

Welsh Affairs Committee

Oral evidence: [Railway Infrastructure in Wales](#), HC 1044

Thursday 25 February 2021

Ordered by the House of Commons to be published on 25 February 2021.

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Members present: Stephen Crabb (Chair); Simon Baynes; Virginia Crosbie; Geraint Davies; Ruth Jones; Robin Millar; Rob Roberts; Beth Winter.

Questions 80-134

Witnesses

I: Sir Peter Hendy, Chair of Union Connectivity Review, and Chair of Network Rail.

II: Ken Skates MS, Minister for Economy, Transport and North Wales, Welsh Government, Simon Jones, Director, Economic Infrastructure, Welsh Government, and James Hooker, Rail Programme Director, Welsh Government.



Examination of witness

Witnesses: Sir Peter Hendy.

Q80 Chair: Good morning and welcome to this session of the Welsh Affairs Committee, where we are continuing our inquiry into railway infrastructure in Wales. I am delighted that we are joined by Sir Peter Hendy CBE, who is chair of Network Rail and is leading the Government's Union Connectivity Review. Sir Peter, can you briefly describe the role that you have been given by the Prime Minister? What is the mission that he has given you with regard to the Union Connectivity Review?

Sir Peter Hendy: Thank you and good morning, everybody. I was asked by the Prime Minister last summer to conduct a personal and independent review of the connectivity of the United Kingdom. The background to that is clearly the Government's levelling-up agenda, a desire to see economic growth in all parts of the United Kingdom, and a recognition that connectivity is one of the principal means of encouraging economic growth, growth in jobs, building houses and helping with social cohesion. He appointed me last summer.

We have been getting ready with a very good team of people from the Department for Transport. I have some experts in transport and wider economics to help me. I am not far off publishing an interim report, and the final report is due in the summer. You will all be familiar with the political season, so the fact that the report was due allegedly at the end of January and that it might be out in four or five weeks' time is no surprise. It says nothing special. I was a bit late because of covid, and I had some other jobs to do for the Secretary of State for Transport. I expect to publish an interim report shortly, then do a great deal of work and finish in the summer. For the benefit of those listening, I have taken evidence from about 150 people and groups across England, Wales, Scotland and Northern Ireland, and indeed from some of the Members of Parliament on the call this morning.

Q81 Chair: Thank you for that introduction. Can I ask you about the "Union" element of the Union Connectivity Review? What has the Prime Minister asked you to explore specifically around that? Clearly, the "Union" implies that there is some kind of strengthening of the United Kingdom involved. What is that aspect of your mission? What does that look like?

Sir Peter Hendy: It cannot be a surprise to any of you that the Prime Minister is concerned about the solidarity of the Union that comprises the United Kingdom. I think behind it is a recognition that maybe with the devolution of large elements of transport to the devolved Administrations, there has been a lack of thought, certainly in Whitehall, about those elements of transport that bridge the borders between the countries within the United Kingdom. Later on, I can probably talk about some elements of that. I had not got very far in this process before discovering things that probably should be looked at for the benefit of the economy of the whole



of the United Kingdom, but probably have not been looked at as well as they should have in the last 20 years or so.

- Q82 **Chair:** Of course, when the UK was a member of the European Union, there was talk from time to time around trans-European networks, and there was a push by the European Union to use transport policy to create stronger connectivity within the EU. Do you see part of your role as taking some of that flavour on with regard to the United Kingdom?

Sir Peter Hendy: I came on to this with an open mind, but with the background—hopefully, this is how I am regarded—of a transport professional, and on a good day that is what I think of myself as. Fairly early on, it was suggested to me that, since we were no longer members of the European Union, looking at what the TEN was at least designed to do was worth it; whether it did it or not, whether it did it sufficiently and whether it did it to the extent that the United Kingdom's financial contributions were worth it is a different question. However, it was suggested to me that I should look at it to see whether such a concept would be a good idea. It will not be a surprise to any of you—because I have had extensive discussions with all the stakeholders; political, industrial, various public authorities—that there is quite a lot of interest in a replacement for that network.

That network was designed to promote economic growth and social cohesion through the EU, but in fact, as it covered the United Kingdom, it was a pretty sparse network. In the last few years, the United Kingdom put an average of about £450 million into it and got back about a 10th of that figure, although there are some examples, and the A55 had some contribution in north Wales, from the TEN.

However, we are no longer there anymore, so the question is this: could such a network, were it to be established, help the Government with its agenda of levelling up and economic growth? All the stakeholders I have raised it with have suggested that it is a good idea; nobody has suggested it is a bad idea. It would enable the Westminster Government to decide what network it wanted, rather than having that decided by a big committee in Brussels. It really should not be a surprise to any of you that I am likely to float that idea in my interim report, to see to what extent that goes down. But certainly of the stakeholders, representatives and Members of Parliament who I have talked to so far, nobody has said, "No, that's not a good idea".

Of course, it raises a question about how extensive it should be and where it should go, but the advantage of creating one for the United Kingdom is that the Government could decide where it wanted it to go, and to the extent to which the Government put in additional funding, it would help to deliver its levelling-up agenda.

- Q83 **Chair:** Of course, for us in Wales some of our transport connections to the Republic of Ireland are important, with regard to our ferry ports. Is that off limits in terms of your review?



Sir Peter Hendy: No, not at all. Of course, you would expect me to have spoken to the Secretaries of State for Scotland, Northern Ireland and Wales, and I have been encouraged to look at the island of Ireland: the connections between Northern Ireland and the south; and connections between Ireland and the Welsh ports of Holyhead, which needs development, and Fishguard and Milford Haven. Nobody has said I should not. In fact, I had a good conversation with the Irish Transport Minister before Christmas. The Republic has some good plans itself for connectivity, and you can be assured that connectivity between Ireland and Wales and within the island of Ireland, will be part of my final report, even if I have not done much on it just yet.

Q84 **Chair:** That is very encouraging; thank you very much. May I just ask one final question, Sir Peter? There was an application from a company called Grand Union Trains to run more services between Paddington and south Wales, which was rejected by the Office of Rail and Road earlier this month. Do you feel, as I do, that that was something of a missed opportunity, or can you understand the reasons why it was rejected? It looked to me like it was an opportunity to inject more competition, more services and more connectivity, certainly between south and west Wales and Paddington.

Sir Peter Hendy: Seamlessly, I shall at least put another hat on, even if I do not take the first one off, and say, in my day job as the chair of Great Britain's railway infrastructure organisation, that of course the ORR makes its own decisions, because—rightly—it is an independent body looking at the evidence for additional open-access services.

The only thing I would say—with the benefit of five and a half years at Network Rail, I feel quite strongly about this—is that we have corrected, through the pandemic, in parts of the network, places and bits of line where, frankly, we were trying to run too many trains. It isn't any use people trying to cram more on to the network than the network can actually cope with. That is without the consideration of whether such a thing makes commercial sense and fits with the franchise map and the franchise obligations of the franchise operators. Andrew Haines, my chief executive, and I are both concerned that we do not wind up in the future with what we have had in the past on a number of stretches of long-distance railway, as well as around major cities, which is more trains trying to be timetabled than the infrastructure can physically cope with.

That, of course, is not necessarily the case on the South Wales main line—certainly not west of Cardiff—but if you look at the whole journey pattern and, in particular, the Great Western main line from Paddington west of Reading, we, as the infrastructure operator, were not particularly enamoured of yet more services on a line that is actually now pretty crowded. But I am not responsible for the ORR's decision. They are statutorily charged with making decisions on open access applications, and that is what they have done.

Chair: Thank you, Sir Peter: that is very helpful context.



HOUSE OF COMMONS

Q85 **Rob Roberts:** Thank you, Chair, and good morning, Sir Peter. My first question is pretty straightforward. I am interested in what engagement you have had with Network Rail—with your other hat on—and with Transport for Wales while the review has been under way.

Sir Peter Hendy: I speak to James Price now and again. I have spoken to his chair once or twice, too. Our organisations get on well together, and I believe—

Q86 **Rob Roberts:** Sorry, but just for the sake of anyone who might be watching, could you say who James Price is and what his role is?

Sir Peter Hendy: I am sorry; yes. James Price is the chief executive of Transport for Wales. I do not have the list to hand—I have everything to hand, but I am not sure I can put my hands on it, in my home office—but I am pretty sure that Transport for Wales have made a submission to the connectivity review; I will be amazed if they have not. I think that, between the conversations I have had and the regular discussions that I know have been had by James Price and Bill Kelly, our route director in Wales—I think they were in front of you only a few days ago—I am pretty well sighted on what the aspirations of Transport for Wales are for the railway network in Wales.

Q87 **Rob Roberts:** Moving on from Transport for Wales and Network Rail specifically, how important has engagement with the devolved Administrations been to the way your review has been conducted, and how would you judge the quality of the interactions that you have had with the devolved Administrations?

Sir Peter Hendy: In general, I have spoken to those responsible for transport in the Scottish, Welsh and Northern Ireland DAs; and in particular—with my Network Rail hat on—I have already had extensive discussions with Ken Skates over many things. When I talked to him about this review in particular, he was very positive. I think that he recognised that there were things of interest to Wales, the Welsh Government and the Welsh people that might be got out of this review, and we have had every co-operation that we need. I get on well with Ken, I am pleased to say, and we have had a very harmonious discussion about it.

