
Cynulliad Cenedlaethol Cymru
Pwyllgor yr Economi, Seilwaith a Sgiliau

National Assembly for Wales
Economy, Infrastructure and Skills Committee

Keith Williams
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

29 May 2019

Dear Keith,

When we met with you on 12 February you indicated that you would welcome a formal submission to your review from the Economy, Infrastructure and Skills Committee here in the National Assembly for Wales.

The Committee welcomed your willingness to engage with us, and in the time since our meeting we have reflected on the Review from a Welsh perspective and wish to submit our views.

We and our predecessor Committee, the Enterprise and Business Committee in the last Assembly, have given significant attention to rail in Wales. This response reflects the work of both Committees. Links to key reports referred to are provided at the end of this response.

We are aware that you met with the Welsh Government Minister for Economy and Transport, and in December last year he issued a statement setting out the Welsh Government's position.

<https://gov.wales/written-statement-williams-rail-review>.



You may also be aware that on 5 February this year the Assembly as a whole voted in favour of a motion supporting the Welsh Government's position, and drawing attention to the need for investment in Welsh rail infrastructure.

<http://record.assembly.wales/Plenary/5423#A48573>

Broadly, the Committee supports the Welsh Government's position. However, in this submission we want to highlight some specific issues.

Rail infrastructure

The Committee supports the Welsh Government's call for devolution of rail infrastructure planning functions to Wales, as is the case in Scotland, and the transfer of ownership of Wales' rail infrastructure. However, this must be accompanied by a thorough assessment of the network, the risks involved and a fair funding settlement.

We welcome the establishment of the Network Rail Wales Route which we believe has brought closer focus on the needs of Wales, improved engagement with the Welsh Government, other local stakeholders and with our Committee.

We also welcome the increase on the operation, maintenance and renewal (OMR) investment planned for Control Period 6 and the willingness of Network Rail to work with Transport for Wales and the Welsh Government on its prioritisation.

Yet despite the best efforts of Network Rail, its priorities are set outside Wales with limited input from Wales. Evidence gathering for our recent report on rail service disruption in the early stages of the new franchise highlighted to us the need to align the prioritisation of OMR with the needs of the Welsh Government procured franchise. A statutory relationship seems to us to be a more effective solution.

We also recognise that the OMR budget is based on need and is not discretionary. Arrangements for planning and delivery of enhancements, where decisions on UK Government investment in Wales are at the discretion of the Secretary of State as funder, remain a cause for concern.

Table 1 below highlights the level of UK Government enhancement investment in Wales since the establishment of the Network Rail Wales Route - data are not disaggregated for Wales before this.



Between 2011-12 and 2017-18 the Wales Route has received about 3% of enhancement spending despite having more than 9% of GB and more than 11% of England and Wales route kilometres.

Table 1: GB enhancements expenditure (DfT and Scottish Government funding)

(Source: Network Rail Regulatory Financial Statements)

Enhancements (£m 2017-18 prices)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
England Routes	2,252	2,169	2,904	2,739	3,044	3,041	2,774	18,922
Wales Routes	17	12	50	47	88	184	177	574
Scotland Routes	133	118	286	345	279	315	352	1,827
Total GB Expenditure	2,401	2,298	3,240	3,131	3,411	3,539	3,303	21,323
Wales % share of GB Expenditure	1%	1%	2%	1%	3%	5%	5%	3%
Wales % share of England and Wales Expenditure only	1%	1%	2%	2%	3%	6%	6%	3%

We recognise the arguments made by the Department for Transport (DfT), including in evidence to the Transport Select Committee's Rail Infrastructure Investment inquiry that "where the expenditure takes place on the railway is not always an accurate reflection of where the benefits are felt".

In this context, we welcome the electrification of the Great Western Mainline – as far as it goes – and the impact of wider enhancements such as improvements to Reading Station and the potential of the Western Rail Link to Heathrow.

