in Manchester, where Arriva Trains Wales has, ever since they started the franchise, made provision in their services to get to Manchester Airport, and they only now have about two or three services, completely off-peak, going to Manchester Airport, and that is the desire line of a large number of the people living in north Wales— to get to Manchester Airport.”\(^{19}\)

**Access to English airports from north Wales should be a Welsh Government priority, both in engaging with neighbouring franchise operators and those responsible for their procurement and management to ensure adequate links, but also in identifying and lobbying for investment in the key infrastructure enhancements required to provide adequate capacity.**

\(^{18}\) Enterprise and Business Committee, Transcript, 28 January 2016, Para 20.

\(^{19}\) Enterprise and Business Committee, Transcript, 3 February 2016, Para 248-250.
Mid and West Wales

62. A number of stakeholders were concerned that the Welsh Government’s current plans for Mid and West Wales – as set out in the NTFP – did not meet the needs of the area.

63. Pembrokeshire Rail Travellers’ Association (PRTA) stated that the Welsh Government’s priorities meet the needs of Cardiff and the Valleys, but not the rest of Wales. The Heart of Wales Forum agreed, stating that the current strategic planning process, at both UK and Wales level, is unduly biased towards the needs of urban areas;

64. The Regional Transport Forum for South West Wales (RTFSWW) noted that the rail infrastructure proposals in the NTFP are almost exclusively related to South East or North Wales. Its evidence also raised concerns that the delay in electrifying the Great Western mainline to Swansea could create a perception that Swansea is a secondary location to Cardiff.

65. The Mid Wales Transport Partnership (TraCC) was concerned that the NTFP did not consider its investment requirements within the context of the impact on Wales as a whole, whilst the Welsh Local Government Association (WLGA) emphasised that the future development of rail infrastructure should benefit all of Wales.

66. Some clear priorities for the region did emerge. These included:

- Upgrading the Marches Line, Railfuture called for line speed and signalling improvements on the line;
- The Federation of Small Businesses Wales (FSB Wales) suggested that hourly services should be extended on the Cambrian Line, and new stations considered, including at Bow Street and Carno;
- FSB Wales also proposed that the Welsh Government should explore ways of increasing rail connectivity into key hubs, such as Carmarthen and Swansea;
- South Wales Chamber of Commerce (SWCC) advocated the reopening of a number of lines, including that linking Aberystwyth and Carmarthen. However, Professor Cole indicated
that low population density and a likely journey time that would be longer than the Traws Cymru long distance bus service meant the business case for reopening this section of track was unlikely to stack up on transport grounds alone.

67. Welsh Government highlighted the investment they had already made in Mid and West Wales. The Minister said:

“One of the key areas I’ve been particularly interested in is continuing the good work we’ve done in terms of mid and west Wales in terms of additional services, and looking at that very important network that links across from Aberystwyth into the midlands, which I think is equally important as some of the other areas.”

Welsh Government should continue to work with stakeholders to deliver enhanced services in mid Wales, particularly further improvements linking Aberystwyth to the English Midlands and wider UK rail network.

Freight improvements

68. The Rail Freight Group (RFG) was critical of the NTFP, stating, that it:

“is extremely light on freight matters except for a commitment to support the recommendations of the Minister’s Freight Working Group as appropriate. The NTFP therefore represents a missed opportunity to support rail freight in Wales by targeted investment and focussed support for infrastructure enhancements that directly benefit rail freight.”

69. TATA Steel believed that the NTFP must prioritise sustaining and improving rail freight infrastructure.

70. Railfuture stated in their written evidence that the main line routes in North and South Wales, along with the Marches Line, should have the maximum gauge clearance for freight containers. This was

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20 Enterprise and Business Committee, Transcript, 3 February 2016, Para 159.
21 Enterprise and Business Committee, Transcript, 24 February 2016, Para 71.
22 Written evidence, RFG.
also a key theme that emerged in our previous work on port development and the maritime economy.

71. The RFG suggested that the electrification of the North Wales Main Line could be the spur for the re-introduction of an intermodal freight link to Ireland via Holyhead.

72. However, DB Schenker stated that there is little, or no, current rail freight activity on the Cambrian and North Wales routes;

73. Railfuture argued that intermodal facilities should be provided at Welsh ports, including Holyhead and Fishguard. In our report on the Potential of the Maritime Economy we noted that developing intermodal freight facilities was a long term aspiration and said:

“We believe it would be remiss if issues such as capacity and upgrading to W10 gauge or better and intermodal freight facilities at appropriate locations were not considered in developing modernisation proposals to ‘futureproof’ Welsh rail infrastructure given the additional cost of a further upgrade at a later date.”

The North and South Wales main lines, including relief lines, should be upgraded to the largest loading gauge for freight containers (W12) as early as possible.

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74. Rail Freight Group (RFG) also proposed a ‘presumption in favour of freight’ where investment is being considered on a route that has the potential to carry freight now or in the future.

75. A number of respondents highlighted the competition between freight and passenger services. TATA Steel emphasised that whilst their plants at Port Talbot, Trostre and Llanwern are well-connected, passenger traffic on the East-West Main Line can often prevent it from accessing the track. We also heard evidence from freight operators of the importance of small scale investments for rail freight operators, but that these are often overshadowed by the focus on large scale projects.

Network rail should retain a central freight unit to engage with freight operators and their customers. Welsh Government should work with this unit, the Wales route and freight operators to identify the priority investments required to improve freight services in Wales and work to ensure these are delivered.

**Alternative route through Vale of Glamorgan**

76. The Vale of Glamorgan line currently provides an alternative route for freight (and passenger) services. Our inquiry heard concerns that this line might not be prioritised for electrification. As with other Valleys Lines, it is not clear when this work is scheduled, or how it will be paid for.

77. In her evidence, the Minister and her official indicated that they felt electrification of the Vale of Glamorgan line was a matter for the UK Government as part of the mainline electrification. However this is still subject to negotiation.

The Welsh Government should continue to push the importance to freight services of full electrification of the Vale of Glamorgan line, and that it should be funded by UK Government.

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24 Enterprise and Business Committee, Transcript, 24 February 2016, Para 89-96.
3. Infrastructure planning and Delivery

Infrastructure planning

78. The Periodic Review process is fundamental to rail infrastructure planning in Britain. It is the key mechanism by which the ORR holds Network Rail to account, and comprises the ORRs assessment of what Network Rail must deliver in a given control period, the funding it needs, and the incentives required to encourage delivery. The ORR provides advice to both the Secretary of State for Transport and the Scottish Ministers on preparation of their HLOS and SOFA, with separate “final determinations” on Network Rail’s outputs and expenditure produced for England & Wales and Scotland, reflecting the devolution settlement in Scotland.

79. Periodic Review 18 (PR18), preparing the way for CP 6 (2019-24) is currently in the early stages of preparation. The ORR will publish a document to start PR18 the in April 2016 and we were pleased to note that it will “welcome responses from the Welsh Government, Assembly Members and other stakeholders in Wales to this consultation.” While we discuss devolution of responsibility for Network Rail below, this section considers the infrastructure planning process as it is currently established. We hope that our report will prove useful to the ORR and Secretary of State.