The devolved Administrations are of course very keen to emphasise the nature of what has been devolved to them, and I recognise that of course, but I think you heard in the evidence from Bill Kelly and James Price that we, as the railway infrastructure owner and operator, and Transport for Wales, as the Welsh Government's transport authority, manage to live pretty harmoniously. I would like to think that the connectivity review would wind up in a place where it would be helpful to the Welsh Government, to TfW and, for that matter, to the Welsh people.

Rob Roberts: Superb. Thank you, Chair.

Q88 **Virginia Crosbie:** Good morning from Holyhead, Sir Peter. I think it is fair to say that you are definitely a transport professional. What lessons have you learned from previous reviews in conducting the Union



Connectivity Review?

Sir Peter Hendy: The railway, of course, is full of people doing reviews; I have done one or two myself. I suppose one of the answers is listening carefully to what people have to say. In fact, you will know, because you and I had an extensive discussion about the relative quality or rather the lack of an effective journey time between Anglesey and other parts of the United Kingdom. It is worth listening to what people have to say before you impose your views on them.

The Chair asked me about a replacement for the trans-European network. I hope that nobody I have raised it with thinks that I have forced it on them; I have just asked them whether it is a good idea. I am genuinely interested to hear what people have to say. The discussion with Members of Parliament, other representatives, local authorities and business groups is only part of the consultation. We have had 200 responses, I think, and we are also doing some market research.

Indeed, one of the things, if I did not know it already, is that the nature of the connectivity between Wales and England is rather different from that between Scotland and England. Scotland has two rail routes, two major roads and a great deal of rather empty rural land on both sides of the border, whereas the Welsh border is intertwined with towns and villages. The railway line that connects north and south Wales is operated by Transport for Wales, but is largely in England, and the economy of the two countries either side of that border is closely intertwined. Listening to all of that is a good thing to do.

Understanding what the flows of freight are, as well as for passengers—passengers are vocal; they tell you whether or not they like what you do as a transport operator. Freight is not vocal at all, but the operators of freight and logistics, as has been demonstrated in the last 12 months, hold our country together, and they have some important things to say. One of the things that I am learning about, and I hope I haven't finished through this review, is what the freight flows are post Brexit, in particular from Ireland across to England.

As you will know, Holyhead, in your consistency, is a really important port and probably needs development. The ferry operators certainly think so. Since I am charged with looking forward 20 or 30 years in this review, I would like to try to set out things that need to be done that are of benefit to the United Kingdom's economy in the future. One of those things is trying to recognise where freight flows are going post Brexit and suggesting what needs to be done to the transport networks to adequately cope with that.

- Q89 **Virginia Crosbie:** How confident are you that your review will yield tangible results and will be implemented by the UK Government? You mentioned the interim review and the timing of the final report in the summer, but how confident are you that this will actually be implemented?



HOUSE OF COMMONS

Sir Peter Hendy: The Prime Minister is pretty demanding. I know he is pretty demanding, because I worked for him for seven and a half years as the Commissioner of Transport for London. He has asked me several times, by various communication methods, including face to face, how I was getting on and what I was going to say. It may well be that he chooses to say something after or as I publish the interim report.

I am confident that the Government are interested in it. I have not only had formal discussions with the three Secretaries of State; I have an appointment to see the Chancellor shortly and I have got to see the Chancellor of the Duchy of Lancaster. There seems to be a lot of interest in Government in this. I am hoping that it will say things, because they add to the levelling-up agenda and because of the Government's interest in economic growth, certainly post pandemic, that the Government can act on. There are currently some other reviews—there is a review of regional air connectivity—but my colleagues in the Department for Transport, who are servicing this review, are making sure that we are linked up together.

The final thing I would say on this is that the Treasury recently published—the Chancellor published, actually—in the last fiscal event, comments about the review of the Green Book and the appraisal methodology. For me, this is really important, because one of the reasons that transport investment has been largely concentrated in large conurbations and London and south-east England is that if you look at transport appraisal solely in the light of business cases, transporting lots of people who earn quite a lot of money produces a better business case than producing connectivity in more sparsely populated parts of the country and ones with a lower GDP per head, but that doesn't mean that they are not good things to do.

I think there is beginning to be a general recognition in Government that solely looking at transport investment on a BCR basis alone is not the only way of doing things. I do know a bit about that, because Crossrail in London had to be justified by the wider business benefits that it brought and the general growth in economic activity.

I think that it is really important. I am sure that you will find that the interim report says a bit about that, but my final report will have quite a lot to say about it, because if you want to see investment in the levelling-up agenda in parts of Britain, like parts of Wales that need economic stimulus, then you have to justify those projects on a wider economic basis and not just on a narrow, relatively short-term BCR basis.

Q90 **Ruth Jones:** Thank you, Sir Peter, for your time this morning. I would like to say thank you for reaching out to us as part of your review. It was very helpful to be able to talk to you. I think that was before Christmas now—crumbs!

I would like to go on to look more at the devolution of the rail infrastructure itself. As you say, you are looking 20 years hence. What do you see as the implications of further devolution of the rail infrastructure to the Welsh Government in the Senedd?



HOUSE OF COMMONS

Sir Peter Hendy: The background to this is the process that Network Rail has been through with Transport for Wales on the transfer of the Cardiff valleys lines, which many people both within and outside Network Rail thought might be a terribly difficult process—that there would be a lot of difficulty and resistance. I think that both TfW, if they were here, and our own people in Wales—indeed, corporately in Network Rail—have all surprised ourselves by managing to do that smoothly and in a way that doesn't interrupt services to passengers and freight, and has given the Welsh Government and Transport for Wales the canvas on which they can paint their aspirations for better rail services in the valleys.

Part of that was a financial settlement, because there is of course a considerable amount of debt that goes with it, because Network Rail is full of debt, created by its history.

Having said that, I can understand why railway infrastructure is totemic, but I usually correct people who refer to it in my hearing as "assets". The railway infrastructure of Great Britain is, by and large, up to 195 years old, largely built by Victorians. It wasn't maintained well for most of the period between the end of the first world war and probably 10 or 15 years ago. There were spurts of investment, but quite a lot of deferred maintenance. I think you have to question, other than in a political sense, why you would want to get hold of this thing and what you would do if you had it.

A particularly pertinent issue, which you will all be familiar with, is the Conwy Valley, where we have spent—Bill told me last night—£17 million in the last three or four years in rebuilding that railway after a whole series of very difficult flooding events. Because we are a national infrastructure company, we have been able to do that out of a very large budget which takes account, at least, of things like that happening somewhere in Great Britain.

I could not speak for James and his organisation in Transport for Wales, but I would not think that Transport for Wales would particularly welcome that bill, even if it were in control of the whole Welsh railway network. Indeed, when the current Prime Minister was the Mayor, he asked me one day whether I wanted to get hold of the infrastructure on which the London Overground ran, which is part of the national railway network. I was very blunt with him and said, "No, I have got enough rather rough old Victorian and Edwardian railway infrastructure. I do not want any more. What I want to do is to control service levels and the sorts of services that are run to the satisfaction of the passengers in London."

I think truthfully that if Bill and James were listening, they would say that on the rest of the Welsh railway network their primary aim is to satisfy demand and give people good journeys. Who owns the infrastructure is by and large a secondary consideration. What matters is that it works and that the people entrusted with it have enough money to maintain it, upgrade it and run it safely. I think that is much more important.

Now, that is a transport professional speaking. I am a Celt—I am not Welsh—but that is my real answer. Nevertheless, we did hand over the



HOUSE OF COMMONS

Cardiff valleys. We are working with TfW. There are aspects of their control of that infrastructure which are better serviced by us, because of the way it is configured and the fact that we have specialist pieces of equipment that it would not be worth them investing in for a relatively small length of railway, and we are happy to co-exist. But if you think that what I and Andrew Haines are in control of is a set of assets, you are a very optimistic person. It is a set of massive liabilities, but ones which are used for the benefit of the United Kingdom and its devolved Administrations to create growth, jobs, housing and cohesion.

Q91 Ruth Jones: Thank you. I have got loads of questions, but I can see the Chair looking at me, so I will restrict myself to looking at the Scottish model, which is obviously different from the Welsh model. What can Wales learn from how rail devolution has been applied in Scotland? Can it be applied here in Wales?

Sir Peter Hendy: The Scots have a separate financial settlement and a separate regulated settlement. We work with them well on that, actually. I would expect some aspirations in Scotland to own the infrastructure, but the same comments apply as those I made about Wales. We have had severe damage to the railway infrastructure in Scotland as a consequence of climate change, and we have a lot of investment to do.

As far as the rest of the model goes, it is different because they have a separate regulated financial settlement. I think it is for politicians and not for me to say whether or not that is a model that they would like to be applying and whether they would apply it in Wales. All I would say is, going back to the basic premise, can you make the railway work well for the benefit of passengers and freight? I think we have demonstrated both in Wales and Scotland and in the rest of England that, despite the rather different conditions that apply, we have managed to make it work well. I think that is our job.

