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Llywodraeth Cymru  
Welsh Government

William Graham AM  
Chair  
Enterprise and Business Committee

04 April 2016

Dear William

I am writing to you following the publication of the Enterprise and Business Committee's report into Priorities for the future of Welsh Rail Infrastructure.

I have noted the Committee's recommendations and outlined my initial responses to the report in the attached annex.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**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.

**Response:** Accept

Assurances have been sought from the Chair of Network Rail (NR), the Secretary of State for Transport, and Parliamentary Under Secretary of State for Transport, on the delivery of the electrification of the South Wales Main Line to Swansea.

**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.

**Response:** Accept

The redevelopment of Cardiff Central station is being progressed in the context of discussions with both the rail industry and the Department for Transport (DfT) around priority investments during Control Period 6 (2019-2024). A Task Force has been set up and will ensure that all parties are brought together to develop the new railways and bus stations together to achieve an integrated hub.

**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.

**Response:** Accept

A Strategic Outlines Business Case has been developed in partnership with the North Wales Economic Ambition Board (NWEAB), the Mersey-Dee Alliance (MDA) and the Cheshire and Warrington Local Enterprise Partnership. Discussions with the industry and DfT around priority investments for Control Period 6 (2019-2024) are ongoing.

**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.

**Response:** Accept

The Welsh Government has given its full support to Arriva Trains Wales' current application for additional paths to Manchester Airport. The Welsh Government is working with Merseytravel to upgrade the Halton Curve which will enable the operation of direct rail services between north Wales and Liverpool John Lennon Airport.

**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.

**Response:** Accept

In discussions with DfT around the scope of the Welsh Ministers' franchising functions, the Welsh Government is seeking to protect all cross border flows, including those between Aberystwyth and Birmingham Airport. Any additional services will be considered as part of work to specify the next Wales and Borders franchise. The Welsh Government has funded a number of enhancements to the core franchise in mid Wales since it began in 2003, including the introduction of additional services in May 2015.

**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.

**Response:** Accept in principle

The Welsh Government is working with the UK Government and NR to deliver most appropriate gauge as efficiently as possible.

**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.

**Response:** Accept in principle

Rail freight is a key element of an efficient and responsive rail service and the Welsh Government would wish to see NR ensure that this area continues to be given attention. However, it is a matter for NR. The Shaw Report recommends that a new freight route is established within NR. We will work with DfT and NR to ensure that it meets the needs of freight market in Wales.

**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.

**Response:** Accept

The Welsh Government will continue to highlight the importance of the Vale of Glamorgan line for freight, particularly the need for infrastructure requirements to reflect its important role as a diversionary route.

**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.

**Response:** Accept

The Welsh Government is actively engaging with the Office of Rail and Road (ORR), and will continue to do so as the next periodic review is undertaken.

**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.

**Response:** Accept

The UK Government's recognition of the importance of taking account of wider economic benefits when appraising rail investment schemes is welcome and needs to feature prominently when making investment decisions in respect of Wales' rail infrastructure.

**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.

**Response:** Accept

The Welsh Government continues to press the UK government for the devolution of powers in relation to funding for rail infrastructure and direction of infrastructure management and for a Separate High level Output Specification (HLOS) and Statement of Funds Available (SOFA), as is the case in Scotland, and which will provide clarity and allow the Welsh Government to plan and

deliver rail infrastructure requirements in Wales. The Welsh Government is actively engaging with a UK Government review of rail regulation and consideration of recommendations made by Nicola Shaw following her review of Network Rail's structure and financing. Through these discussions, we are aiming to enhance and clarify the Welsh Government's role in the planning and delivery of rail infrastructure projects. We are also aiming to secure more accountability in Wales for Network Rail' delivery.

**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.

**Response:** Accept

Whilst powers to direct infrastructure management in Wales are not devolved to the Welsh Ministers, the Welsh Government is engaging with ORR and key partners to influence the development of outputs and funding for Control Period 6 CP6. We continue to press the UK Government for greater transparency and accountability for rail infrastructure in Wales, as is the case in Scotland

**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.

**Response:** Accept

The Welsh Government continues to press the UK government for the devolution of powers in relation the direction of infrastructure management in Wales to deliver our aspirations for rail services across the network. Consideration of recommendations made by Nicola Shaw following her review of NR's structure and funding need to consider how greater autonomy for the Wales Route can be achieved while also ensuring that matters transcending the route boundary are dealt with appropriately. The Welsh Government will be actively engaged in discussions.

**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.

**Response:** Accept

The Welsh Government continues to press the UK government for the devolution of powers in relation to the direction of infrastructure management in Wales. The delivery of major enhancements under the current framework remain outside Welsh Government direct control, and this hampers our ability to deliver a step change in the quality of services across Wales.

Devolution to Wales would bring greater transparency and accountability for rail infrastructure in Wales to the Welsh Ministers. In the absence of devolution in this area being agreed, we are seeking to achieve an enhanced role in Wales for the management of – and accountability for rail enhancement projects. We will be closely engaged in discussions at the GB level following Nicola Shaw's recommendations following her review of NR's structure and funding to ensure that all opportunities for securing a strengthened role for Wales are taken.

**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.

**Response:** Accept

The Welsh Government is engaging with the rail industry, DfT and the ORR as plans and arrangements are developed ahead of Control Period 6. The Shaw review has recommended more autonomy for NR's routes and the Welsh Government wants to see consequential changes which increase NR's accountability in Wales.

**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.

**Response:** Accept

The Welsh Government continues to make case for devolution of rail infrastructure-related powers which must be accompanied by a fair funding transfer.

**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.

**Response:** Accept

The Welsh Government is already working closely with key partners, organisations and interested parties to consider cross border issues building on the close collaborative working that we have established with transport for the North. The Welsh Government is also a founding member of a newly established Rail Devolution Network which includes organisations charged with rail-related responsibilities from across GB.

**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.

**Response:** Accept

The Welsh Government has demonstrated to the UK Government that cross-border services currently operated by the Wales and Borders franchise should remain in the franchise following the transfer of rail franchising functions.