The role of Welsh Government in the periodic review process and development of the HLOS

80. The ORR explained how it had attempted to alleviate some of the Welsh Government’s concerns regarding Network Rail. Its evidence emphasised the importance of ensuring that the Welsh Government is fully included in the PR18 development process, including:

- Playing a core part in the process for developing PR18 outputs;
- Explaining what the options are for a wider and more specific financial role in PR18;
- Ensuring that the Welsh Government is closely involved in other parts of the development of PR18.

25 Written evidence, Office for Road and Rail.
81. The DfT also highlighted how Welsh interests are currently included in the periodic review process, emphasising that it and the Welsh Government work closely on the development of each Rail Investment Strategy for England and Wales to ensure that relevant Welsh priorities are reflected. DfT told us that:

“No decision on any major investment in Wales is made without taking into account the views of the Welsh Government, and they will be consulted on any in England that has implications for the Welsh franchise.”

82. We are clear that, in order for the Welsh Government to be in a position to develop an effective integrated transport network, the process of developing infrastructure priorities needs to do more than take its views “into account”. However, we welcome the ORRs commitment to ensure the Welsh Government is more closely involved in the periodic review process.

The rail infrastructure planning horizon

83. We heard some evidence suggesting that the current approach to infrastructure planning in five year control periods is an improvement on previous arrangements. DB Schenker told us that the periodic review process has brought clarity and transparency to Network Rail’s funding and output obligations, allowing freight and train operators to plan their businesses with a reasonable degree of certainty. It also noted that the five-year funding settlements ensure that rail is not affected by the uncertainty that shorter term funding arrangements can entail.

84. However, the RFG suggested that the timescale is too short in a sector where investments in infrastructure often have a 20-50 year life-span. Others agreed. The RTFSWW said that the periodic review process can make it very difficult to react quickly to changes in demand. CWCC also stated that the periodic review process needs more flexibility, whilst NWEAB believed that the process should be shorter, less complex and less costly.

85. We are concerned that overly rigid adherence to five year plans risks locking out essential investment. We believe the risks for Wales

26 Written evidence, Department for Transport.
are most clearly illustrated by the NWEAB in relation to north Wales electrification. As noted above, NWEAB referred to the fact that the Hendy Review has reduced the scope of electrification schemes in CP 5, and suggested that the failure to include north Wales electrification in CP 6 might mean the scheme is not ready in time to be ready for HS2.

86. We were pleased and reassured to hear that this issue is being considered. John Larkinson from the ORR told us:

“But one of the questions that’s been put to us is: ‘When you say industry plan and a specification, does it have to be absolutely fixed at those points in time; is there any more flexibility that can be built into the process?’, because otherwise people perceive it as a bit ‘all or nothing’. If all my options aren’t in the plan, then I’ve got a problem and it becomes a bit of a scrubble to get it in to make sure you’re in the plan, in that sense. I think that is a fair challenge, and it’s one of the things we’re looking at to see whether it can be seen as more of an options development process, with refinement options over time, rather than absolute lines in the sand.”

87. Since this issue is already under consideration by the ORR we make no recommendation in this area. However, we welcome and support the ORR’s commitment to consider this and urge it to find a solution in consultation with the Welsh Government to ensure that any outcome reflects the position in Wales. The Welsh rail network requires significant investment which should not be delayed by the approach to planning.

**The business case approach and its application to Wales**

88. Some respondents questioned the decision-making process for major rail infrastructure projects, particularly whether the current business case approach applied by DfT / Network Rail is suitable for Wales. Greengauge 21 referred to the relatively weak business case for electrification between Crewe and Holyhead when considered in terms of rail/route outputs only, largely due to the length of the route and modest service levels. However, it stated that the estimated wider social and economic benefits could mean that there is a positive

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27 Enterprise and Business Committee, Transcript, 11 February, Para 270.
electrification business case, albeit one that the DfT and Network Rail may not recognise.

89. This view, that an alternative positive business case can be made for electrification, is also supported by CWCC.

90. On a related issue, Merseytravel noted:

“That a longstanding problem concerns the issue that electrification business cases in Wales can be weaker as a result of the low passenger flows and associated economic benefits. This highlights the importance of decisions being taken at a strategic level, rather than on a route-by-route basis.”

28 Written evidence, Merseytravel.

91. Evidence from Transport Scotland was particularly influential. Aidan Grisewood described the business case for investment in the Borders railway:

“…in terms of the core BCR, [it] was about 0.6. In terms of attempts to quantify wider economic benefits, it was higher than that, but it was a decision taken forward in terms of strategic objectives around trying to link up what is a low-wage, less successful part of Scotland to a very fast-growing, successful, high-wage city in Edinburgh, and a recognition that there are wider economic benefits that can’t be fully quantified that would come from a line of that nature.”

29 Enterprise and Business Committee, Transcript, 11 February Para 56.

92. Most tellingly, Mr Grisewood concluded:

“I think it would be fair to say, in an English context, that it would struggle to pass hurdles raised in terms of the types of benefit-cost ratios that would be expected there, and perhaps a slightly narrower approach toward deciding what is taken forward or not.”

30 Enterprise and Business Committee, Transcript, 11 February Para 58.
element. We look at the strategic case for investment. We look at the financial case. We look at the management case and the commercial case, as well as the economic case. I think, you know, even the economic case—yes, it focuses on user and nonuser benefits and reductions in road congestion. But it does also look at some of the wider economic benefits through increased productivity from investment. So, if you are looking at the business case process as a whole, certainly these kinds of wider issues are already reflected in that. I know there is ongoing work undertaken by our economist to look at how we—to review our guidance on the appraisal of these wider economic impacts. That’s going to be published later this year.”31

94. However, in terms of the review of appraisal methods, we were concerned by the following comment from the Deputy Permanent Secretary to the Welsh Government:

“The DfT is currently looking at how it appraises transport schemes, and I believe they’re going to reduce the cost of time that they apply to schemes. That will, in effect, benefit schemes that have got a significant number of people travelling on them, and disbenefit schemes with lower. So, you’d imagine a natural bias towards south-east England as a consequence.”32

95. Despite evidence from the DfT, our evidence suggests that there is an issue with the current approach, and that if the current business case methodology were adequate, it would neither be possible nor necessary for Welsh Government to lead development of a stronger case which includes these wider benefits.

96. We note that DfT is reviewing guidance on appraisal of wider impacts and believe Welsh Government must engage with this process to ensure effective guidance emerges which meets the needs of Wales. This is particularly important given the Deputy Permanent Secretary’s suggestion that the outcome may further disadvantage Wales.

31 Enterprise and Business Committee, Transcript, 11 February, Para 414.
32 Enterprise and Business Committee, Transcript, 24 February, Para 171.
Clarity of responsibilities for infrastructure delivery

97. While we discuss both devolution and the accountability of Network Rail in greater detail below, it is clear that the current planning approach creates significant difficulties for Wales. Greengauge 21 said:

“For Wales, there is the added involvement and complication of being a (minority) funder and with allocation of responsibilities not always clear between Westminster and Cardiff….Absolute clarity on this area is an essential requirement.”