Q92 Ruth Jones: That is great. My final question is that you have mentioned already that there are anomalies, certainly within Wales. For instance, the Ebbw Vale line goes not into Newport but into Cardiff, there is no decent rail link to Cardiff airport, and obviously the South Wales Metro is coming online. How do you see your role in smoothing out the cracks, if you like, in all of this?

Sir Peter Hendy: I think we are very keen to work with the Welsh Government, TfW and everybody else in the development of the Welsh railway network. I have read—with both hats on—Terry Burns's recent report on south-east Wales. I talked to your colleague in Ebbw Vale who clearly hankers after better train services for economic growth in Ebbw Vale, and who can blame him for that aspiration?

The constraints, as always, are money and priorities. This goes in a different direction, perhaps, but one of the things that we are doing in Network Rail—Andrew Haines, my chief executive, would be much better to talk about it than me—is how we do projects quicker and cheaper. We are being pressed very heavily by the Secretary of State in Westminster



HOUSE OF COMMONS

on that because everything on the railway costs a great deal of money and takes a very long time, and it shouldn't. We are working really hard to deliver more, quicker and cheaper. That will be of immense value. We are certainly looking very carefully at Terry Burns's report on what needs to be done in south-east Wales. Some of it is the responsibility of the Welsh Government, and some of it is railway infrastructure, so it needs to be funded as railway infrastructure needs to be funded. We are really anxious to collaborate with Transport for Wales in order to deliver it because we want a better railway that does better things for the people who use it.

Ruth Jones: Thank you, Sir Peter. That is really helpful. I will hand you back to the Chair.

Chair: Ruth, thank you very much. Robin Millar has a couple of supplementaries

Q93 **Robin Millar:** Good morning, Sir Peter. It is good to see you again. It is always a pleasure to hear your thoughts, as a fellow engineer, on things like rail infrastructure.

Sir Peter Hendy: I am not an engineer. I never said I was technical. I am a grubby-handed operator.

Q94 **Robin Millar:** Well, from a grubby-handed engineer to a grubby-handed operator, I just wanted to paint that picture. Thank you for mentioning the Conwy Valley line. It obviously starts in Aberconwy, my constituency, and you are right that there has been terrific investment. We see Aberconwy pretty much as a gateway to Snowdonia, and the Snowdonia national park is very keen on bringing more people in. That level of investment is perhaps merited not by the population but by the utility of the line.

Can I press you on this point? The course of investment has not always been smooth—the M4 in south Wales is an example. Where are your thoughts going and what direction are you taking in terms of where the liability, as opposed to the asset—a point that you make well—sits versus where the cash sits? Should those two be together, or is there some kind of shared arrangement that you have in mind or you might have seen somewhere or be thinking about, like the open book contracting between client and contractor in the construction sector?

Sir Peter Hendy: We are working in the political landscape that we are given, and rightly so. I am appointed, and you are all elected, and so are the Secretary of State and the Welsh Government.

I think—this wouldn't be a surprise to the Secretary of State if he was listening—that one of the difficulties, certainly with the railway system, is that there hasn't been a long-term investment plan. That is not to say that one should or could insist on it in circumstances where the national economy goes up and down. We are currently in the worst financial crisis in my lifetime, and probably all of yours as well, so it is not a surprise that money will be tight.



HOUSE OF COMMONS

One of the benefits that we had in TfL is that we had a long-term investment plan. When the Mayor asked me once whether we should build a second cable car, I said, "Well, perhaps not. Why don't we do the next thing in the investment plan?" The investment plan was carefully thought out and was a list of projects that were consistent with the growth plan for London. We had done some work on them and knew how much they would cost and how long they would be likely to take.

I think that such a plan would be very helpful for the national railway network. Indeed, the Secretary of State, in preparation for the publication of the White Paper following the Williams review, has authorised us to get on with the beginnings of formulating such a thing. I think those plans are always useful, because knowing what you want to do next enables the people who are charged with doing it to get the preparations done for it. In a professional sense, that is more important than who has the money and who owns the infrastructure. If everybody understands what you want to do next, it will go better, it will probably be cheaper and it will be delivered quicker.

Something that is etched on my heart and that of Network Rail is the Great Western electrification, which was a project from hell that was never properly specified and costed, and we delivered it very badly. The origins of that were that it was dreamed up in a very short space of time. It was not part of anybody's plan; nobody had prepared for it. The supply industry was not ready to produce the stuff that was needed to be done, and it was a disaster, and passengers suffered and so did the public purse. I do not want to ever be anywhere near something like that again, but to do better than that, we not only have to be better at delivery; we need to have a plan. That, in my head, is far more important than the question about where the money and the asset ownership sit.

Q95 Robin Millar: Thank you; that is very helpful. Certainly in our last session, James Price made a very similar point, when he said his hope was that everybody could just agree on what the next five or six key things were—although he mentioned Wales, but clearly you make the point well about the importance of a trans-UK network.

Again, I will make one attempt at pushing you a little further into the political space on that, if I may. Are you advocating for a stand-alone institution to have that responsibility, or are you talking about a plan that has a joint ownership across two institutions—two Governments?

Sir Peter Hendy: Where I am going is, let us suppose that I recommend that a UK successor of a UK transport network be agreed, and that that is generally agreed. That would embrace road and rail routes, ferry routes, ferry ports, airlines and air routes. In that mix is quite a lot of stuff that is the responsibility of the devolved Administrations, and while I had a very pleasant discussion with Ken Skates, it would not surprise you at all that both he and the other Ministers reminded me very forcibly that once something is devolved, it is no business of mine to try to change that basic relationship about who manages it.



HOUSE OF COMMONS

However, if you look at the way in which the TEN worked, there was a sum of money that was European money, which was applied as matched funding or additional funding to schemes that were agreed between, as it were, the proprietors of the TEN and the Governments responsible for delivering it. That seems to me to be a model that would have some utility if, for example, the Westminster Government said, "We believe it is really important to improve connectivity with Holyhead, because of the freight connections through to Ireland and, indeed, Northern Ireland." I can imagine a much more harmonious discussion with the Welsh Government, who are certainly responsible for the A55 and the train service on the north Wales main line, if the UK Government said, "We're prepared to put some money into schemes that improve this connectivity," probably by saying, "Provided you do." That seems to me a joint endeavour that would be to everybody's mutual advantage.

Interestingly, I have not come across many things that people have suggested, from Westminster or from the devolved Administrations, that are completely outwith the views of others. In fact, there is quite a lot of commonality about what needs to be done. You will know yourself, with your own constituency, that the north Wales coast has very strong economic links with Manchester, Merseyside and the north-west, and there is a great desire for better connectivity, which is also mirrored—as I am sure you know—within the north-west. I have not found much radical disagreement about what needs to be done, and in many cases, there is a huge unanimity of view. What has been lacking is the prioritisation of the schemes that produce the results.

Robin Millar: Thank you. That is very helpful.

Q96 **Geraint Davies:** Sir Peter, there has been quite a lot of concern about the level of funding for rail investment in Wales. In particular, less than 2% of the enhancement investment of the UK goes into Wales, which has 5% of the population and something like 11% of the rail track. I was wondering whether you shared those concerns, and what, in your view, would be the appropriate level of investment to enhance the system, productivity, and economic development in Wales.

Sir Peter Hendy: I am not completely convinced about the origin of some of these numbers. Certainly, if you divide investment by track miles, you get a very peculiar number, because, as you all know, the Heart of Wales line is a very long piece of railway, but it has only five trains a day, and they are quite short and do not have many people on them. Going back to the Conwy Valley—my favourite example, and one that Bill Kelly spent most of his time on—the proportion of expenditure on the Conwy Valley bears no relation to the number of trains or the number of people who travel on it, but fortunately, in the 2020s, we are beyond the position we were in in the 1960s and '70s, when quite large tranches of railway were closed simply because they were either damaged by floods or they could not afford to be maintained.

Q97 **Geraint Davies:** What about population versus investment, putting aside the track, as you have discounted that?



Sir Peter Hendy: Well, look at it in a different way. What I was saying, hopefully, about business cases and BCRs is that, compared with those, wider economic benefit is a better place to go. If there is an aspiration to invest more in the railway network in Wales because of the wider economic benefits that increased journey speed and/or reliability and/or capacity bring—I think you will find, certainly in my final report, that I will be making the point that if you looked at some of those investments on a wider economic basis, they would certainly be more likely to get up the list of investments than they would on business cases alone.

I have had quite a lot of representations from west Wales, for example, and the Member for Ynys Môn, who was on earlier, about journey times from those extremities to Cardiff and onwards to England. You are never going to justify that investment only on the basis of a BCR, because the number of passengers west of Carmarthen and the number of passengers west of Bangor are actually quite small. However, if it is believed that the connectivity will drive general economic growth into the future, using a better appraisal methodology to appraise people's desired investment is very likely to produce more investment than traditionally has been the case.

Q98 **Geraint Davies:** For argument's sake, say you already have a town connected to other towns, and A and B have been well connected for a number of years but A and C are not. The system for judging whether you get more money is built, to a certain extent, on extra passenger flows and the like, and there is a danger that the lack of productivity in the track in south Wales will generate even less investment in the future, is there not?