However, despite this, as Greengauge 21 highlighted in its May 2018 report, beyond HS2, it is difficult to escape the fact that, for example, Cardiff continues to have the poorest direct rail connectivity with its peers of any of the UK's 12 major / core cities. Across Wales rail services are constrained by poor line speeds, limited network and station capacity. It seems to us that the current approach to infrastructure planning does not serve Wales well.



Further, the DfT's argument, based on network benefits, must also imply a need for greater input by the Welsh Government into the decision-making process for English enhancement investment than is currently the case. If these investments have an impact in Wales, Wales should influence them.

In our view rail infrastructure investment is a key part of the development of an effective and integrated transport network. Work by our committee and our predecessor has consistently highlighted how the current devolution settlement for rail infrastructure limits the Welsh Government's ability to deliver the public transport network which Wales needs.

Despite rail infrastructure being a reserved matter, in 2016 the Auditor General for Wales highlighted how the Welsh Government had invested a total of £226m (including EU funding) in rail capital projects between 2011 and 2016. In our view, the fact that Wales does not have control over rail infrastructure planning and investment, and so receives no Block Grant allocation for infrastructure, requires the Welsh Government to divert its own budget to a non-devolved policy area to the detriment of devolved policy areas in order to achieve its own policy priorities.

Additionally, as identified by both the Transport Select Committee, and our predecessor Enterprise and Business Committee in its 2016 report on Priorities for the Future of Welsh Rail Infrastructure, decision-making and appraisal processes for enhancements which focus on issues like journey time saved disadvantage Wales and give insufficient consideration to wider benefits.

Wales suffers as a result of relatively low passenger flows, which mean project proposals struggle to compete with those elsewhere on an England and Wales basis. In turn, the investments which might increase those flows are not made. This vicious circle contrasts the virtuous circle which exists in the south east of England. It also contrasts with the position in Scotland where, for example, Transport Scotland highlighted to our predecessor Enterprise and Business Committee that its investment in the Borders railway would, in an England and Wales context, 'struggle to pass hurdles raised in terms of the types of benefit-cost ratios that would be expected there'.

In Wales, we understand that the Welsh Government's investment in reopening of the Ebbw Vale Line to passenger services in 2008 saw actual passenger numbers 450% higher than those generated by the standard industry appraisal methodology.



We would also draw your attention to the statutory environment in Wales, in particular the Well-being of Future Generation (Wales) Act 2015 which focuses on sustainable development. Considerations such as this are not currently reflected in the decision-making process.

The cancellation of electrification between Cardiff and Swansea illustrates many of the issues raised above. In particular it seems to us that the decision was based largely on cost, with environmental benefits of electrification neglected. A Welsh decision may have been different – not least given the Well-being of Future Generations Act. However, our concern is not just in relation to the decision itself. While the Secretary of State indicated in announcing cancellation of the Cardiff to Swansea project that he had asked Network Rail to ‘develop additional options to improve journeys for passengers in Wales,’ we have seen little sign of this investment taking place, or indeed progress on engagement by the UK Government.

We remain to be convinced that the benefits of the CP6 pipeline approach to infrastructure investment will extend to Wales.

We would also draw your attention to the early development of proposals for electrification of the Cardiff Valleys Lines – prior to the current Metro approach being developed.

In this case while the Welsh Government developed the outline business case, a commitment was made by the Prime Minister to electrify the lines and the scheme was included in the UK Government’s 2012 High Level Output Specification for England and Wales. However, this was followed by a dispute between the two Governments over who should fund the scheme. The apparent HLOS commitment to deliver the scheme subsequently became a contribution of £125m to the funding of the scheme, with the Welsh Government responsible for finding the balance of funding for a UK Government HLOS commitment despite rail infrastructure being a reserved matter.

The Commission on Devolution in Wales (the ‘Silk Commission’) recommended that ‘funding of Network Rail in relation to the Wales network’ be devolved. As you are no doubt aware the subsequent St David’s Day Command Paper did not accept this on the basis that there was no political consensus on this devolution. The meaning of this response is as unclear to us as it was to our predecessor Committee.