98. We agree, and believe Valleys electrification is a prime example of this.

99. Funding for Welsh rail infrastructure is not devolved. While the business case for Valleys electrification was developed by the Welsh Government, the project was included in the UK Government’s 2012 HLOS for the current control period. However, it subsequently emerged that the two governments held different views on who should pay for the project. Although agreement was reached in November 2014, with the UK Government making a financial contribution of £125m to the scheme, the Welsh Government will be primarily responsible for securing the necessary funding. We are unclear as to why this should be the case, and remain concerned that vital funding will be diverted to delivery of an essential project in a non-devolved policy area.

100. This experience casts a shadow over north Wales electrification. Colin Poole from DfT told us:

“the rail industry so far…..hasn’t identified a robust rail business case for electrifying the line in CP 6, and we are looking to the Welsh Government and local and regional stakeholders in north Wales to develop that wider case….and identify sources of additional funding.”

101. The lessons from Valleys electrification must be learnt in development of future schemes and funding responsibilities must be clear from the beginning.

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33 Written evidence, Greenguage 21.
34 Enterprise and Business, Transcript, 11 February 2016, Para 399.
102. However, fundamentally we are unclear why, assuming a sufficiently robust business case emerges, Welsh Government and other stakeholders should be responsible for identifying sources of funding. The responsibilities of the Welsh and UK Government’s in planning infrastructure investment must be clarified.

103. The implications of the Welsh Government’s rather precarious position in the planning process were illustrated in other evidence. For example, the ORR’s written evidence included correspondence to the Welsh Government setting out how it would respond to its concerns about Network Rail. In relation to project delivery, the ORR committed to carrying out “efficient cost reviews” of Network Rail projects funded by Welsh Government. However, ORR continued:

“This is not normally something we do on third party cash funded contracts, but we recognise your concerns and the Welsh Government’s position and think that publication of these reviews would be a strong driver of efficient delivery.”

104. John Larkinson from the ORR did not agree that this put Wales at a disadvantage. He told us how a framework exists whereby third parties can do commercial deals with Network Rail. The ORR signs off a standard template of contracts to be used which increases flexibility. He continued:

“However, on the question of if we were specifically asked by a funder, ‘Look, we want your help, we would like you to do something on this contract, it is a one-off because we want some help from the regulator’, yes, we would look into that on each individual circumstance. It’s not something which we have, to date, been specifically asked to do. But, we would consider it, yes.”

105. We appreciate the point made by Mr Larkinson, and welcome the fact that the ORR is happy to work with Welsh Government when requested.

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35 Enterprise and Business, Transcript, 11 February 2016, Para 290.
106. We believe this example illustrates that third party funders are in a different position to the UK and Scottish Governments. We note evidence from the Deputy Permanent Secretary to the Welsh Government that the ORR has been “very effective”36, but also that its powers “don’t cover”37 the work Welsh Government is doing.

107. Combined with continuing concerns about the accountability of Network Rail, and the extent of the Welsh Government’s input into the planning process we believe that the current role of Welsh Government in that process, and the absence of key levers to influence and take assurance on delivery, is a major risk. Delivery of Valleys electrification and Metro represents a very significant increase in Welsh Government responsibility, with an equivalent increase in exposure to risk.

**Data availability, transparency and levels of investment**

108. The ORR highlighted the work undertaken by Network Rail to improve the information available about the Wales route, and the accessibility of this information. It stated that Network Rail’s formal regulatory accounts now provide detailed data on its income and expenditure in Wales.

109. We welcome moves to increase transparency, particularly the comment from Paul McMahon of Network Rail, who said he “… absolutely [supports] making more financial and all performance data available for Wales route.”38 However, we also note the following comment from Mr McMahon:

> “There’s some very detailed stuff [in the regulatory accounts], which you probably need a PhD in accountancy to want to get through. It’s not easily digestible.”39

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36 Enterprise and Business Committee, Transcript, 24 February 2016, Para 117.
37 Enterprise and Business Committee, Transcript, 24 February 2016, Para 125.
38 Enterprise and Business Committee, Transcript, 11 February 2016, Para 198.
39 Enterprise and Business Committee, Transcript, 11 February 2016, Para 200.
110. Responding to Welsh Government concerns about transparency, and the information it receives from the ORR and Network Rail, the ORR’s evidence indicated that it told Welsh Government in December 2014 that it would take a number of steps to alleviate these worries, including:

- Setting up a formal regular review meeting to discuss the ORR’s assessment of progress on safety, performance, finance, projects and asset management;
- Setting out the financial and operational information it collates on the Wales route;
- Discussing with the Welsh Government how it can expand its public reporting on Wales by making changes to its six monthly Network Rail monitor (which is currently structured in terms of ‘England & Wales’ and ‘Scotland’ documents).

111. In terms of investment in Wales, Rowland Pittard from Railfuture told us:

“I am concerned about the flow of money coming into Wales, because it’s never been made clear what proportion of Network Rail’s funding is actually being spent in Wales, whether we are getting our fair share or whether we are not. I think that there needs to be some form of transparency coming out in that.”

112. Given this uncertainty, we were concerned by the comment from the Minister for Economy, Science and Transport who told us:

“In terms of the periodic review, one of the issues that really irritates me is that we receive less than 1 per cent of the funding for railway enhancements that is actually spent across England and Wales—1 per cent in Wales.”

113. We agree with the Deputy Permanent Secretary when he suggested: “a 5 per cent population share might be a starter for 10” in terms of levels of investment.

114. We welcome the fact that ORR’s Network Rail Monitor now includes some data on the organisation’s expenditure and financial

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40 Enterprise and Business Committee, Transcript, 3 February 2016, Para 317.
41 Enterprise and Business Committee, Transcript, 24 February, Para 156.
42 Enterprise and Business Committee, Transcript, 24 February, Para 167.
performance in Wales. We also welcome the fact that Network Rail is clearly open to making further information available. Both organisations are to be commended.

115. However, we believe there is clear need to enhance transparency, clarity of outputs and targets and data, particularly performance data, at a Wales level as soon as possible, and certainly in the next control period. This would enhance public awareness and scrutiny of Network Rail performance and UK Government investment decisions.

We support the ORR’s ambition to ensure that Welsh Government is fully involved in the periodic review process. We urge the Welsh Government to engage fully with the ORR to ensure Wales’ needs are considered.

The Welsh Government should increase its engagement with Department for Transport’s review of project appraisal guidance to increase its effectiveness, and ensure that it does not further undermine business cases in Wales (and other similar areas). In particular, the process must adequately reflect the wider social and economic benefits of rail infrastructure investment.

In advance of any further, formal devolution of powers to Wales, the rail planning and delivery process must provide clear roles for Welsh Government, clear relationships with other parties in the planning and delivery process, and the maximum access to the levers necessary to plan and deliver projects effectively and to manage risks.