Sir Peter Hendy: Yes, I think there probably is. If you look at the Government's view about Beeching, for example, they are pressing us very hard to look at reopening railways that, in some places, closed 50 or 60 years ago, where quite evidently the economic consequences of that for the places that they served has been relative decline. We do what we are asked to do, and we hope that we do it with alacrity, because in some cases it is quite clear that the economies of those places have suffered due to lack of connectivity.

Q99 **Geraint Davies:** May I ask you a connected question about relative share to elsewhere in the UK? By way of example, to get from London to Manchester takes about two hours 10 minutes, and with HS2 it will take one hour 10 minutes or less, but it will continue to take three hours to get to Swansea. Are you concerned that we should have a fair share of HS2, so that there isn't a displacement of investment from south Wales, in particular, towards Manchester, because you can get there quicker?

Sir Peter Hendy: I think the real limitation in this is the amount of money and capital that the Government are able to put into infrastructure everywhere. I am a board member for Network Rail and Transport for the North, and the discussions about the extent to which the Government are able to fund the aspirations for Northern Powerhouse Rail are very serious and hard-fought. I think the likelihood of establishing yet further high-



HOUSE OF COMMONS

speed rail lines, given the current money being spent on HS2— It is not because I want it, but because actually the chances are very small that the Government have the money to do it.

As a matter of fact, having referred to your colleague Robin Millar, one of the things that I will probably be saying is that HS2 ought to benefit north Wales as much as it seeks to benefit Birmingham and Merseyside, but that of course does not apply to the south Wales main line. The aspirations for the south Wales main line have to be couched in terms of what has been invested in it recently and whether or not you can make the wider economic case for more to be invested in the future.

Sadly, west of Cardiff, the railway is not Brunel's billiard table, which is what he built from London to Bristol. It is a twisting rural railway, which Brunel did build, but he built it a good deal cheaper, and it has some nasty sharp curves and some gradients on it. That is why the journey time is so slow. Looking at that, you have to ask yourself what could be realistically expended to make that journey time better. But we are not averse to asking.

Q100 Geraint Davies: On that issue, given that a lot has been spent on HS2 and given the needs of south Wales, there are 3 million people living in the Bristol-Cardiff-Swansea region. It is similar to Leeds-Manchester. I think Leeds-Manchester has about eight connections per hour. There are a couple of connections between Bristol and Cardiff, and they don't really go to Swansea. As you said, Brunel originally had a straight line running from Swansea to Cardiff, but they hooked it up to pick up the coal. Is there not a strong case for improving the frequency, speed and affordability of the Bristol-Cardiff-Swansea connection, and perhaps for an integrated network going west as well, in order to level up and build up the south Wales economy and stop displacement from HS2?

Sir Peter Hendy: We don't need to do that work afresh, because a large part of that is already set out in Lord Burns's report on the South East Wales Transport Commission. Indeed, I think that we on the railway generally—both the infrastructure operator and the operators—would agree that the south Wales-Cardiff-Newport-Bristol Parkway-Temple Meads corridor has not been particularly well served, either in speed or, indeed, in capacity.

My reading of Lord Burns's report suggests that he has worked out what the economic benefit of making those connections better could be. I have read it very closely, and it is very hard not to agree with his conclusions. In fact, as some of you will know, we have the relief lines east of Cardiff to the Severn Tunnel Junction and improvements on Filton Bank between Bristol Parkway, the south Wales main line and Bristol. All that is ripe for development. I have read his report, and he says that the business case for that is quite strong and the economic development effect of it will be quite large. He is a cleverer man than I am, so I expect he is right.

Q101 Geraint Davies: Historically, we have seen a lot of investment in the south-east. We know about HS2. Do you feel that there is a good chance



HOUSE OF COMMONS

that we will look again at the criteria more broadly, as you have been intimating, to get some more investment for linking up the Union with south Wales? I don't know whether you have any thoughts about extending electrification. You mentioned that it had been a bit of a mess in terms of implementation. But over time, do you think we might be able to expect it to spread across south Wales—certainly to Swansea, and perhaps beyond?

Sir Peter Hendy: I would hope that if the Government were to accept the proposition that doing business cases for infrastructure that addressed their levelling-up agenda and brought wider economic benefits and job creation—if they accepted that a wider business case appraisal is the appropriate method of doing it—I think that some of those projects will come much further up the list of things to do than they have done.

Electrification is now probably better addressed in the decarbonisation agenda, whatever the terrible history of the Great Western electrification, for which no credit is attached to a number of people, including Network Rail as an institution—other than the fact that we did manage to do it in the end. Actually, the journey time effects of electrifying west of Cardiff are probably quite negligible, because the new trains are as quick as you can probably manage on that stretch of line. As to wider rail improvements, undoubtedly if there were a different and wider economic appraisal methodology, some of the things that you all aspire to would come up that agenda quite markedly.

Q102 **Geraint Davies:** Finally, on sustainability, COP26—this sort of thing—and coming out of covid, do you feel that helps improve the case for more investment for Wales, and particularly for south Wales, in connecting with the Union, or not?

Sir Peter Hendy: I think the Secretary of State is going to publish a substantial paper on decarbonisation, which has been delayed by covid, but certainly in Network Rail we are working very hard to see how we might address the Government's long-term aspirations on decarbonisation. One of the principal methodologies on the railway is electrification. There is no doubt about it; we need to do it cheaper—certainly cheaper than the Great Western was done, and cheaper than maybe anybody has done it before, but probably to do that we need a programme. It is not the whole answer.

We also need to look at battery technology and hydrogen technology, where appropriate. I suspect that as a Committee you might want a separate whole section on that, in decarbonisation of transport in general, but certainly if Andrew Haines, my chief executive, were here, he would be able to tell you that we are trying to prepare quite hard for the questions that Government will ask us about decarbonisation all over the railway network, as well as in south Wales, because we are going to have to answer them to address the Government's decarbonisation agenda.

Q103 **Geraint Davies:** If we made the railways more affordable and more frequent through a fiscal strategy from Government, could that help



HOUSE OF COMMONS

produce more of a modal shift towards trains that was sustainable, and in turn also made them more economic, in order to help address our carbon ambition?

Sir Peter Hendy: Cheap fares make the railway more affordable. The question that I can't answer, but has to be answered politically, is how much money the Government are prepared to put into subsidising railway travel. I can't possibly complain about the money that the Government have put into our network in the last 12 months. I think that the fares policy has to be determined politically, because allocating Government revenue and capital funding has to be a matter for the Government in the end.

Geraint Davies: Fair enough. Thank you, Chair.

Q104 **Chair:** Thank you very much, Geraint. I am going to wrap up this session very shortly, but I will finish with one last question to you, Sir Peter. Something that I have found intriguing in a number of the answers you have given today—and you have been brilliant in being so frank with us—is that you have emphasised a number of times the importance of that direct relationship that you have with the Prime Minister, Boris Johnson, in the context of this review, but also in the context of the work that you did with Transport for London when he was Mayor of London. Is it your feeling that that kind of direct political relationship from the very top of an Administration to the work you are doing is absolutely vital for driving forward the kind of meaningful change that you have been tasked with, and, in normal times, in a steady state, is that accountability perhaps lacking from some of the established structures around Whitehall?

Sir Peter Hendy: Gosh, if I am not careful answering this question nobody in the civil service will ever speak to me again. I think regional government is a bit different, and of course actually you work within the context of the structures that you are given, and when the mayoralty was established in London it was a very unusual structure for British Government—one elected figure who had direct responsibility for the economic and spatial development of one of the world's great cities. I won't conceal that actually it was both a joy and a challenge. I worked for two Mayors. I worked for Ken Livingstone before Boris Johnson and it wouldn't have been much good with either of them if they hadn't liked me, or at least hadn't been prepared to tolerate how I did the job and what I did.

I would say this. The backbone that I referred to earlier, which is a long-term economic and spatial development plan for London and a long-term transport strategy, was amazingly helpful because we all knew what we were aiming at. But that is the structure that was set up by legislation in the Greater London Authority Act.

National Government is different; it is a much bigger beast. Of course, doing something directly for the Prime Minister is a substantial responsibility. The ability, occasionally at least, to communicate both ways is very helpful, but I don't think it is a feasible proposition when you are



HOUSE OF COMMONS

running a national institution like the railways. We have a democratically elected Government with a Cabinet structure, which has been at the heart of the way that the British nation has been governed, and the same is true of the devolved authorities. Frankly, it would be implausible to suggest that I should report to the Prime Minister directly about the railway infrastructure on a regular basis because he has a few other things to do as well. I do see the Secretary of State regularly. Indeed, when I finish this, I shall speak to him on various things.

You have to work within the system that you have got. If I look around the world's national railway systems, despite all the scorn that is poured by commentators on the way that we run this one, we are one of the few developed nations in the world that has doubled passenger traffic in the last 20 years. Although people keep referring me to the expansiveness of the French and German railway networks, they are both in a serious financial crisis. The French are wrestling with closing thousands of miles of rural railway lines because they simply cannot afford to run them, and DB in Germany is far from where it was 10 years ago when it was the flavour of the Chancellor's eye. It is regarded as a large national millstone consuming a huge amount of public money. In that respect, as you would expect me to say, I am reasonably comfortable with where we are.

