

HOC WAC Rail Infrastructure 2020 SC v3

**TY'R CYFREDIN SAN STEFFAN: PWLLGOR MATERION CYMREIG
SEILWAITH RHEILFFYRDD YNG NGHYMRU 2021**

Tystiolaeth Ysgrifenedig ar y pwntiau canlynol

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**HOUSE OF COMMONS: WELSH AFFAIRS COMMITTEE RAILWAY
INFRASTRUCTURE IN WALES**

Written evidence submission

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(1) Where does responsibility lie for rail infrastructure in Wales?

- The management of the Core Valley Lines (also referred to as the South Wales Metro) railway infrastructure is exclusively the responsibility of Welsh Government/Transport for Wales. The remainder of the Wales public rail network is managed exclusively by Network Rail. Despite being a relatively small part of total track miles, Valley Lines carries about 50% of the total passenger numbers on the Wales and Borders franchise.
- Core Valley Lines (CVL): Transport for Wales/Welsh Government. The decision to invest was made by Welsh Government.
- The funding has been sourced as follows:

Welsh Government*	£455m
European Union	£158m
UK Government	£125m
Total ringfenced budget	£738m

The Covid – 19 impact may mean an increase in CVL costs

*There is an element of City Deal funding in this figure.

- Welsh Government has taken over the ownership of track between Cardiff Central and the four Valley Lines to Treherbert, Aberdare, Merthyr and Rhymney; and the Cardiff Bay line. It has responsibility for all new infrastructure, signals, bridge modifications, erection of overhead wiring and the maintenance of those elements. The Operational Development Partnership between Welsh Government / Transport for Wales and Amey-

Keolis remains and the latter are responsible for planning the electrification of those routes.

- Rail infrastructure includes:
 - track
 - signals
 - stations and car parks/bike parks
 - electrification investment of Core Valley Lines
- The new rolling stock throughout Wales is funded through a banking arrangement with TfW. This will incur lower costs than through the alternative ROSCO companies. Provision through the Public Works Loan Board would have been considerably cheaper and provided ownership by the Welsh Government. Authority for such PWLB borrowing is provided by HM Treasury. It would be pure conjecture to comment on why the PWLB function was not used / provided in this instance.

(2) How effectively do the UK and Welsh Governments cooperate with one another in the management, and funding, of rail infrastructure in Wales?

- The two governments have an ongoing day-to-day working relationship at an official level for investment planning with discussions between Welsh Government / Transport for Wales (TfW) and Department for Transport / Network Rail (NR). The latter organisations in each case government agencies.
- The devolution of Core Valley Lines shows it can work. This was a major project in both cost and policy terms for all the parties
- Welsh Government makes policy decisions carried out by TfW. This is the appropriate governance process.
- It is important to differentiate between *network maintenance / reinstatement* and *network enhancement* (the latter extends network capacity).
- For example, recent reinstatement work on the Heart of Wales Line following the Llangynllo landslip and the Llangennech oil train derailment were funded by Network Rail but discussed between it and Transport for Wales. Discussions on the transfer of Core Valley Lines (referred to by TfW as the South Wales Metro) and the electrification programme involved ministers and staff of both governments / agencies.
- However, the funding levels resulting from the co-operation has not reflected Wales' railway needs. Here there can be differences on the ministerial priority / political level.
- Priorities of the English Government's Department of Transport (DfT) will differ from those of the Welsh Government. The DfT priorities have been primarily in south east England originating services in accordance with the HM Treasury Green Book on investment appraisal. This is based on the benefit cost ratio (BCR) of the scheme. (Section 5 refers).