We recognise that the cross border nature of the rail network serving Wales creates particular issues with devolution, in contrast to Scotland where the network is more discrete. However, it is notable that during the Enterprise and Business Committee's 2016 rail infrastructure inquiry evidence from both the ORR and Network Rail itself indicated that devolution was possible and, with some qualifications, desirable.

Additionally, we believe that the establishment of Transport for Wales and the impending transfer of ownership of the Cardiff Valleys Lines – on which about 50% of Welsh services operate – show that Wales is developing the capacity to assume responsibility for its rail infrastructure.

Rail Regulation

We support the Welsh Government's call for 'a formal input for Wales in the Office of Rail and Road's regulatory activities'.

While regulatory arrangements have received less detailed attention by this committee and its predecessor, the issue was to some extent considered by our predecessor Enterprise and Business Committee in its work on rail infrastructure.

While that Committee welcomed the efforts made by the ORR to work with the Welsh Government, and particularly the ORR's ambition to engage with the Welsh Government during the CP6 Periodic Review process, evidence illustrated how the position of the Welsh Government differed from that of the UK and Scottish Governments and the impact of this.

One particular area was in relation to the role of the ORR in relation to any concerns about Network Rail delivery of Welsh Government funded infrastructure enhancement projects. The ORR had taken significant and welcome steps to work with the Welsh Government within the current regulatory framework. However, it was clear that as a third party funder it was not treated in the same way as the UK and Scottish Governments, leaving it with more limited options to hold Network Rail to account in delivering Welsh Government funded projects.

Rail Franchising

The Committee supports the Welsh Government's call for further reform of rail franchising, and matters related to rail franchise operation, including:



- A formal role for the Welsh Government in agreeing the specification of franchises under the control of the DfT but operating in Wales;
- The removal of the prohibition of public sector operators bidding for and operating Welsh franchises;
- Powers for the Welsh Ministers to operate, specify and designate cross-border services without the Secretary of State's approval; and
- Arrangements for owning, allocating and managing rolling stock.

As with the settlement for rail infrastructure, we believe the remaining constraints on franchising limit the ability of the Welsh Government to deliver the effective integrated public transport network which Wales needs.

The recent devolution of rail franchising powers to Wales, leading to the new contract awarded last year, have the potential to significantly improve services in Wales. While the benefits of the new franchise remain to be demonstrated, and this Committee has already reported on early disruption experienced by passengers under the new franchise, the contract promises a great deal.

This contrasts strongly with the previous franchise operated by Arriva Trains Wales (ATW). In 2003 the Strategic Rail Authority specified and awarded the franchise on behalf of UK Ministers on the basis of zero passenger growth and very limited investment obligations. Subsequently, passenger journeys to, from and within Wales increased by 66% between 2002-03 and 2017-18, yet by the end of the franchise Welsh rolling stock was 28 years old – nearly 8 years older than the GB average.

The Committee's recent report on rail service disruption in the new franchise questioned some of the decisions taken by the Welsh Government since it took responsibility for management of the ATW franchise in 2006, particularly on rolling stock procurement. However, it was clear to the Committee that the root causes of the issues around rolling stock lay in the specification of the 2003 franchise.

In his 2016 report on Welsh Government investment in rail services and infrastructure the Auditor General for Wales described how the performance of the franchise improved post 2006 – albeit unevenly. While significant issues remained with the ATW franchise, which continue into the current franchise, it is worth noting that the performance improvement coincided with the Welsh Government assuming responsibility for its management.



We suggest that this and the specification (if not yet the delivery) of the current franchise illustrate the benefits of local decision-making on rail franchising, and rail policy more generally.

However, in procuring the current franchise the Welsh Government and TfW have been constrained in their ability to specify cross-border services in the franchise – being limited by the terms of its Agency Agreement with the Secretary of State. This concerns us for two reasons:

- Historically cross-border services have been the most profitable services within the Welsh franchise which is heavily dependent on public subsidy; and
- In the context of limited input into DfT procured services, the Welsh Government has few levers with which, on its own account, to increase cross border rail connectivity. This is a concern to us given, for example, the highly integrated cross-border economy of north east Wales, and potential for services to Bristol in the south.