The Williams-Shapps reforms are a whole different issue and will run the railway better, but the direct answer to your question is: it is an honour to be asked by the Prime Minister to do work like this, but I would not expect to report to him the running of the national railway network on the same basis, because I think he would have rather too much to do. The Government have been pretty busy with covid, so we have kept out of the way and tried to do the best we can.

Chair: Understood. Sir Peter Hendy, thank you very much for a really excellent hour. It has been a very worthwhile session with you. We wish you all the very best on the work that you are doing with the Union Connectivity Review. On the back of our inquiry into rail services and rail infrastructure in Wales, we would like to send you whatever output we produce and would like to stay in touch with your office if that is possible. Thank you very much.

Sir Peter Hendy: I hope one day to meet some of you in person. Maybe it will not be long now.

Chair: There is light at the end of the proverbial tunnel. A word to fellow Committee members: we are going to pause proceedings now to allow us to connect with Cardiff to bring in the Ministers, so don't go anywhere. Peter, thank you very much.

Sir Peter Hendy: Thank you very much.

Examination of witnesses



HOUSE OF COMMONS

Witnesses: Ken Skates, Simon Jones and James Hooker.

Q105 **Chair:** Good morning. Welcome to this second session of our meeting of the Welsh Affairs Committee, continuing our inquiry into rail infrastructure in Wales. I am delighted that for this second session we are joined by Minister Ken Skates from the Welsh Government. Ken Skates is the Minister for Economy, Transport and North Wales. Welcome, Minister. We always appreciate your time with us.

Ken Skates: Thank you, Chair. It is a pleasure to be with you again.

Q106 **Chair:** Perhaps I can open up this session by asking you about the Union Connectivity Review. What is the position of the Welsh Government towards that review? It was launched by the UK Government. Could you describe the way that you are feeding into that review and the contact you have had with Sir Peter Hendy, who is leading the review?

Ken Skates: Thanks, Chair. I welcome the review. Clearly, I would like to see the Williams review reach conclusion with the publication of a White Paper. I think the Union Connectivity Review gives us an opportunity to look particularly at rail infrastructure, given that around a third of journeys on the Wales and Borders rail service are cross-border journeys and the network is a cross-border network.

We have already had a good degree of engagement with Sir Peter Hendy directly. He is a superb and experienced person to take forward this review. We are also working with other bodies, for example the Burns commission and Growth Track 360, which will be familiar to north Wales Members, in pursuing opportunities that could be contained within the Union Connectivity Review. I have also had direct engagement with Members of Parliament concerning cross-border road schemes. As a Government, we would like the review to focus very much on rail infrastructure, given that it is a reserved responsibility, but there is a role for the review to look at some of the cross-border road infrastructure works that are being pursued, particularly by Highways England, with support from the Welsh Government team, as well.

I would have liked to have seen a very clear focus on additional infrastructure as well. Our first and foremost concern is that the Union Connectivity Review focuses on rail infrastructure. We have provided a comprehensive response that I am more than happy to share with Members if that is helpful.

Q107 **Chair:** That would be incredibly helpful. Thank you very much, Minister. Presumably, you have a number of specific asks of that review.

Ken Skates: Yes. Some of those requests have already been placed in our response to other reviews, such as the Williams review. Foremost, we want to ensure that it focuses on those non-devolved areas and that it seeks to address, as part of a levelling-up agenda, the under-investment in rail infrastructure in Wales.

Obviously, aviation is on its knees at the moment, so there is a role for the review to look at regional airport connectivity—the potential for public



HOUSE OF COMMONS

services to be operated across the UK, not just between regional airports and London, but between regional airports of the UK.

We are also keen to ensure that the team leading the review takes a close look at the recommendations from the Burns commission. That will be absolutely vital in delivering the rail infrastructure that would address the congestion in and around Newport. Of course, the problems with the M4 in and around Newport exist partly because it was a poorly designed piece of highway, and because there are precious few opportunities, via public transport, to get across that corridor in between south-east Wales and Bristol. The recommendations of the Burns commission would address that if implemented, but it requires investment from the Treasury, so we are hoping that the Union Connectivity Review will clearly outline what is required.

Q108 Chair: Great. Listening to Sir Peter Hendy in the first session this morning, I got the sense that he has a pretty strong appetite for looking across different modes of transport and connectivity. He obviously has enormous experience and a real wide-ranging appetite to get into all aspects of what the brief could mean. Are you and colleagues in the Welsh Government saying to him and his team, “Woah. Stay away from what’s devolved to us,” or are you relaxed that he wants to take such a far and wide-ranging brief?

Ken Skates: We are perfectly content for the UCR to look at highways in England and those cross-border schemes, but in Wales, because we have different methodology to determine highway projects and whether they should proceed—the Well-being of Future Generations Act and the WelTAG system, for example—it would be difficult for a review to be able to conclude the same outcomes for England as Wales in terms of highway projects, as they are considered in very different ways. We are more than happy for Sir Peter Hendy to look at road schemes and integration of road schemes with public transport infrastructure in England, but in terms of highways in Wales, we take a different approach to the development of projects, so it is a very distinct area of work, and we are responsible for it. We are keen to ensure that the review does not stray into areas of devolved responsibility, but we are working with Sir Peter on those cross-border highway projects.

Focusing first and foremost on public transport infrastructure—primarily rail infrastructure—would address, across the UK, some of the major problems with pinch points and congestion on highways. Nobody ever really talks about adding more lanes to the M25 or building a new M25, because all the focus is on rail infrastructure improvements as an alternative. That focus first and foremost on rail infrastructure would then, I think, lead to the development of policies and attitudes, particularly within the Treasury, that would be more aligned with the challenges that we now face, with decarbonisation and those net zero targets.

Q109 Chair: Thank you very much. I have another question before I bring in my colleague Simon Baynes. Were you comfortable with the decision taken by the Office of Rail and Road earlier this month to reject the



HOUSE OF COMMONS

application from Grand Union Trains to run additional services from south Wales, and potentially from west Wales, to and from Paddington? It seemed to me that that proposal could have injected greater competition and more connectivity into the roots between south Wales and London, but it was rejected. Do the Welsh Government have a corporate view on that?

Ken Skates: Yes, and we supported that additional service, in part because when it comes to the rail franchises, we only really have control over one—the Wales and Borders franchise. In terms of the West Coast Partnership and the GWR franchise agreement, we are basically treated as a stakeholder rather than as a Government, so we are unable to stipulate what sort of services should be provided on those routes. That really minimises the ability of the Welsh Government, representing people in Wales, to have a greater influence over the operators of those franchise services. If we had a greater influence over GWR, we may not have needed to pursue the GUT option. None the less, we were obviously disappointed by the decision, because as you said, Chair, it would have injected a greater degree of competition and would have enabled us to integrate public transport with south Wales main line services far better than at present.

Chair: Thank you very much. Simon Baynes, are you ready to come in now? We are slightly rejigging the order.

Q110 **Simon Baynes:** Certainly. Thank you very much, Chair. It is a pleasure to see the Minister, given that we both represent the same constituency and work together on various projects. I wanted to focus on the issue of the responsibilities for investment in rail infrastructure in Wales, in terms of the interplay between the Department for Transport and the Welsh Government. In particular, what involvement do you have with the Department for Transport on decision making about rail infrastructure?

You recently issued an open letter looking at some issues in north Wales, in particular step-free access at Ruabon station, in our constituency, and others, so I am well aware that there is a good level of contact between the two Governments on these issues. Could you make some general comments on this area?

Ken Skates: Thanks, Simon. It is helpful to be able to talk about the relationship that we have with DfT. Based on the feedback that I get from my officials, the relationship between the Welsh Government and DfT at an official level is better than it has ever been. At a political level, between myself, the Secretary of State and other Ministers within the Department, the relationship is strong as well. We have regular dialogue. Ultimately, though, it's the Treasury that determines investment programmes in rail infrastructure, and the mentality within the Treasury is very different to the mentality of officials and political leaders within the Department for Transport.

I believe a previous attendee to this Committee—I think it was Julian Glover—identified the benefit-cost ratio of schemes as being something that really inhibits investment outside the south-east of England. It is not



HOUSE OF COMMONS

just that equation or the numbers produced from that. It is the mentality that drives the decisions at an official level within Treasury and leads to the halo effect of investment being concentrated in and around London.

Whilst we have good relations with DfT at an official and political level, the challenge we—DfT and Welsh Government—face collectively is in influencing UK Treasury to make decisions on the basis of something other than the Green Book, and that really harsh benefit-cost ratio assessment that leads to funding being concentrated in one part of the UK. The ratio is always going to be greater where there is already significant investment, a high concentration of population, and a strong and integrated public transport system.

That is what has led to under-investment, not just in Wales but in other parts of the UK, for decades. We have 11% of track on the Wales route, as a total of the England and Wales routes. We have 11% of stations and 20% of level crossings, and yet since 2011 we have received less than 2% of enhancements. Set aside maintenance, which is a completely different matter, when it comes to upgrading rail infrastructure, which drives prosperity, we have received less than 2% on the Wales route. Between 2011 and 2016 that represents under-investment of £1 billion or more.