- The priority schemes (not in any particular order here) for Welsh Government network enhancement should be:
 - South Wales Main Line increased track speed and electrification (*NR*)
 - Core Valley Lines electrification and increased capacity (*TfW*)
 - North Wales Main Line track speed and electrification (*NR*)
 - Cambrian Line (to Aberystwyth) increased line speeds and more dynamic loops
 - Cardiff Central additional platforms
 - Ebbw Vale line improvements
 - Swansea Commuter Network
 - Swansea District Line as a commuter route and an additional route saving 14 – 22 minutes between Carmarthen / Pembrokeshire and Cardiff (*NR, Wales Office*)
 - Heart of Wales Line improved track speeds and frequencies. (*NR*)
 - Electrification of relief lines on South Wales Main Line: Cardiff – Newport and adjacent to M4 J33. (*NR*)
 - Chester – Wreccsam – Bidston increased line speeds and electrification to link into Merseyrail as a loop.
- One key question is the degree to which DfT infrastructure investment is influenced by HM Treasury (Section 5 refers)
- It would be operationally difficult for a rail upgrade to stop at the border. Network Rail's maintenance programme management provides for sections of track irrespective of the UK nation in which they are located
- Electrification of the railway (it would appear) is discouraged by HM Treasury by introducing hydrogen trains into the discussion; their possibility stretches to 30 years. It has been seen as a smokescreen to discourage a very expensive electrification project (Cardiff – Swansea at £500 m). Thus, high priority investment for the Welsh Government does not fit that scenario.
- The Swansea District Line exemplifies this question. A plan for a park and ride station (along with additional train services between Carmarthen and Cardiff) which I proposed some years ago. This was taken up by the Wales Office and put to DfT, and Welsh Government. All three had evaluations carried out with a BCR of around 0.6:1 – good for a largely rural railway. Several meetings took place between DfT, Wales Office, Welsh Government TfW, Swansea City and Neath Port Talbot CBC, Carmarthenshire and Pembrokeshire CC's. Despite its clear advantages the scheme has not been taken up.
- One might ask the question – was this a Treasury decision with a preference for schemes whose BCR was above 2.0:1; a Network Rail decision although the station and associated signal costs were to be met by the UK Government; or was it political differences which has help up the scheme

(3) Should responsibility for railway infrastructure in Wales be fully devolved?

- The simple answer is Yes. The rationale relates to capital investment allocations between different modes (primarily road and rail) within an integrated transport policy.
- At present the Welsh Government may spend on either investment (as with the Core Valley Lines). However, Block Grant funding up to now, covers only major highway schemes.
- The setting up of a publicly owned rail services operation (TfW Rail Limited) followed the financial implications of Covid 19 (Section 6 refers) on the private operator Keolis – Amey. Devolution of rail infrastructure together with trunk road investment would complete the integration of transport policy and investment within Wales. This does not preclude Network Rail being infrastructure operator, as in Scotland
- Welsh Government also owns a national long-distance bus and coach operation – TrawsCymru – so is unique in the UK. It is a franchise type business with 12 routes operated by private contracted companies all over Wales. Its integration into rail services is currently in hand.
- Therefore, a similar funding stream for railway investment is needed with adequate funding through the Block Grant (revenue and capital) and adequate provision for borrowing powers given to Welsh Government. Bringing both types of expenditure under Welsh Government means road / rail investment choices can be made.
- A proposal in the Shaw report: *The future shape and financing of network Rail (2016)* would provide for TfW taking on that role.
- There is no direct statutory link between Welsh Government and Network Rail (as there is in Scotland) The Welsh Affairs Committee attempted to place that on the face of the respective bills for the 2005 Transport Act and the 2006 Transport (Wales) Act. However, this was rejected by the UK Government.
- Welsh Government has therefore no control over Network Rail expenditure in Wales. There is a need for Network Rail to be more accountable to TFW but Network Rail will continue to operate the infrastructure (as above) though the success of CVL operations will provide a good test of operational transfer
- It is worth noting that the HLOS and SoFA (and consequently Network Rail's funding and strategic direction in Scotland are determined by Transport Scotland. Network Rail prepares two Strategic Business Plans – one for Scotland and one for Wales and England
- The Office of Road and Rail (ORR) sets separate output targets and could take action against Network Rail if it defaults on the Scottish outputs irrespective of its performance in Wales and England. (Section 5 refers)

Wales needs at minimum the same position as Scotland in relation to Block Grant funding and the powers in relation to Network Rail. However, the Welsh Government has gone one stage further in owning a part of the network

The asset transfer of Core Valley Lines from Network Rail to TfW has broken down the previous rigid barriers where DfT was responsible and WG was an onlooker.

There may well be case for updating the 2005 Railways Act to reflect the new devolved arrangements,

Rail infrastructure is partly devolved with Core Valley Lines. The Scottish model provides evidence of the practicability. However, financial costs and risks - for example, if a crisis with similar travel impacts to Covid occurred, with very few trains running so providing less income from track access charges.

