

Written evidence submitted by the Department for Transport (RIW0018)

1. Where does responsibility lie for rail infrastructure in Wales?

Rail infrastructure in Wales is not devolved and Network Rail Wales Route (NR) is the Infrastructure Manager. With the exception of the Core Valley Lines (see the response to 2. below), NR retains responsibility for the operation, maintenance, renewal, and enhancement of the Welsh rail network.

In general, rail enhancements in England and Wales are funded by the Department for Transport (DfT) and delivered by NR, although within Wales, some rail enhancements have also been funded in whole or in part by the Welsh Government and Welsh local authorities.

DfT operates a Rail Network Enhancements Pipeline (RNEP). RNEP processes are used to plan and assure enhancements based on considerations of affordability and represent the best use of funding available, and to hold Network Rail to account in a client/delivery agent relationship.

The Office of Rail and Road (ORR) monitors NR's delivery of enhancements, to enable a holistic view of their performance across operations, maintenance, renewals and enhancements; to provide public accountability and reputational incentives through independent reporting of their progress; and to inform an assessment of the risk to successful timetable changes by providing an independent view on their delivery of infrastructure enhancements.

Priorities for Enhancements

Enhancements must deliver outcomes that meet one or more of the Secretary of State for Transport's strategic priorities:

- Keeping people and goods moving smoothly and safely
- Delivering the benefits from committed programmes and projects already underway
- Offering more: new and better journeys and opportunities for the future
- Changing the way the rail sector works for the better

To be considered for funding, enhancements will also need to demonstrate and/or consider:

- A robust business case
- A focus on the outcomes provided for railway users and the taxpayer
- The impact on the existing network of the enhancement
- Demand for rail travel
- The balance of the enhancements portfolio
- Increasing contestability and opportunity for private investment

Justification for progression of an enhancement is provided by means of a documented business case developed in line with HMT's 5-case model. Specific guidance on the preparation of transport scheme business cases is provided by

DfT's Transport Analysis Guidance (WebTAG) and the complimentary WeITAG framework published by the Welsh Government.

Rail enhancement schemes proceed through five RNEP stages as follows:

- Initiate
- Develop
- Design
- Deliver
- Deploy

Each stage sees the business case develop to a greater level of maturity and certainty regarding the benefits to be delivered by a scheme to allow confirmation that the objectives continue to be met.

Enhancement proposals commonly arise from Network Rail's Continuous Modular Strategic Planning (CMSP) process. Network Rail engages with regional stakeholders in determining the 'strategic questions' to be addressed by CMSP and in carrying out the studies that determine the most appropriate interventions in response.

In addition, the DfT is happy to receive enhancement proposals from third-parties and publishes guidance on submission processes and scheme assessment criteria.

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

Enhancements

There is extensive and effective cooperation between the two governments in relation to rail infrastructure in Wales. Ministers in DfT and the Wales Office are in regular communication with their Welsh Government counterparts.

At senior official level a regular Transport Director's Strategic Forum brings together directors within DfT, the Welsh Government, Transport for Wales (TfW), and NR to set the strategic direction for the development and progression of rail enhancements.

DfT and NR are represented on the three regional Metro Development Strategy Boards in Wales, which steer the implementation of Welsh Government's strategic objectives.

The Welsh Government and TfW are active members of the Great Western & Wales Programme Board, which serves to ensure successful delivery of projects and programmes, that business case benefits are realised, that strategic decisions are made in an efficient and timely manner, and to arbitrate between conflicting programme and/or stakeholder requirements.

The Welsh Government is engaged with the development of remits for individual enhancement schemes authorised under RNEP, and remains engaged in the steering groups managing the delivery of such schemes. In the case of the Cardiff Central Station enhancement scheme that is a core element of a wider Cardiff Central Masterplan, a funding agreement has been established to transfer RNEP monies directly to TfW in order that they can lead the design and development work.

Core Valley Lines

In 2014 the Welsh Government announced its intention to progress a procurement of a combined Wales and Borders franchisee and South Wales Metro operator (colloquially known as the Core Valley Lines (CVL)). The Metro concept was a key component of the Cardiff City Deal agreed in 2016 and Welsh Government Ministers proposed the Metro would be best secured by a single operator and by a transfer of CVL infrastructure from NR to Transport for Wales (TfW).

As of October 2018, the Welsh Government is the franchising authority for those parts of the new Wales & Borders passenger franchise which are wholly within Wales, including the CVL – a network of 85 route miles (8.9% of the Wales Route) of suburban railways radiating from Cardiff to the South Wales Valleys.

The UK Government worked with our partners to divest the CVL from NR to the Welsh Government. This transfer of power over rail infrastructure took place on the 31 March 2020 and since then the Welsh Government is the owner and funder of the CVL.

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

Background

The UK Government set up the Silk Commission in 2011 to explore further devolution to the Welsh Government. The Commission recommended devolution of Welsh rail infrastructure spending and investment by devolving the funding for NR in Wales to the Welsh Government. This would follow the Scottish model where the Welsh Government would agree its own High-Level Output Statement (HLOS) and Statement of Funds Available (SoFA) with NR for each 5-year control period.

A DfT analysis in response to the recommendations in 2014 found major challenges to this proposal, as highlighted below. It concluded that devolution of Welsh rail infrastructure would be of no immediate benefit to passengers and freight. As part of the political cross-party 'St David's Day Process', as per the UK Government's 2015 St David's Day Command Paper, there was no political consensus to proceed with this.