Finally with regard to the prohibition on public sector operators running franchises, this Committee briefly considered this issue in our 2017 report on preparations for the procurement of the new rail franchise and Metro services. While members have a range of opinions on the benefits or otherwise of public operation of rail services, that report noted that we were unclear why 'section 25 of the Railways Act 1993 should no longer apply to Scotland, but remain in force in Wales'. We remain unclear on this point.

Scrutiny

Effective rail services are essential to Wales and it is equally essential that the National Assembly for Wales in general, and this Committee in particular, has the opportunity to scrutinise all of the decisions taken regarding rail policy in Wales.

We can and do scrutinise the Welsh Government, influence its decisions and hold it to account.

While we are grateful to the many DfT officials who have appeared before our inquiries over the years, and provided useful evidence, access to Ministers as the ultimate decision makers is limited.



The example of cancellation of rail electrification between Cardiff and Swansea illustrates this. This decision by the Secretary of State for Transport was of huge significance in Wales, and a matter of great importance to this Committee.

Following the decision, on 24 July 2017 I wrote to the Secretary of State to invite him to give evidence to this Committee on the record. Mindful of the logistics, I offered him the option of attending any one of 12 meetings – essentially every meeting in the autumn Assembly term.

The response was the following email from his Private Secretary on 31 August, commenting:

Thank you for sending on the letter from Russell George AM

You may not be aware that the Secretary of State is meeting Ken Skates next week where he will be happy to discuss any transport matters that are of concern to the Welsh Assembly. If you would like to raise anything in particular may I suggest you contact the Cabinet Secretary so he may raise it in his meeting with the Secretary of State.

Aside from ignoring the constitutional arrangements in place in Wales – where the Welsh Government and National Assembly are legally separate – you will appreciate that a message passed to a Minister is not a substitute for the public scrutiny, on the record, which the people of Wales deserve following a decision of this scale.

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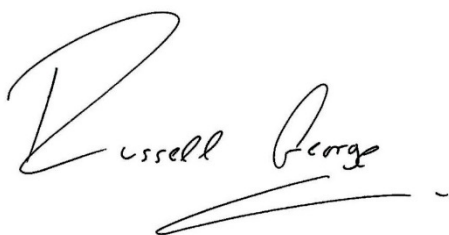
This response neatly illustrates the difficulties we face in scrutinising decisions taken elsewhere which profoundly affect Wales.

Given the importance of the rail network to Wales we believe it helps to illustrate the need for more of the decisions taken on Welsh rail policy to be taken closer to the Welsh people.



Let me thank you once again for coming to speak with this Committee. We look forward to reviewing your report and would like to take this opportunity to invite you to come to Cardiff to discuss your findings in due course.

Yours sincerely,

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a long horizontal flourish underneath.

Russell George AM
Chair
Economy, Infrastructure and Skills Committee

Assembly Committee Reports:

Economy Infrastructure and Skills Committee: Autumn Rail Disruption (March 2019)

<http://www.assembly.wales/laid%20documents/cr-ld12419/cr-ld12419-e.pdf>

Economy Infrastructure and Skills Committee: On the right track? The Rail Franchise and South Wales Metro (June 2017)

<http://www.assembly.wales/laid%20documents/cr-ld11093/cr-ld11093-e.pdf>

Enterprise and Business Committee: Priorities for the Future of Welsh Rail Infrastructure (March 2016)

<http://www.assembly.wales/laid%20documents/cr-ld10657/cr-ld10657-e.pdf>

Enterprise and Business Committee: The Future of the Wales and Borders Rail Franchise (December 2013)

<http://www.assemblywales.org/bus-home/bus-business-fourth-assembly-laid-docs/cr-ld9589-e.pdf?langoption=3&ttl=CR-LD9589%20-%20Enterprise%20and%20Business%20Committee%20-%20Report%20on%20the%20Inquiry%20into%20the%20Future%20of%20the%20Wales%20and%20Borders%20Rail%20Franchise>