(4) What share of investment has Wales secured in its rail infrastructure since privatisation came into effect in 1994, and how sufficient is that level of investment?

Different estimates have been made of the percentage of total Great Britain expenditure coming to Wales. Under the Barnett formulae (itself an unsatisfactory and at the time temporary measure) 5% of total capital expenditure on railway enhancement investment should come to Wales. Wales appears to be receiving 1% - 2% the Great Britain figure, particularly so when expenditures on HS 2 and Crossrail are considered.

Making comparisons with 1994 may be a red herring because the major part of GB rail passenger demand and journeys is not in Wales and markets have changed since 1994. Consequently, whether it is right or wrong it is inevitable that more funding goes to major economic centres like London and Manchester because they are much bigger. That is the output from pure economic analysis such as BCR. The Committee might perhaps get more from a compare / contrast analysis between what DfT will spend over the next few years versus what WG would be prepared to spend.

Thus, the percentage share of total expenditure is not the only discussion. The key comparative measures should be equating the:

- Age profile of rolling stock falls well below the equivalent in England with the exception of the new Hitachi electric trains on the Great Western Main Line. Some trains are now life expired at 40 years old and temporary but second-hand trains from England will serve until the Welsh Government funded trains arrive in 2023
- Average line speeds along the main line from Swansea to London vary considerably (2018 speeds):
 - London – Reading: 77 mph
 - Reading – Swindon: 95 mph
 - Swindon – Cardiff: 70 mph
 - Cardiff – Swansea: 46 mph
 - Swansea – Carmarthen: 34 mph
 - Carmarthen – Whitland: 40 mph

These low speeds are the result of under investment in Wales' railways.

- Loops installed on the Cambrian Line are an enhancement but were a relatively low-cost item.
- Track electrification – the only section of electrified line is from the Severn Tunnel to Cardiff
- New signalling system at Port Talbot a high level of investment on the South Wales Main Line was a replacement of time expired equipment and not enhancement per se.

Maintenance and repairs have been on a consistent level across the Network Rail network

Significant changes are needed in the Green Book approach if Welsh capital investments schemes are to come further up the priority list for DfT (Section 5 refers)

The electrification of Core Valley Lines is not funded in the same way as Network Rail's parts of the Welsh rail network. This is a Welsh Government initiative entirely (Section 1 refers)

The South East Wales Transport Commission's brief from Welsh Government was to find solutions to peak period traffic congestion on the M4 around Newport and Cardiff – morning, evening and major events. Removing twenty per-cent of traffic is required and the Commission's report (November 2020) shows this to be achievable

- Research shows that construction of easy, at grade passenger interchanges giving better integration of bus and rail services enhanced through multi-use tickets (as with Netherlands Chipkaart and London Oyster card); joined up timetables; service frequency and reduced predictable journey times encourage a switch to public transport.
- The proposed new South Wales Main Line commuter stations e.g., Magor, Llanwern, Tredegar Park, Maindee and St Mellons enable short distance walking and cycling. However, to reduce peak period M4 traffic, these have to be easily accessible from motorway junctions and have adequate parking capacity to attract car users. Network Rail's good relationship with Transport for Wales augers well for such developments.

(5) How is funding allocated to rail infrastructure projects across the UK and how are the different infrastructure needs of the regions and nations of the UK assessed?

- HM Treasury is the final provider of all capital expenditure in Wales and the other three UK nations. This includes rail. It sees funding (a word now barred in the Treasury) in different ways for rail and road investment
- Railways