When you consider all the investment in rail infrastructure in England, between 2001 and 2029, we have calculated that the under-investment in Wales amounts to about £2.4 billion. This is directly related to the mentality of Treasury and the lack of the ability of DfT alone to make decisions on rail infrastructure. Ultimately, the lack of devolution is what has determined the lack of investment in Wales.

Obviously, we have the position of wishing to see devolution of rail infrastructure and settlement to Wales, so that we can utilise those systems that we already have—the Wales transport strategy, the Well-being of Future Generations Act—to make decisions in a different way that wouldn't concentrate rail infrastructure spend in the most urbanised areas, so we would be able to distribute investment more fairly across Wales.

Chair: May I remind Committee members and you, Minister, that we have a lot to get through? If we can all be as concise as possible, that would be really helpful.

Q111 **Rob Roberts:** Thank you, Chair. May I preface my questions by saying that the Minister went to school at the Alun School in Mold, and I went to Maes Garmon, which is next door? The two schools spent most of our time fighting, so we will try to make this a little less combative than it was back in the day.

Following on from Simon's questioning, I am interested in your view of the current methodology that the DfT uses to appraise rail projects. How do you think rail projects should be funded fairly in Wales?

Ken Skates: Thanks, Rob. I should say that I attended the Alun, but my form class was actually in central block and most of my friends were from Ysgol Maes Garmon, so there was no fighting between us.

In terms of the methodology, it is the Green Book that is broken. There is a review of the Green Book, thankfully. I do not know how long that will take to reach a conclusion. In the absence of the devolution of responsibilities and funding for rail infrastructure, we desperately need to see the methodology within the Treasury and DfT change, not least because the UK Government has already stated on numerous occasions that it has an ambitious levelling-up programme. That is not going to happen if the same mentality exists in the future that has existed for many decades, particularly within the Treasury. I will bring in Simon Jones, if I may, on this point.

Simon Jones: Thanks, Minister. Good morning, everybody. To elaborate on that point, the DfT have to use a process that they call RNEP—I have no idea what those four letters stand for. It is quite a tortuous process that they have to go through, and quite a lot of the stages have to be agreed by Treasury colleagues. The decision making is not swift, and there are lots of stages within the Department that have to be signed off. A project, from beginning to end, takes many, many years because of the bureaucracy that had to grow up around it. That appears to be because of the sign-off that happens at all of those different stages. Even something as relatively straightforward as providing funding for some feasibility studies or a business case for a few hundred thousand pounds can take many, many months to approve. It is really difficult then to make progress on developing any infrastructure proposals.

Ken Skates: RNEP—the rail network enhancement pipeline—doesn't currently work for Wales. We have no control or say over the process at all. The process itself, as Simon has outlined, is pretty opaque, incredibly bureaucratic and very slow indeed. Everybody recognises just how long it takes to upgrade rail infrastructure. That is in part because of the process itself failing the necessity to deliver enhancements in the speediest possible way.

Q112 **Rob Roberts:** Fabulous. Thank you for that, Minister and Simon. What is your assessment of how fairly funded Wales has been in terms of rail infrastructure investment generally?

Ken Skates: Generally, I have already outlined some of the figures for under-investment in Wales, which are pretty astonishing, and that is reflected in many other parts of the United Kingdom. I hope that the levelling-up agenda will address that. We will wait to see, but we estimate that, between 2001 and 2029, based on the investment in rail infrastructure that is taking place in England, under-investment to the tune of £2.4 billion will be experienced in Wales.

To put that in context, we are spending £750 million on the South Wales Metro and enhancing the core valley lines. You could essentially carry out that programme of work almost four times with the under-investment we have seen in Wales. That will only be addressed either through the devolution of responsibility and funding for rail infrastructure, or through a revolution in how programmes are considered within the UK Government,



HOUSE OF COMMONS

based on the benefit-cost ratio, the Green Book and the methodology, which does not serve to drive a levelling-up agenda at present.

Q113 Rob Roberts: Thank you. This is my final question. As you mentioned, about a tenth of what is spent on the South Wales Metro seems to be being spent on the North Wales Metro. You are also the Minister for North Wales, and there are lots of north Wales colleagues on the call. There is a general feeling in our constituencies of being a bit left behind. The Welsh Government seems to forget that Wales exists north of Newport, as well as in Cardiff Bay. I wonder if you might comment on the structures and the process around the North Wales Metro as well.

Ken Skates: Yes, sure. That is because, Rob, unfortunately rail infrastructure is still in the hands of the UK Government and we have seen huge under-investment in rail infrastructure in north Wales on a cross-border basis. For example, we have not seen the upgrades to the north Wales main line that we should have seen by now. We have not seen electrification of the north Wales main line.

We are calling—along with Steve Rotheram, the Metro Mayor of Liverpool—for £100 million to be spent on upgrading the Wrexham-Bidston line, so that we can run four trains an hour from Wrexham direct into Liverpool. That will cost, as I say, £100 million. It is not a significant sum of money, in my view. We are calling for new stations in Greenfield and potentially in Broughton, to serve Airbus. We are calling for new stations elsewhere across north Wales, particularly in the metro area that is focused largely on north-east Wales and on a cross-border basis. We are also calling for upgrades to stations across north Wales as well. Currently, all of the responsibility and all of the decisions for investing in those areas reside with the UK Government, and for decades we have seen huge under-investment in that infrastructure in Wales.

The Welsh Government have stepped in repeatedly, in terms of providing financial support for rail infrastructure. I will bring in Simon Jones briefly to outline some of the projects, such as the Ebbw Vale line investment and investment in north Wales. But to deliver the vision of the metro, we really do rely on the UK Government injecting a significant sum of money into rail infrastructure in north Wales.

We will be able to spend money and we are spending significant sums—tens of millions of pounds—on upgrading bus infrastructure and improving the opportunity for people to get more integrated transport in north Wales, but essentially it comes down to UK Government spending more money on rail infrastructure in north Wales. I will just briefly bring in Simon Jones.

Simon Jones: Thanks, Minister, and I will be brief, Chair. We have tried in the past to invest in rail infrastructure for these kinds of projects. One project that we spent quite a bit of money on in recent years was trying to improve journey times between north Wales and south Wales. Really, that has shone a light on the challenge that we have of rail not being devolved for us.



HOUSE OF COMMONS

The challenge we had is that we are not able to contract with Network Rail properly, so the cost of that scheme went from £40 million to £80 million; the journey time saving was reduced from 20 minutes to five minutes; and the programme for delivery increased from 18 months to something like three years. While this function is not devolved to us, it is really difficult for us to intervene directly, because we are not able to enter into contracts with Network Rail properly.

The Minister has talked about the kind of things that we would like to do to take those forward directly, but we are unable to do so, because even if we had the money we don't have the kind of organisational arrangements with Network Rail to allow us to be able to do that.

Ken Skates: I can think of specific example in north Wales where we have intervened and continue to do so. It regards the Chester to Wrexham line, and then onward to Shrewsbury, where we are again stepping in to provide infrastructure improvements that are not our responsibility. Beyond that, we are also spending £800 million on rolling stock—improved rolling stock—for the Wales and Borders franchise area.

Q114 **Rob Roberts:** Finally, just for complete clarity and appreciating the time, what I think I am hearing—you can correct me if I am wrong—is that the Welsh Government have spent £750-odd million on the South Wales Metro, which is wonderful news and you give credit to the Welsh Government, but you can't do the same in the north, and that is the UK Government's fault. Is that basically what you are telling me?

Ken Skates: The £750 million that has been invested in the metro is a combination of support from Welsh Government and UK Government, and it is part of the city deal as well. The North Wales Metro is not part of the growth deal for north Wales, and therefore the reliance on improving rail infrastructure in the case of north Wales resides purely with UK Government.

If the North Wales Metro had been part of the growth deal, the contribution could have come through that particular vehicle, but it is not and therefore it relies on direct intervention by UK Government. Otherwise, we will not see the sorts of improvements that we need to deliver on that vision.

Chair: I am going to bring in Beth Winter in a moment, but Geraint Davies, I understand you have a quick supplementary on this issue.

Q115 **Geraint Davies:** Yes, thanks. In terms of fair funding, we know that HS2 will halve the time between London and Manchester, from about two hours and 10 minutes to one hour and 10 minutes. The same number of people live in the Bristol, Cardiff, Swansea region as in Leeds and Manchester, but we only get a couple of services and they get eight. Do you think there is a compelling case for the UK Government to invest there, given that we get less than 2% of enhancement for 5% of the population?



Ken Skates: Yes, without a shadow of a doubt there is a compelling case. HS2 will obviously lead to benefits for north Wales, but the net impact on the economy of Wales will be negative, and quite considerably so, because it will leave south Wales at a disadvantage. Indeed, if we are to see the true benefits of HS2 realised for north Wales, we are going to have to see electrification of the main line and electrification between Crewe and Chester. That is what will really deliver the step change in improvements in north Wales, so there is a compelling case to invest more in south Wales and north Wales, alongside what is being undertaken on HS2.