Welsh Government should engage with rail planning and delivery bodies, particularly Network Rail and the ORR, during Periodic Review 18 to ensure maximum transparency of financial and performance data at a Wales level. We also believe that a key output of the periodic review should be Network Rail targets and outputs set at a Wales level, and improved availability of data. As far as possible, these should be equivalent to those for Scotland.
Network Rail

116. The Minister was forthright in her criticism of Network Rail:

“If I was Secretary of State for Transport in the UK, I think I would have dealt with Network Rail in a very different way... I think it was an organisation that was ripe for fundamental change, in terms of the way it has dealt with public money and its overspends, and the fact that it’s hardly ever kept to a commitment. ...The majority of our projects have had cost increases all the way through. There is a cumulative delay, I think, of over 14 project years on the projects that we’ve got.”43

117. During budget scrutiny on 14 January 2016, she emphasised that she had “no control over the plans developed by Network Rail” and, in the context of franchise devolution, “we need to have more impact into Network Rail”. On that occasion she concluded:

“I’m sorry to be so pessimistic, but I don’t see any light at the end of the tunnel in some of these dealings with Network Rail. It seems to be an organisation that is so difficult—even though you deal with, sometimes, very good individuals. It’s an organisation that doesn’t seem to be joined up in understanding strategic delivery of transport projects, and we can’t afford that in Wales”.

118. Aside from accountability, three key issues regarding the organisation of Network Rail emerged from evidence.

Scope and effectiveness of the Wales Route

119. Certain stakeholders were supportive of the establishment of the Network Rail Wales Route in 2011, with the Rail Delivery Group (RDG) stating that it had provided a strategic focus. Arriva Trains Wales (ATW) took a broadly supportive view of the establishment of the Wales Route, noting that the Wales Route, generally, has the right strategy.
However, NWEAB noted\textsuperscript{44} that the Wales Route doesn’t coincide with rail traffic flows in north Wales, which are largely cross-border.

Therefore, NWEAB suggested that Network Rail Wales must develop cross-border links and co-ordinating arrangements that enable holistic planning for the North Wales network, to avoid fragmentation and under-investment caused by undertaking appraisals that stop at the border. A similar view is taken by the Wrexham – Birkenhead Rail Users’ Association (WBRUA) who stated that Network Rail Routes could align better with rail corridors and traffic flows, rather than split them. Unsurprisingly, given the national and international nature of the business, the rail freight sector shares concerns about fragmentation as a result of devolution within Network Rail.

DfT’s written evidence outlined Network Rail’s plans for “deeper devolution” within the organisation announced in 2015. This included the creation of a new Route Services Directorate (RSD) to enable routes to identify which services should be centrally provided, and which at route level. Additionally, Network Rail planning will divide into 8 units based on the current route structure to allow benchmarking and demonstrate that route services are competitive.

\textit{Centralisation concerns}

ATW felt that the Wales Route is restricted by the funding allocated from Network Rail centrally. It also queried whether, as part of Network Rail’s route devolution, each route should have the resources to deliver large scale infrastructure changes. If not, it believed that Wales would remain beholden to Network Rail central project teams for the delivery of critical Welsh projects. Similar concerns were raised by Professor Stuart Cole:

"On major projects managed by Wales and West Division the management is not devolved […]The head of the…[Cardiff Areas Signalling Renewal] project does not report to the Wales route, but to the [Network Rail] Head Office. This also applies to [Newport Area Signalling Renewal] and the Port Talbot rebuilding. It is therefore harder for the [Welsh Government] to control renewals and enhancements and harder for the major

\textsuperscript{44} Written evidence, NWEAB.
projects team to understand options, trade-off and priorities between e.g. stations, set of points or a bridge.”

124. It is Professor Cole’s view that it would be preferable for the major projects team for Wales to be based in Cardiff with the Wales Route.

**Project delivery**

125. Many respondents were critical of both the Network Rail Wales Route, and Network Rail generally. Wrexham County Borough Council emphasised that there were low levels of confidence in Network Rail, and in its ability to deliver projects on time and on budget. Railfuture highlighted that there had been delays with a number of maintenance renewal and enhancement projects in Wales, and the HWLF listed projects on which it continued to struggle to gain co-operation from Network Rail.

126. NWEAB commented “the [Network Rail] investment appraisal process needs to be less complex, completed over a shorter timescale and less costly”. Referring to line speeds in north Wales it commented “Network Rail have not delivered and disappointingly any line speed improvements are subject to inclusion in the next HLOS and even then are still four years away at the earliest”.

127. Merseytravel concludes:

   “it is noted that a common cause for concern from an English and Welsh perspective concerns Network Rail’s ability to deliver rail infrastructure projects to time and to budget, and the lack of control that local authorities have over the cost and timing of many rail schemes, despite being the principal funding partners in many cases”.

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45 Written evidence, Professor Stuart Cole.
46 Written evidence, NWEAB.
47 Written evidence, Merseytravel.
Evidence from the Deputy Permanent Secretary to the Welsh Government suggested that the rail planning process was, in part, at fault in creating unrealistic expectations:

“You can have a planning process, which ought to be thinking about what you want to achieve, but then it needs to go into a technical due diligence process and a financial due diligence process, where you can be assured that you can deliver what you say you’re going to deliver. And I think this is all too mixed up and it leads to planning aspirations being turned into delivery plans that will never happen.”

The response from Network Rail

We were pleased to note that Network Rail acknowledged many of the issues discussed above. When asked about poor performance in project delivery and centralisation Paul McMahon told us:

“That’s right. I’d accept some of those criticisms, and, partly, some of those criticisms apply across the business as a whole, hence Sir Peter Hendy’s review. We recognise some of the issues and challenges we face in terms of developing and delivering enhancements, which is why we published, towards the end of the last calendar year, the enhancements improvement programme about how we improve our procedures and our competence in terms of developing and delivering enhancement schemes…”

“We’re trying to build Wales as a strong, self-standing route, and the company’s behind that. We’ve brought more engineering and capital programme resources to be based in Cardiff, just up the road here. A lot of them have, in the past, been based in Swindon, or in Bristol, and we don’t think that’s ideal; we want them sitting next to our asset managers and our other teams and our stakeholders in Wales.”

These developments are to be welcomed. However, we believe that unless Network Rail become more directly accountable to the Welsh Government it will be difficult to secure value for money in significant rail investment projects, such as Valleys electrification. As

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48 Enterprise and Business Committee, Transcript, 24 February 2016, Para 162.
49 Enterprise and Business Committee, Transcript, 11 February 2016, Para 189.
we discuss below it is also clear that the absence of responsibility for infrastructure makes the delivery of an integrated transport network, particularly the South Wales Metro, more complex and frustrating.

We believe that Welsh Government should press Network Rail to ensure that its structures are fit for purpose in delivering its functions across route boundaries. We believe these should be developed in parallel with, and relate to, the Welsh Government’s own arrangements for working with English regions.

We believe that Welsh Government should work with key national bodies, particularly Network Rail, to ensure that projects to be delivered in Wales are managed from Wales with effective oversight from Welsh Government where appropriate.

Devolution of responsibility for Welsh rail infrastructure

Respondents had mixed views about the devolution of responsibility for funding Welsh rail infrastructure to Welsh Government, with a number being largely supportive to such a development, whilst others had considerable reservations.

The Minister is clear in her ambition for devolution:

“I think we need greater clarity about our responsibility, and we need the devolution of powers that we require to deal with this matter. We have the position of the Scots, who have absolute clarity in terms of their powers, and we don’t have it.”

We have heard some criticisms of Welsh Government’s rail policy in the NTFP during this inquiry. The Minister’s evidence illustrated how the current devolution settlement limits her ability to develop a full rail investment programme:

“... That’s a document that sets out the interventions that we will take to 2020. But of course, as I don’t have responsibility for rail infrastructure, it has gone, I think, as far as it can.”