- Subsidy – ‘Why should the means of travel of the wealthy middle classes be subsidised?’ is HM Treasury’s question, reflecting its perception of rail travel as London commuting.
 - Funding to HM Treasury equates to ‘bad financial management’ and should be avoided – it is akin to subsidy. One may find that ‘Fund’ is replaced by ‘Initiative’ in new financial bids
 - Ironically, road construction is seen as an investment for personal mobility and economic success
 - Wales where income levels are lower and infrastructure costs are about the same but the user is not in that wealthy category.
 - Therefore, Welsh Government has determined that fares on Valley Line services are 35% of those on London commuter lines.
 - Revenue support for rail passenger services in Wales is determined by Welsh Government.
 - Examples in Wales of financial limitations imposed by HM Treasury:
 - 1) Department for Transport plan to electrify from Cardiff – Swansea was curtailed
 - 2) no additional funding above the initial £125m capital for Core Valley Lines investment
- Primary criteria for rail infrastructure improvements:
 - Increases in train frequency
 - Reduced journey times
 - Infrastructure investment at stations to enhance journey experience
 - Increased capacity on trains (i.e., operating longer and more efficient trains)
 - More modern, comfortable trains
 - Defined objectives for rail infrastructure:
 - Provide passengers with a high quality travel experience
 - Reduced journey time
 - Faster more frequent trains
 - Strategic links to / from less densely populated areas (represented by about 70% of wales’ land mass) to enhance wider economic and social objectives.
 - Extendibility of the network in the future
 - Reduced operating costs
 - Increased reliability
 - Lower environmental impact
 - DDA approved accessibility on trains / stations
 - Regional connectivity
 - International connectivity
 - Capital expenditure decisions in Wales are made at different stages

- The first stage is the High-Level Output Specification (HLOS) and the Statement of Available Funding (SoFA). This is made prior to each Network Rail Control Period (i.e., financial period). The decision for Control Period 6 (2019 – 2024) was announced by the DfT in October 2017 as £47.9 bn. Of this £34.7 bn was expected to be provided via UK government grant and the remainder from access charges and property portfolio. This was subsequently reduced by £1 bn (almost 3%) which it is understood was a Treasury decision.
- Capital expenditure on railway projects may be funded by the Welsh Government but this expenditure is not reflected in the Welsh Block Grant
- The HLOS, SoFA determine overall expenditure and the HM Treasury's Green Book considers allocation on a case-by-case basis. (Section 5 refers)
- Network Rail is a GB-wide organisation so its processes and project management have a single set of rules in terms of its financial probity and its Network Licence. It is therefore guided towards high investment returns.
- Network Rail carries out three stage business cases (Strategic Case, Outline Business Case and Full Business Case as per the DfT guidance) for all significant infrastructure investment projects. This informs Ministers about investment choices. There is also a nine stage GRIP analytical process within Network Rail to ensure the option progressed gives the best return for the criteria set
- The announcement by the Chief Secretary to the Treasury (November 2020) should bring benefits to Wales. The Green Book is to be modified in terms of its dependence on the BCR as a primary investment criterion. For Wales, this would mean that schemes with a strategic benefit should be the priority schemes. However, the Transport Business Cases (Strategic, Economic, Commercial, Financial and Management) 'developed in line with the Treasury Green Book' has supposedly been in place since 2013 but with little impact on decisions based on strategic importance.
- For many years since the 1960's the evaluation base was referred to as Cost Benefit Analysis where travel time, vehicle operating costs and accident cost savings formed the key elements in determining value for money. Despite agreeing to environmental and wider economic impacts being agreed by DfT / HM Treasury, value for money continued to be based on travel time and operational cost savings. Under the current business case process only schemes passing the Strategic Case should go forward. This is the essence of the changes proposed in the Green Book Review 2020. It makes clear that some business cases do not have a strong strategic case
- 'This is seen by some (*including Professor Stuart Cole*) as a result of attitudes inside HM Treasury giving undue weight to BCR results'. The review sees BCR 'as a valuable tool for informing the choice of options at a short-listing stage to see if there is value for money' but it has been

used 'without reference to a strategic case and does not give a comprehensive view of the social value offered by the scheme'

- The Transport Business Cases form the basis of WelTAG, the Welsh Government's project evaluation process where quite correctly, the Strategic Case has to be as predominant as the Economic and Commercial cases.
- Ultimately, the allocation of funding is a political decision, so the more the UK Govt and WG engage and cooperate the more likely a better outcome. It is worth noting that rail investment in Wales did not increase significantly under both Labour and Conservative UK governments. Where therefore lies the obstacle – BCR as a basis for investment?

(6) What will be the impact of the Covid-19 pandemic for the railway network in Wales (including the sustainability of services and potential impact in the railway infrastructure?)