Q116 **Beth Winter:** Thank you, Mr Skates and colleagues, for giving us your time this morning. I want to dig deeper into the devolution issue. You have said very clearly, and restated this morning, your call for full devolution of rail matters and for us to get a fair funding settlement. What are the practical implications, in terms of both opportunities and challenges, of devolving further responsibility of rail infrastructure to the Welsh Government? Diolch.

Ken Skates: First and foremost, if we had that further devolution, it would enable us to determine projects and enhancements on the basis of more than just a benefit-cost ratio. We would be able to do it on the basis of the interests of future generations, in alignment with the Well-being of Future Generations Act. We would be able to determine schemes on the basis of WelTAG—the Welsh transport appraisal guidance tool—and we would be able to do so in the interests of equality: driving down levels of inequality in Wales, and driving up investment in those parts of Wales that have not seen rail infrastructure enhancements in recent years, primarily places that are more remote.

Certainly in north Wales, we would be able to look at utilising devolution to invest more there. At the moment, we are only in control of the core valley lines, which enables us to upgrade those. We are not in control of any of the other rail infrastructure outside of that particular area. We are not in control in the south-west, in mid-Wales, or in north Wales, and as a consequence of that we are not able to invest in those areas. We would be able to if there were devolution.

Back in, I believe, September of last year, I published the rail vision document, which I think sets out all of what could be achieved if there were to be devolution of responsibilities and funding. I would be more than happy to either forward that vision document or condense it into a summary, if that helps at all.

Q117 **Beth Winter:** That would be very helpful. Thank you, Mr Skates. Can I just ask a very quick supplementary? I welcome the transport strategy and the ambition to establish an integrated transport system in Wales. Do you think that the current arrangements inhibit that, particularly in terms of your commitment to tackle the climate emergency as part of the integrated transport strategy?

Ken Skates: Yes. If you look at Wales right now, right at this moment, you'll see that we have a higher proportion of journeys undertaken by

private cars than any other part of the United Kingdom. Clearly, enabling, inspiring, encouraging and delivering modal shift will contribute to meeting those net zero targets. We are only going to be able to maximise the opportunities to deliver modal shift if we are in greater control of infrastructure investment, obviously primarily in and around rail infrastructure. At the moment, our abilities are limited, as you outlined, but our potential could be unlocked with the devolution of responsibilities and funding.

Q118 **Beth Winter:** Thank you. My final question is: what opportunities and challenges have arisen as a result of the devolution of the core valley lines in March of last year?

Ken Skates: I have to say that the divestment of the core valley lines is not a model for the process of the full devolution of rail infrastructure. The process was lengthy—far too long—and too complex, and it resulted in the Welsh Government ultimately being underfunded for the ongoing maintenance of what is a largely Victorian infrastructure set. That said, we do now have the skills within Transport for Wales to both manage and improve rail infrastructure, and would be able to do that across Wales just as we are doing with the core valley lines. But in terms of the transfer of responsibilities of assets, we would not want to go through what we experienced with the core valley lines again.

Q119 **Beth Winter:** What about your assessment of the partnership between Network Rail and Transport for Wales and the new devolved structures?

Ken Skates: It is fair to say that Network Rail and Transport for Wales have rapidly developed a positive partnership and a pretty constructive dialogue, which is ongoing. TfW can be challenging, and rightly so, but they are also respectful. I am looking forward to this positive relationship developing further through close collaboration as part of the Burns delivery unit. That will be vitally important in delivering on the recommendations of the Burns commission.

Beth Winter: Thank you for your comprehensive answers.

Q120 **Ruth Jones:** Thank you for your time this morning, Minister. I am going to follow on from Beth's question. You have talked about the core valley lines. There are anomalies in Ebbw Vale to Newport or Cardiff, and a lack of a decent rail link to Cardiff airport. The Severn tunnel is inhibiting development along the south Wales line, and there is obviously the South Wales Metro. How can you see the unlocking of that potential?

Ken Skates: Unlocking of the potential would come with devolution, because we would be able to look at enhancing all of those areas. You have identified the bottleneck of the tunnel and the fact that we are not in control of infrastructure outside the core valley lines. If we were, we would be able to better integrate all of the infrastructural improvements and schedule them all together. At the moment, when upgrades are undertaken, it can often lead to a pain for commuters, but we have no control over that outside the core valley lines.

The key to this is Burns. It is all set out in the Burns commission's report: how devolution and rail enhancements would lead to a significant improvement across south-east Wales.

Q121 **Ruth Jones:** Thank you; that is helpful. Looking at the Scottish model for rail devolution, could that be followed in Wales, or would you prefer a different model?

Ken Skates: I would personally prefer a different model. The Scottish model is imperfect. It does not represent full devolution of rail as we have called for in our response to the Williams rail review. Essentially, the Scottish Government do not have the levers over Network Rail that would enable them to fully deliver against their priorities. The Scottish Government have responsibility for funding Network Rail in Scotland, but they do not have management responsibility, and Network Rail remains fully accountable, therefore, to the Department for Transport. Simon Jones has already outlined, in terms of specific work on the north-south journey improvement times, just how difficult it can be to deliver against our objectives when essentially we get Network Rail to carry out the upgrade that is required.

Ruth Jones: Thank you, Minister; that is really helpful.

Chair: Thank you. Robin Millar has a supplementary.

Q122 **Robin Millar:** Minister Skates, it is good to see you again.

Ken Skates: It is good to see you.

Robin Millar: I caught some of your comments there. You said how the Welsh Government is underfunded—I think you referred to massive under-investment by the UK Government. You talked about frustration with spending decisions and the progress of those between Treasury and DfT. You also spoke about how the Welsh Government have stepped in to spend money and what more would be possible with more devolution. But that is actually being a little disingenuous, isn't it? Because 80% of the Welsh Government's funding comes from the UK Government, and I think currently the Welsh fiscal deficit is at 18%, so as a stand-alone nation it simply would not have the funds to make the kind of investment I have seen in Conwy Valley of £17 million, for example. Let's be honest: it really is easier to spend the money that other people have to raise, isn't it?

Ken Skates: I should say, Chair, that I am not talking about independence for Wales and therefore independent responsibilities for raising taxes and spending. I am talking about devolving the responsibility over infrastructure while being part of the Union of Great Britain and Northern Ireland, which allows for a redistribution of investment and wealth, and therefore being part of the Union. Having the decision and the responsibilities over investment would be the perfect outcome, I think. And there has been huge under-investment. This is not a party political point because, on our calculations, we can go back to 2001 and, based on the investment that has taken place in England and Wales and the



investment that is going to be taking place up until 2029, the under-investment on the Wales route amounts to around about £2.4 billion. That could be addressed through devolution and a fair funding settlement for rail infrastructure.

In the absence of devolution, we desperately need to see attitudes change within the Treasury in a way that enables that levelling-up agenda to be pursued and for investment to be undertaken on the basis of something other than just the benefit-cost ratio of a particular programme, because for as long as that continues I am afraid we are just going to see a concentration of investment in the south-east of England, and with that concentration of investment there will be a concentration of opportunities for employment as well. My call to the UK Government would be to either devolve, and devolve with a fair financial settlement, or actually meet the aspirations that have been set out in the levelling-up agenda. But that will require a monumental change in attitude within the Treasury in particular.

Q123 **Robin Millar:** I don't want to press the point—I think I have rather made it—but it still stands that with a fiscal deficit of £13.5 billion a year in Wales in 2018-19, it is questionable just how much would be able to be afforded. This isn't a point about independence, either. It is about collaboration between two nations. There has to be some balance. When we throw around words like "under-investment", there has to be some balance.

Ken Skates: But equally, that argument could lead you ultimately to say that, because the City of London is about the only part of the United Kingdom that generates more than is spent in that particular area, it should then retain more investment. I think the beauty of the Union of Great Britain and Northern Ireland is that there is the potential to redistribute investment, wealth and opportunity across the land. Therefore, that under-investment should, I think, morally be addressed, because if it is not, then I am afraid— The Union is a fragile thing and it could be further undermined, because too many people, as has been outlined by Members today, feel that investment is being concentrated in areas other than Wales. I get letters all the time from Members of Parliament, from Members of the Senedd, asking us to step in to reopen rail lines, to invest in stations, to invest in rail infrastructure and improvements that would lead to speedier journeys. It is not our responsibility. That is why we either need devolution or we need the UK Government to address that historic underfunding problem.

It has to be said that it is not just in terms of rail, either. The same applies to broadband. We are not responsible for it. We have had to step in to address a lack of ultrafast and superfast broadband in many parts of Wales, and the reason we have had to step in is that decisions are constantly made on the basis of the business cases of where you get greatest value for money, and you are always going to get greatest value for money where you already have great degrees of prosperity and wealth, and that is primarily in places like the City of London.

Robin Millar: Chairman, I'd love to continue this sparring but I'll leave it



HOUSE OF COMMONS

there. Thank you.

Q124 **Chair:** Thank you very much. Before I bring in Virginia Crosbie, Minister, you talk about broadband there. Are you referring to the Superfast Cymru programme?

Ken Skates: Yes, we have had to step in with our own programme, Superfast Cymru.