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50 Enterprise and Business Committee, Transcript, 24 February 2016, Para 107.
51 Ibid.
It was clear from her evidence and that of the Deputy Permanent Secretary that the current settlement is causing significant disruption to the Welsh Government’s plans for the Metro and the next Welsh Rail Franchise, which will be awarded by the Welsh Ministers.

The Deputy Permanent Secretary outlined the Welsh Government’s thinking:

“We want to go out to procurement for an integrated Wales and Borders franchise, and potentially a concession for the Valleys line network in the summer of this year. That’s the plan…”52

“We wouldn’t have to sign a concession agreement until we had prices back in, so you can look another year down the track. So, summer 2017 would be a period when all of this would actually have to kind of come together, but we need the UK Government to allow us to go out and start that procurement process to answer those questions.”53

However, the DfT noted that:

“The Silk Commission’s recommendation to devolve Network Rail funding in Wales was not one on which political consensus was reached as part of the cross-party process leading to the Government’s February 2015 Command Paper ‘Powers for a purpose: Towards a lasting devolution settlement for Wales’ and is therefore not being taken forward.”

“The Welsh Government will gain much greater control over the development of rail services in Wales as a result of the agreement reached between the two Governments in November 2014 to devolve executive franchising rail functions in Wales, so that the Welsh Government can lead on the procurement of the next Wales and Borders franchise from 2018.”54

This lack of political consensus strikes us as curious since evidence from rail planning and regulatory bodies such as ORR and Network Rail appears to indicate that devolution is both possible and, with certain qualifications, potentially beneficial.

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52 Enterprise and Business Committee, Transcript, 24 February 2016, Para 198.
53 Enterprise and Business Committee, Transcript, 24 February 2016, Para 200.
54 Written evidence, DfT.
**Differing approaches to devolution**

138. The ORR’s evidence stated that it is neutral on matters of devolution, but went on to note that it recognises the opportunity that the greater involvement of local interests and local funders can play in improving outcomes. It highlighted its support for the greater internal organisational devolution of responsibility within Network Rail to its route structures, and that political devolution and an increasing focus on these routes could complement each other. Furthermore, the ORR emphasised that there are different ways of achieving greater devolution to Wales, with different options for devolving further responsibility for funding the Network Rail Wales route to the Welsh Government, some of which can be achieved within the current legal framework, while others may require legislative change.

139. However, it emphasised that Welsh Government would have to do “a substantial amount of preparation” to specify outputs for Network Rail. The ORR highlighted a number of “specific issues” to be considered:

- Treatment of risk and uncertainty (e.g. what if Network Rail overspent?);
- Allocation of a share of Network Rail’s debt to Wales;
- Disaggregation of outputs to Wales (such as targets for Network Rail);
- The relationship to the overall British borrowing limit for Network Rail.

140. Some respondents highlighted the advantages of devolving the funding of rail infrastructure in Wales to the Welsh Government. Railfuture’s evidence noted that devolution could provide Wales with complete control of its own rail network, as well as giving Wales the ability to define its own priorities. Both the RTFSWW and FSB Wales, also emphasised that devolution would allow the Welsh Government to pursue its own goals and set its own priorities for rail infrastructure based on its understanding of demands and pressures. MWTP noted:

“If Wales had the ability to decide where to spend funding, they would see an accelerated delivery programme, because they

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55 Written evidence, ORR.
would not be competing with the rest of the UK where there is often greater demands, due to passenger numbers."\(^{56}\)

141. A number of concerns about the potential impact of devolution emerged in evidence. However, we were impressed by the extent to which the Minister and the Deputy Permanent Secretary were aware of the need to address these when they gave evidence.

**Funding Concerns**

142. There was considerable concern whether, as part of the devolution of responsibility for rail infrastructure, sufficient funding would be transferred to Wales alongside the relevant powers. FSB Wales stated that the devolution of any powers should also come with attached funding, whilst both the WLGA and ATW believed that the key risk is whether sufficient funding will be devolved to allow for the sustainability, and growth, of the rail system in Wales.

143. The Minister told us:

> "Of course, as a Government we've had other things transferred to us, and it has always been a battle to get the appropriate transfer in terms of resources across the piece. I think, historically, if you look at some transfers, the appropriate amount of money didn't come across. So, I think there is a risk in that, and that's a risk that we're going to have to work through to make sure that we know exactly where we want to be in terms of cash, and argue the case well."\(^{57}\)

**Cross-border concerns**

144. Some stakeholders believed that the devolution of funding for rail infrastructure could pose a challenge for cross-border planning and services. These issues are covered in more depth in the following chapter. A number of witnesses and consultation respondents also pointed to the fact that in Scotland, where Scottish Ministers have the powers Wales might aspire to, the rail network is more discrete, with just two border crossings. In contrast, in Wales key routes are cross border and key infrastructure is often in England.

\(^{56}\) Written evidence, MWTP.

\(^{57}\) Enterprise and Business Committee, Transcript, 24 February, Para 175.
For example, the RTFSWW suggested:

“Because many rail trips are cross border, and the majority of intercity trips, rail infrastructure in Wales cannot be viewed independently from England so its governance lends itself to being a single organisation.”\(^{58}\)

**Concerns about Risk**

The costs and risks associated with rail infrastructure were identified as disadvantages. Railfuture’s evidence highlighted the issue of the maintenance of cross-border structures, such as the Severn Tunnel and the Wye and Dee bridges, as well as the risk to infrastructure in Wales from flooding and sea level changes. Such risks were also emphasised by NWEAB, who stated that hazards such as the frequent flooding of the Conwy Valley Line or storm damage to the Cambrian Coast Line would have to be managed from a much smaller budget.

The MWTP also noted that without the ability to mobilise UK resources there is a risk that Wales would not have the expertise or the finances to renew and re-instate the network. The WLGA’s evidence stated that while rail infrastructure is not devolved risks are spread across a much larger budget, but following devolution, this would no longer be the case.

When asked about liabilities, the Deputy Permanent Secretary told us:

“We’re talking to Scotland about that and trying to do this in a proper way. The model that we’re adopting, really, is the same model that we would adopt with a road, which I think is fundamentally okay, and we’ve got quite a lot of experience where you either transfer a road out of Welsh Government ownership into local government ownership, or from local government ownership into Welsh Government ownership.”\(^{59}\)

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\(^{58}\) Written evidence, RTFSWW.

\(^{59}\) Enterprise and Business, Transcript, 24 February, Para 186.
Debt concerns

149. Network Rail was reclassified as a public body in September 2014. Prior to this it could raise debt in its own name, underwritten by the UK Government and secured against its assets. Network Rail’s written evidence described the new arrangements:

“Following its reclassification to the public sector in September 2014, Network Rail now only borrows money direct from the UK Government and does not issue debt in its own name. On 4 July 2014 Department for Transport and Network Rail signed a £30.3bn loan facility to cover Network Rail’s financing requirements for Control Period 5. When Network Rail was reclassified Scottish Ministers and Department for Transport also entered into a Memorandum of Understanding regarding how the £30.3bn borrowing limit should be split between England & Wales and Scotland. Network Rail is not able to exceed this borrowing limit even if it has not reached the maximum debt to Regulatory Asset Base limit specified in its Network Licence”.