- The railway serves economic and social needs, so the short-term and medium-term impact of COVID on the way people work, shop and enjoy leisure will influence rail demand. Towns and cities will struggle with many many retailers already going into administration and an increase in on-line buying. People will work more from home; they will meet online rather than travel to meetings (consider those Swansea to Paddington trains largely occupied by commuters and people going to London for meetings).
- Reduced passenger demand is the primary impact from Covid – 19
Taking 1st March 2020 as a base of 100 the index of average Network Rail passenger numbers has been:

Date	Index
1/3/2020	100
13/3/2020	92
21/3/2020	33
28/3/2020	9
15/4/2020	4
30/4/2020	4
30/5/2020	8
30/6/2020	17
30/7/2020	30
30/8/2020	37

- However, this should be put into longer term contexts of transfer to / use of public transport:
 - Climate change has to be a primary governmental objective
 - Road emissions and concern for them are a significant cause of passenger transfer to public transport.
 - Road congestion and more predictable journey time by train is one of the biggest causes of transfer from car to rail travel especially in commuter travel.
 - Commuting into Cardiff is currently only 2% of the total Cardiff journey to work area commute; in London 70% of commuters into the centre travel by train / underground. Thus, there a large potential latent demand which the Cardiff City Council would wish to tap into with its transport strategy.

The conclusion here is that while demand is low currently consequent on movement restrictions it is expected that 80% of previous demand will return, However, major train companies are looking at changes in passenger demand between leisure and business travellers. Many of the latter are working from home; the difficulty is estimating how many will continue to do so and meet on-line in the future

There will less demand and more capacity / supply. This brings into question whether investment in more capacity (for more frequent trains) and investment in journey times (where the business case is weighted towards business commuters saving a few minutes) is really needed.

An alternative investment strategy might be making the existing network better by improving the journey experience of existing passengers. For example, consider investing billions into upgrading existing capacity within a context of making more railway stations fully DDA accessible; improve station facilities and build more stations (with faster accelerating trains to neutralise any end-to-end journey time increases).

However, investment in Wales' railways will still be required with the enhancements indicated (section 2 refers) in earlier sections compensating for the under investment over a long period

(7) What opportunities are there for Wales as a result of the recently launched Union Connectivity Review?

The Union Connectivity Review refers to 'cross-border' infrastructure

Led by Sir Peter Hendy it has a wider brief to examine links between Wales and other parts of the UK in terms of quality and reliability of major connections; the

expected future demand for transport links and the benefits for economic growth from the internal UK market once we leave the European Union. In south east Wales there must be common ground with the SEWTC report along the M4 corridor. We shall see whether the Hendy report outputs agree or not.

The statement, by the UK Government (no reference available) that only schemes 'crossing the border' would be considered. If this is pursued it makes little transport or economic sense unless the full length of such railway lines is improved.

The key investment result is increased liner speeds and consequent reduction in journey time.

Major schemes to consider are:

- South Wales Main Line electrification. This was taken over the border to Cardiff but the resulting economic impulse is primarily west of Cardiff.
- North Wales Main Line electrification would be ineffective in economic terms if it were only carried out to, say, Flint.
- Increased line speed along the Marcher Line between Newport and Chester would hopefully be covered by the wider scheme definition. It provides the vital rail link between south and north Wales but operates in both countries.
- The Heart of Wales Line has an important role in the tourist economy of rural mid – Wales. The tourist industry employs 15% of Wales population and provides therefore a key 'leveller' in the post Covid recovery.
- Shrewsbury to Aberystwyth with added passing loops and increased line speeds along its entire length in both Wales and England.

Currently rail investment responsibility is through the UK government funding Network Rail, of which Sir Peter is chairman. This may take his proposals towards rail connectivity solutions for Wales and extend them beyond south east Wales. The electrification of the North Wales Main Line, under discussion for forty years, would bring economic benefits as HS 2 train services could operate along its length thus improving internal UK connectivity and links to Ireland – another of the Hendy study's objectives – through Holyhead, Britain's second biggest Ro-Ro port.

Increased capacity on the Cambrian Line and the Heart of Wales Line from Shrewsbury (in England) to Aberystwyth or Llanelli would encourage an environmentally preferred route for those wishing to enjoy mid Wales' leisure attractions and hospitality sector – and 15% of Wales' workforce.

Changing the role of BCR in rail scheme appraisal provides the opportunity to enhance the position of cross-border schemes mentioned in this submission.

END

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