Q125 **Chair:** My understanding of the superfast programme is that it was actually part of the UK-wide effort after 2010 to roll out Superfast Cymru, and actually what the UK Government did was basically hand the Welsh Government the role for doing the Welsh part of a UK-wide programme. So, is it accurate to say that it was the Welsh Government stepping into a gap, there? It was part of a coalition Government—a UK Government—initiative.

Ken Skates: It is fair to say that, because essentially Superfast Cymru is a part-funded scheme by UK Government. The rest of the money comes from Welsh Government and the EU, so essentially the money is coming from Welsh Government funds, whereas actually it is a reserved responsibility.

Q126 **Chair:** Sorry, we don't need to get bogged down too much in this, but there was work carrying on all across the UK to roll out superfast broadband as part of a UK-wide programme. The Welsh Government were tasked with, and given the resources to do, the Welsh component of that, unless I misremember my time in the job.

Ken Skates: No, you are right. We were given funding, but it was only one third of what was required to address the challenge that we faced, so the Welsh Government then had to step in with an additional third, and we drew down the further third of funding from the EU.

Chair: The European money.

Ken Skates: Yes.

Chair: Thank you very much. Virginia Crosbie next.

Q127 **Virginia Crosbie:** Good morning, Minister, from a very sunny Anglesey. I am delighted that you are championing investment, because you will have received my letter regarding the Anglesey freeport bid. My question relates to collaboration, which you have touched on already. How would you describe the relationship between the Welsh and UK Governments on rail issues, both in terms of the level and the nature of engagement?

Ken Skates: Thank you, Virginia, for championing the reopening of the Amlwch line as well. I hope that can be progressed. Obviously, it will require investment from the UK Government. There are schemes like that across Wales that would really enhance the communities in our country.

Q128 **Virginia Crosbie:** Your team have been absolutely excellent to work with. I must give you my thanks. They have been absolutely fantastic.



HOUSE OF COMMONS

Ken Skates: I am really grateful for those kind comments. I know that they have enjoyed working with you on this particular project, so thanks for that.

As I have already outlined in answer to a previous line of questions, the relationship between DfT and the Welsh Government is better than it has been, certainly in my memory, and I think it goes back much further than that as well. The challenge is that it is not really DfT who are holding the keys to the bank; it is the Treasury. So the difficulty that we face is that, while we can engage very productively and constructively with DfT, ultimately the decisions are made by others elsewhere in the UK Government.

Q129 **Virginia Crosbie:** It might be quite helpful to the Committee, Minister, to understand how regularly you meet.

Ken Skates: I would need to look in my diary to check exactly how many meetings I have had with Ministers and the Secretary of State. It is fair to say that during the course of covid our meetings have become more regular. We have quadrilaterals that are chaired by Baroness Vere. I also have meetings with the Secretary of State and other Ministers in the Department for Transport. On my engagement with the Treasury, it is clearly less so, because that is undertaken by the Finance Minister. It is fair to say that the engagement that we have had during the course of coronavirus has been better than we have ever had since devolution.

Q130 **Virginia Crosbie:** Are you satisfied with the level of engagement?

Ken Skates: In terms of the number of meetings, I am very satisfied. In terms of the engagement between officials, they talk several times a week, so, again, the engagement is very good indeed. I would hope that it would lead to more positive outcomes. We will see what happens with the Union Connectivity Review, the response to the Williams rail review and certain decisions relating to the Access for All scheme, the new stations fund and so forth, and the restoring of your railway fund. We have supported or made applications for those funds, and we are hopeful that we will see positive outcomes. I know that Members today are supportive of some of the schemes that we are promoting as part of those programmes of works, and I am sure that we are all hoping that they will be successful. I will just bring in Simon Jones, if I may, because he might be able to shine a brighter light on how engagement has been with DfT historically and how it is today.

Simon Jones: I would just emphasise the point about what is happening at the moment. We have a shared endeavour with covid and the challenges that we are jointly facing operationally, so we are sharing our experiences with colleagues in the DfT, and vice versa. We are working together as peers, if you like, on that, and that is a really productive form of relationship, which we are increasingly trying to develop with our colleagues in Scotland as well. Historically, the relationship has been more as a supplicant asking for money for things. Through the covid stuff, we have been able to talk more as people with a shared and common



HOUSE OF COMMONS

purpose. It has changed the nature of the discussion and the quality of the conversations that we are able to have.

Virginia Crosbie: Thank you very much.

Ken Skates: Chair, could I just add something? In terms of intergovernmental relations, we have been able to share ideas and thinking in a way that we were not able to do in the past. That does not just apply to the relationship that I and officials have with DfT; it also applies to the relationship that we have with other Departments that I regularly engage with—for example, BEIS. Just this week, Paul Scully, I and Ministers from the other devolved Administrations were collectively able to consider the future of town centres. That never happened prior to covid, and it is good to see that happening now. I think what we need is that degree of collaboration and engagement to be cemented in more formal processes.

Q131 **Chair:** And you feel it is covid, more than anything, that has been the catalyst for the change that you are describing in the relationships between your Departments and UK Government Departments.

Ken Skates: Absolutely. Having that common enemy has really brought us together in a more collaborative way.

Chair: Very good. That's good to hear.

Q132 **Geraint Davies:** I just want to ask about how the end of the franchising model has implications for the Welsh Government and Transport for Wales. How has that gone?

Ken Skates: I will bring in Simon, if I may. It is pretty technical stuff, but it does provide us with opportunities, obviously.

Simon Jones: It has been a really difficult year in terms of the way that the contracts work, because the funding model for our franchise, in common with all the franchises in the UK, has completely fallen apart. We were reliant on 50% of the revenue coming from passenger fares. That dropped to less than 5% at one point at the height of the first lockdown. It has grown a little bit since then, but it is nowhere near where it should be. It broke the financial model, and it was unsustainable, frankly, for the operator to stay in place. We took the decision to move to the regime where TfW directly operate the trains, because that was the only long-term way of doing this. It was unsustainable to try any other way. We explored that at length with the provider, but that was just not possible. At the beginning of this month, we transferred to the new arrangements, and TfW are effectively directly operating trains in Wales, in the same way as the Department for Transport are doing on Northern and elsewhere in England.

Ken Skates: No operator could have shouldered the sorts of losses that were being incurred during the pandemic. Keolis themselves identified that. They were a great operator, but the pandemic crushed the system—the model that has been used for many years—so we had to intervene,



HOUSE OF COMMONS

because the costs were just incredible of maintaining the system in the way that it had been operating since we took responsibility for the franchise agreement.

Q133 Geraint Davies: Moving out of covid, and in terms of sustainability, what does that mean in terms of the structure and the financial support that we need from the UK Government and, indeed, from the Welsh Government for a sustainable passenger system?

Ken Skates: In order to get that sustainability, we need to see the number of passengers increase. We need to get the fare box back up to where it was in pre-pandemic times. We saw steady increases in patronage, right up until the pandemic hit, over many years. There were significant increases in passenger numbers across the entire network across the UK, but the pandemic has impacted catastrophically on the fare box. We will get to a sustainable model again only once we see people using public transport again, and that could take some time. We are all working together, and not just across the UK. Governments around the world are trying to figure out how you can operate sustainable public transport systems when you carry so few passengers, and what can be done to safely bring passengers back and to give them the confidence that they are able to use public transport again.

Another really important point to make with regards to your question, Geraint, is that future sustainability will be about better connectivity and better integration. That is what will attract people back: a better fare system, integrated ticketing and integrated timetables. So it is not just about the funding. It is also about who is responsible for what and who is able to integrate all those components.

In Welsh Government, we face the same challenge as UK Government. We are all going to require additional funding for the next two to five years. That will be pretty significant. I think that is recognised within UK Government, so we are hopeful that we will be able to draw down that additional funding that is going to be so important to public transport in Wales.

Q134 Geraint Davies: Presumably, post vaccination, we will be looking at a real boost in terms of trying to get modal shift, greater frequency and affordability. If we gear that up, perhaps we can get a more sustainable system for the future.

Ken Skates: Absolutely. The risk, though, is that people will believe that the private car is a safer way to travel than public transport. That is the big challenge that we face in giving people confidence to get back on to trains and buses.

Chair: Geraint, thank you very much. We have exhausted the planned areas that we were going to ask you about, Minister. We have about 10 minutes left, but unless there are any further questions or points from Committee members, there is probably no need to detain you. We are grateful for the time you have given us, the frankness of your answers and the contribution from your officials.



HOUSE OF COMMONS

Ken Skates: That is very kind, Chair. It is always a pleasure to appear before your Committee. This is probably going to be my last appearance before the elections, so thank you for being so generous in inviting me to appear. Thank you again for looking at this particular issue. I could probably take 10 minutes just talking with Rob about our times at Ysgol Maes Garmon and the Alun School, but I know everybody is busy, so that should wait for another opportunity.

Chair: Yes. Who knows what will happen with the election, but if you are back in Government as a Minister, we would love to see you again in the future. We always value the time that you give to our Committee. We look forward to sharing our findings and our output from this particular inquiry into rail with you and your team at Welsh Government.

Thank you to all the Committee members. I will see many of you later on for the yearly St David's Day debate this afternoon.