150. The implications of the debt ceiling for Network Rail’s delivery programme were made clear in the report of the Bowe Review into the planning of Network Rail’s Enhancements Programme 2014-19 commissioned by the UK Government in June 2015 following the announcement that Network Rail’s enhancements programme was “costing more and taking longer” than planned. The report concluded:

“It is clear that there was substantial cost immaturity and lack of definition of many of the enhancement projects at the start of CP 5. If a rigid debt ceiling were to be effective, therefore, the costs and scope of the projects that the funding was expected to cover needed to be much better defined. The previous method of assessing efficient cost and sanctioning sufficient borrowing as projects matured was no longer tenable.”

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60 Bowe Review into the planning of Network Rail’s Enhancements Programme 2014-19.
In discussing this risk, the Deputy Permanent Secretary told us:

“So, if we were to take Network Rail, we would either need that to be outwith the kind of debt ceiling that Welsh Government has, or the debt ceiling that Welsh Government has would need to be uplifted significantly. The two can’t co-exist.”

The example of Scottish rail devolution

Network Rail’s written evidence described arrangements in Scotland. In oral evidence Paul McMahon from Network Rail suggested the Scottish model could be applicable to Wales:

“I think that model [Scottish rail devolution], by and large, has worked very well. I know there are current reviews by the UK Government into the funding arrangements, but, in essence, I think that’s worked quite well, and I think that model could work very well for Wales.”

Transport Scotland’s evidence gave an overview of the responsibilities assumed by the Scottish Ministers under the Railways Act 2005:

- Setting a strategy for Scotland’s railways;
- The role of franchising authority for Scottish Franchise Agreements;
- Specifying and funding outputs for Network Rail in the management and enhancement of the infrastructure on the Scottish route;
- Issuing non-binding guidance to the ORR, which outlines the expectations of the Scottish Ministers’ on how the regulator will carry out its duties in Scotland.

It went on to explain that these powers have led to the devolution of a number of ‘working-level’ arrangements with key rail bodies.

Transport Scotland stated that the Scottish Government is the principal funder of all railway activities in Scotland. Along with the subsidy requirements for the ScotRail and Caledonian Sleeper

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61 Enterprise and Business Committee, Transcript, 24 February, Para 191.
62 Enterprise and Business Committee, Transcript, 11 February, Para 154.
63 Summarised from written evidence, Transport Scotland.
franchises, Network Rail’s operation, maintenance renewal and enhancement costs in Scotland have been met almost entirely by the Scottish Government since rail powers were devolved in 2005. It went on to note that Scottish Ministers have made clear their view that the rail industry in Scotland should be fully devolved, including Network Rail in Scotland, to ensure greater whole system accountability to the Scottish Parliament.

Comparison between Wales and Scotland

156. Few other respondents discussed the situation in Scotland in any great detail, but Greengauge 21 stated that a great deal can be learnt from rail devolution in Scotland, whilst GWR noted that the nature of the railways in Wales is similar to that in Scotland. In contrast, NWEAB suggested that the devolution argument is more finely balanced in Wales than in Scotland, because of the nature of cross-border routes and services, especially in North Wales, and their importance to the cross-border economy.

157. Whilst SARPA’s evidence supported the devolution of funding for rail infrastructure in Wales, it also stated that the long border between Wales and England means that cross-border traffic is of greater importance, than in Scotland. Professor Cole also highlighted this difference between Wales and Scotland. His evidence noted that the Scottish network is more internal with only two points of entry from England – the West Coast Main Line and the East Coast Main Line.

158. Despite these differences, we were interested to note the views of Aidan Grisewood from Transport Scotland on their implications:

“There will be unique challenges—I think we’ve mentioned already the different number of cross-border routes in Wales, compared to Scotland. I guess my perspective is that those aren’t necessarily insuperable issues.”

Challenges and lessons

159. Transport Scotland’s evidence highlighted the financial challenges of devolution resulting from reclassification of Network Rail the creation of a debt ceiling, and the transfer of its debt to the UK Government balance sheet. While the Scottish Ministers negotiated a

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64 Enterprise and Business Committee, Transcript, 11 February 2016, Para 42.
£3.3bn debt limit with the DfT up until 2019, Transport Scotland noted that looking beyond 2019, there are no guarantees that further borrowing, consistent with the current arrangements, will be available. Therefore, it is possible that more grant funding from the Scottish Government budget will be required, at least for enhancement projects, in the context of increasingly tight budgets.

160. Mr Grisewood told us:

“Post 2019, that hasn’t been decided yet; that hasn’t been agreed. You’ll be aware that there are lots of reviews under way in terms of the structure of Network Rail, but, in terms of maintaining that ability to borrow, that will be important for our Ministers in terms of being able to maintain that investment programme. I think there’s a recognition that, in any event, there’s likely to be a degree of grant funding over and above what would otherwise have been the case post 2019.”  

The ORR highlighted two further lessons for Wales from devolution in Scotland, namely:

- The importance of good data, good understanding of that data and good analysis of it to inform decisions.
- Depending on the scale of the change involved, processes can take some time to implement because of the need to engage with all parties as early as possible on options, and to agree technical issues.

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65 Enterprise and Business Committee, Transcript, 11 February 2016, Para 28.
Even without formal devolution of infrastructure powers through legislation, Welsh Government must be given greater responsibility for rail infrastructure, including input into the Period Review, HLOS development, project delivery and governance of Network Rail which must be more accountable to Welsh Government. The Welsh Government must be prepared for any increased role, particularly in terms of its structure and the resources available.

There is a strong case for legislative change to devolve responsibility for Network Rail funding to Wales as it is in Scotland. However, in advance of devolution the Welsh and UK governments must publicly and clearly set out how the following issues will be addressed:

- A fair funding settlement to accompany devolution;
- How Network Rail’s debt will be apportioned and future borrowing managed;
- How the cross-border nature of the network will be managed;
- How the risks will be managed, including risks of overspend, latent defects in the network, and emergency remedial works.
4. Cross-border issues

Interdependency between England and Wales

162. Some respondents stated that the border between Wales and England should be invisible when travelling by rail, and that the development and exploitation of rail infrastructure on both sides of the border must be consistent. Stakeholders, such as the Heart of Wales Line Forum (HWLF), emphasised that passenger needs and rail routes do not align with, nor respect, boundaries.

163. This view, that rail travel does not necessarily correspond to administrative or national boundaries, is also reflected in the evidence received from freight operators. DB Schenker stated:

“Rail Freight is a nationwide, international business. It does not correspond neatly to railway administrative boundaries [...] and it can be easy to misunderstand the complexity and difficulty this can cause national operators such as freight.

“Most rail freight services operate at least two, and often more, railway administrative boundaries [...] Unless carefully managed, there can be planning and operational downsides to this complexity.” 66

164. RFG emphasised that the rail networks of England and Wales should be dealt with in a unified manner because of the nature of the freight industry. Whilst TATA Steel noted that the ‘join’ between Welsh and English rail infrastructure and management must be seamless.

165. Some Welsh stakeholders raised concerns that infrastructure investments in England could disadvantage Wales. NWEAB was concerned that the Northern Hub plans don’t take account of north Wales services into Manchester.

166. Greengauge 21 noted:

“Since [...] the Welsh component is on the periphery, the English at the centre, it is inevitable with a busy (and in much of England, congested) network that decision taken at English

66 Written evidence, DB Schenker.
locations can have a significant impact on Wales’ rail services.⁶⁷

167. For example, service plans largely developed in the English Midlands will determine whether Wales retains direct rail connections with Birmingham Airport.

**Impact on Wales of key planned developments in England**

168. Many respondents emphasised that the NWML needs to be electrified to ensure that North Wales benefits from the development of HS2. NWEAB was concerned that passengers from North Wales will need to change trains at Crewe to join the high speed service to London:

“The need to change trains and potential delays because of timetable alignment are both reasons why the impact of HS2 on North Wales could be negatively impacted.”⁶⁸

169. NWEAB’s evidence also noted that terminating English electrification at Chester, rather than Crewe, would be detrimental to North Wales:

“Terminating electrification at Chester would make it harder to establish a viable business case for the Chester- Holyhead section at a later date. Therefore, it is essential that the [Welsh Government] continue to support electrification in North Wales as part of a single overall scheme from Crewe/Warrington – Holyhead.”⁶⁹

170. Some stakeholders were concerned that planned developments in England, such as HS2 and the Northern Hub, don’t fully consider their effect on passenger flows in Wales. ATW stated that the Northern Hub scheme has increased platform capacity at Manchester Airport, but that it is now having to fight to access this increased capacity, it suggests that there is a bias in favour of English train companies.

171. SARPA raised concerns about the effect of devolution and electrification schemes elsewhere on through services. It had particular fears about the future of services between Shrewsbury and

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⁶⁷ Written evidence, Greenguage21.
⁶⁸ Written evidence, NWEAB.
⁶⁹ Written evidence, NWEAB.
Wolverhampton on the Cambrian Line, and services west of Cardiff and Swansea from Manchester.

172. NWEAB took a wider view of the possible threats posed to rail services in Wales, stating that the focus by Transport for the North (TfN) and Rail North (RN) on managing and strengthening transport links within the TfN geography, could potentially mean that they overlook cross-border links into North Wales.

173. TfN/RN’s evidence took a contrasting view, suggesting that developments in England can have a positive effect on the rail network in Wales. It stated that the HS2 ‘superhub’ at Crewe is an important cross-boundary development that could increase Crewe’s importance as an interchange location for services from North and South Wales. Its evidence also noted that:

“Rail North and TfN see improvements to the railway in North Wales, and connectivity on to the network in the North West of England as the key priority.”

174. A number of English respondents highlighted the effect of developments, and possible developments, in Wales on England. Gloucestershire County Council stated that infrastructure improvements in both countries should benefit each country depending on where they are taking place. CWCC had a broadly similar view, stating that when the Assembly and the Welsh Government consider rail infrastructure priorities, the work undertaken in North Wales should tally with work undertaken in Northern England.

175. However Professor Cole suggests that the importance of English infrastructure for Wales is not reciprocated:

“The rail network in Wales was built primarily on the periphery of a London centric network for Great Britain and Ireland. Consequently there is little effect from the Welsh network onto railways in England.”

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70 Written evidence, Rail North/Transport for the North.
71 Written evidence, Professor Stuart Cole.
Welsh Government engagement with developments in England

176. Many respondents did not address Welsh Government engagement. Those who did, were broadly in agreement that there should be further co-operation between Cardiff Bay and Westminster. ATW, Railfuture, GWR and the RTFSWW emphasised the importance of ensuring effective dialogue between the Welsh Government and the DfT.

177. TfN/RN noted that it has developed a Memorandum of Understanding with Welsh Government, which aims to ensure that the requirements of the Welsh Government are properly considered during the on-going development of the Northern Transport Strategy. However, the TfN/RN paper highlighted some of the complexities involved in working on a cross-border basis, pointing to:

“The importance of effective joint working and planning between Welsh and English bodies on such issues. More formal working with English border areas (such as the MoU signed with TfN) should be proposed by the Committee, as should opportunities to align funds, which are increasingly devolved in both England and in Wales.”

178. NWEAB’s evidence suggested that the changing governance structures in England and the wide range of devolution arrangements being discussed will have a profound impact on cross-border decision-making. As a result:

“The Welsh Government should actively broaden its engagement with a wider range of bodies and organisations responsible for rail infrastructure development [...] to develop more productive cross-border working, thinking and planning.”

179. It went on to suggest that Network Rail devolved routes and Commissioners of Rail Services should be encouraged to work across boundaries in the border regions to ensure that the network meets the needs of the whole economy rather than artificial boundaries.

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72 Written evidence, RN/TfN.
73 Written evidence, NWEAB.
180. We welcome the signing of the Memorandum of Understanding with TfN. We also note that the process of developing the business case for north Wales electrification is an excellent example of cross-border partnership and co-operation. However, we heard evidence which suggested that the greater collaboration may be required.

181. For example, Peter Brunskill from RN told us how the organisation works “very closely with Transport Scotland”. However, the relationship with Wales is “not, at this stage, as developed as the interaction we would have with our colleagues in Scotland”74.

182. Equally, we noted comments from Toby Rackliff that “I suppose as West Midlands Rail, we haven’t had any direct discussions with the Welsh Government.”75 Mr Rackliff in part explained this saying that its work is primarily focused on discussions with DfT on the west midlands franchise. In the light of evidence from Railfuture suggesting that this franchise may compete with Welsh franchise services from Shrewsbury to Birmingham and Crewe we would suggest that immediate engagement is needed to understand and influence the development of that franchise.

The Welsh Government must increase its efforts to develop key cross border relationships with devolved rail planning and delivery bodies and other key stakeholders in England. This should build on the good work already undertaken in North Wales and north of England.

74 Enterprise and Business Committee, Transcript, 28 January 2016, Para 288.
75 Enterprise and Business Committee, Transcript, 28 January 2016, Para 265.
5. The Wales and Borders Franchise

183. As the Committee has already produced a major piece of work on the franchise, *The Future of the Wales and Borders Rail Franchise*, this inquiry was not intending to cover that ground again. However, it is an issue that has arisen unprompted in all our discussions.

184. Some respondents discussed the relationship between franchises and infrastructure. Merseytravel noted that there must be better alignment between the specification of the franchise and infrastructure, and that unless improved franchise specifications lead to improved service quality - in terms of frequency, capacity and rolling stock quality - the benefits of infrastructure enhancements will not be realised.

185. Franchise issues should be viewed in the context of the fact that, following devolution of franchise powers to Wales, cross-border services will be reviewed and the Welsh franchise map may be redrawn with services primarily servicing English markets moved into English franchises. Some stakeholders discussed the impact of such changes.

186. Railfuture was concerned that the new Wales and Borders franchise could be smaller than the present franchise and lack clout when competing with rival franchises both for routes and for rolling stock. It reiterated ATW’s concern about the reluctance to allow it to operate a service to Manchester Airport, along with concerns about the effect of the new Northern franchise. The new Northern franchise will include a service from Chester to Manchester via Warrington, whereas ATW provides the only service on this route at present. Such concerns, that services would no longer run direct from North Wales to Manchester but rather require a change of train at Chester, were also shared by Professor Cole and North Cheshire Rail Users’ Group. In Professor Cole’s opinion it is essential that these services remain under Welsh Government control and are not transferred to an adjacent English franchise.

187. Railfuture also told us that the outline proposals for the forthcoming Midland franchise indicate a possible takeover of the Shrewsbury to Birmingham and Crewe routes, which could result in an inconvenient change of train for passengers to and from Wales at Shrewsbury. Such concerns about the curtailment of services at
Shrewsbury were also reflected in SARPA’s evidence. In contrast West Midlands ITA suggested a greater role for Shrewsbury in its role as the Midlands’ gateway to Mid Wales and North Wales.

188. Concerns about the possible loss of through services, particularly those to Birmingham, are reflected in the evidence of the MWTP, who identified the ability to obtain further train paths through to Birmingham International as a threat to service levels on the Cambrian Main Line.

189. These issues – competition for through services to Manchester Airport, Manchester and Birmingham – suggest that competition between adjacent franchises for finite infrastructure capacity may have an increasing impact on the rail network and services in Wales.

190. DfT officials said that newspaper reports suggesting that cross-border passengers may have to change trains at the border between Wales and England were “spurious”. Colin Poole said:

“I can assure you that we have no plans to require people to get off and on trains at the borders. Our discussions [with Welsh Government] are really about where ownership and responsibilities for particular services should lie, and not about splitting or curtailing the current services.”

191. Until we see the proposals for the next Franchise in Wales, speculation about what is in and what is out will continue.

In negotiating the details of devolution of franchising responsibilities, the Welsh Government must make it a priority in discussion with the UK to ensure that the next Wales and Borders franchise includes popular, profitable routes which are essential to the travelling public.

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76 Enterprise and Business Committee, Transcript, 11 February, Para 430
Annex A

Terms of Reference and Key Issues

The scope of the inquiry will cover:

- The operational effectiveness of current rail infrastructure for passengers and freight within Wales and priorities for the development of Welsh infrastructure, particularly in Control Period 6 (2019-24) and beyond;
- The relationship between the Welsh and English rail networks in terms of planning, management, maintenance/renewal and enhancement, and how these should be co-ordinated to benefit passenger and freight users on both sides of the border;
- The effectiveness of the current approach to planning rail infrastructure in Wales, as well as delivery of maintenance/renewal and enhancement, and whether the current approach achieves the best outcomes for passengers and freight users in Wales.

Our public consultation sought responses to the following topics:

- High level priorities for the development of rail infrastructure to provide the capacity and connectivity necessary to support the social and economic well-being of Wales;
- How far Welsh Government’s rail infrastructure priorities, including those in the National Transport Finance Plan, and the Ministerial Task Force on North Wales Transport report meet the needs of Wales;
- How the development and exploitation of rail infrastructure in England affects Wales, and vice versa;
- The impact on Wales of key planned developments in England including High Speed Rail, electrification, Northern Power House / Transport for the North, and wider devolution of responsibility for rail within England;
- How Welsh Government can best engage with and influence infrastructure developments in England and the development of passenger and freight services using the network;
- Whether the periodic review process meets the needs of Wales and takes account of the needs of Welsh passenger and freight users, and how this should be developed;
- The effectiveness of the Network Rail Wales Route and whether the approach to delivery of network management, maintenance, renewal and enhancement functions are effective in delivering value for money, capacity, frequency, speed, reliability and handling disruption for passengers and freight users in Wales;
- The fact that funding for Welsh rail infrastructure is not devolved. The advantages, disadvantages, opportunities and risks potentially associated with devolution.
## Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at [http://senedd.assembly.wales/mqIssueHistoryHome.aspx?Id=13280](http://senedd.assembly.wales/mqIssueHistoryHome.aspx?Id=13280)

### 28 January 2016
- Michael Tapscott, Roger Cobbe: Arriva Trains
- Rebecca Maxwell: Denbighshire County Council
- Jim Steer: Greengauge 21
- Toby Rackliff: West Midlands Integrated Transport Authority
- Pete Brunskill: Rail North Limited
- Robin C Smith: Rail Freight Group
- Ben Still
- Lorna McHugh: Transport for the North

### 3 February
- Elgan Morgan: South Wales Chamber of Commerce
- Mike Nightingale: Tata Steel
- Nigel Jones: DB Schenker Rail UK
- Prof Stuart Cole
- Mike Hewitson: Transport Focus
- David Beer, Rowland Pittard: Passenger Executive, Rail Future

### 11 February
- Aidan Grisewood: Scottish Government
- John Larkinson: Office of Rail and Road
- Paul Plummer: Rail Delivery Group
- Paul McMahon: Network Rail Wales
- Colin Poole, Brian Etheridge

### 24 February
- Edwina Hart AM: Minister for Economy, Science and Transport
- James Price: Welsh Government
List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at http://senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=13280

- Railfuture Wales [PDF 2 MB]
- Neston Town Council [PDF 565 KB]
- Resident of Marshfield [PDF 17 KB]
- Rail Freight Group [PDF 97 KB]
- Greengauge 21 [PDF 87 KB]
- Merseytravel [PDF 221 KB]
- Heart of Wales Line Forum [PDF 80 KB]
- Wrexham-Birkenhead Rail Users’ Association [PDF 555 KB]
- Transport Focus [PDF 486 KB]
- Great Western Railway [PDF 111 KB]
- Gloucestershire County Council [PDF 57 KB]
- North Cheshire Rail Users’ Group [PDF 130 KB]
- North Cheshire Rail Users’ Group - Addendum [PDF 52 KB]
- Shrewsbury Aberystwyth Rail Passengers’ Association (SARPA) [PDF 51 KB]
- Cheshire West and Chester Council [PDF 90 KB]
- North Wales Economic Ambition Board [PDF 4 MB]
- Federation of Small Businesses Wales [PDF 328 KB]
- DB Shenker Rail (UK) [PDF 86 KB]
- CITB Cymru Wales [PDF 419 KB]
- All-Party Parliamentary Group for Mersey Dee North Wales [PDF 106 KB]
- Wrexham County Borough Council [PDF 3 MB]
- Regional Transport Forum for South West Wales [PDF 140 KB]
- Prof Stuart Cole [PDF 188 KB]
- Mersey Dee Alliance [PDF 110 KB]
- Mid Wales Transport Partnership [PDF 259 KB]
- Chester Shrewsbury Rail Partnership [PDF 558 KB]
- Rail North and Transport for the North [PDF 239 KB]
- Pembrokeshire Rail Travellers’ Association [PDF 230 KB]
- Department for Transport [PDF 347 KB]
- Welsh Local Government Association [PDF 68 KB]
- Arriva Trains Wales [PDF 204 KB]
- Rail Delivery Group [PDF 462 KB]
- South Wales Chamber of Commerce [PDF 893 KB]
- Transport Scotland [PDF 333 KB]
- Office of Rail and Road [PDF 321 KB]
- Network Rail [PDF 572 KB]
- Tata Steel [PDF 245 KB]