In 2017 Ken Skates AM (Minister for Economy, Transport and North Wales, Welsh Government) expressed continued interest by the Welsh Government to explore setting its own HLOS/SoFA. The then Secretary of State responded that it would be

undesirable to reopen discussion on Silk recommendations around which there was previously no consensus.

Challenges devolving the Welsh rail infrastructure to the Welsh Government

The current Scottish model of rail devolution does not readily transfer to Wales, where economic integration with English cities on an east-west axis is important. Train operations are often cross border and there is less separate identification of Welsh rail infrastructure. Many long-distance services in Wales are delivered by intercity franchises based in English cities. Cost identification and separation would be complex and generate an ongoing administrative cost.

Outside of the Core Valley Lines, which have been devolved to the Welsh Government, most rail services in Wales operate on a cross-border basis and there is a desire to increase these further. As such, enhancements to facilitate greater capacity and capability need to be planned on a holistic route- and network-level basis. The Great Western Route Modernisation programme has seen infrastructure enhancement along the entire route from Paddington to Swansea that delivers huge benefits to rail users in South Wales. Similarly, enhancements need to be made to the rail network at Chester and at Manchester to enable the aspirations for better connectivity and journey times into North Wales to be met.

Separation of infrastructure costs is expected to show the operations, maintenance and renewals costs for many Welsh routes are greater than the English equivalents. This is partially the topology of Wales, where major tunnels and structures are required, and partially the low fare-box contribution towards costs, where UK Government's share of the infrastructure costs is much greater.

The renewal needs of Welsh railways drove a record £1.5bn settlement for CP6, allowing works such as the replacement of Barmouth viaduct to take place.

Other issues which make this challenging is whether Welsh Government can take on the financial risks of setting the infrastructure outputs. The Welsh Government would be liable for the full costs of funding infrastructure repairs following catastrophes, which is currently pooled across NR.

NR has a pooled risk budget across the network that can be deployed in response to incidents. The Welsh Government would have to prioritise funding from within their block grant which would have a knock-on impact for wider funding decisions.

An example of this is the Conwy Valley line in North Wales, where NR has had to spend £17m to repair and strengthen the resilience of the line after recent flooding events. This is a very significant investment in a line carrying six trains a day.

By following the Scottish model, NR borrowing would continue to be managed via DfT, leaving the Welsh Government to define a Rail Investment Strategy (HLOS) and associated SoFA in parallel with Scotland and England. The overarching borrowing ceiling would be set by the Treasury in conjunction with the DfT. It would be challenging to untangle English and Welsh costs. It is not immediately obvious that the benefits would offset the higher administrative overheads likely to be generated.

Williams Rail Review and Wales

Throughout the Review, Keith Williams and his team have engaged regularly with the Welsh Government to assist the forming of the Review's conclusions. Ministers continue to work closely with Keith Williams as they consider his recommendations in the current context. The UK Government will publish a White Paper with details on the UK Government's plans for rail reform once the course of the pandemic becomes clearer.

The Welsh Government has consistently pressed for a substantial increase in devolved powers with devolution of rail infrastructure forming a key part of their ambitions. Examples of this include a written statement to the Senedd in response to the Williams Rail Review in December 2018 and their September 2019 paper 'A railway for Wales: the case for devolution'.

Publication of a White Paper outlining the recommendations of the Review has been delayed due to the COVID-19 pandemic, to allow it to reflect on the impact the pandemic has had on the sector.

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?

Since 1994, the railways in England and Wales have been funded through the reviews of access charges, also known as Periodic Reviews, for which the regulator has independent statutory responsibility to ensure that the resulting settlement to the infrastructure manager (currently NR) is sufficient to deliver a safe rail service, as specified by the Secretary of State. A range of factors, not just the number of track miles, determine levels of rail investment.

As the railway is funded on an England and Wales basis, rather than a ring-fenced geographic basis, costs and benefits are spread around the network. It is therefore difficult to meaningfully provide a single proportionate figure for rail infrastructure investment in Wales, especially for the entire period for which the Committee has requested.

However, looking at the **Network Rail regulatory financial statements**, between 2011-12 and 2018-19 NR published breakdowns of expenditure for each route. The proportions for Wales were around 4% of all NR spend 2011-12 to 2015-16, rising to 6% from 2016-17 to 2018-19. For 2018-19, the spend on Wales was 6.1% of the England and Wales figure, or 5.4% of the England, Wales and Scotland figure. The figures include NR spending on operations, maintenance, renewals and enhancements but exclude large infrastructure projects such as HS2.

They represent actual spend, other than in cases where there is cross-route spending, which is then distributed across the relevant routes.

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?

Infrastructure needs

The UK Government does not allocate funding to regions, it allocates to enhancement projects. The case needs to be made for the project through the RNEP framework (as referred to in the response to 1. above) and the Business Case approach. Each project will need to be agreed for progression to the next stage at senior levels and jointly between NR and DfT in joint governance (as per the Memorandum of Understanding between NR and DfT). The DfT and NR joint Portfolio Board takes this view at a portfolio level against national need, including the need to balance the overall levels of investment. This includes consideration of regional balance.

Currently, there is a fairly balanced portfolio with 60% of schemes outside the South and London. Many of the projects in London, South East England, the West Midlands and South West England will directly benefit passengers in Wales. There are also a number of projects in Wales such as the development work in Cardiff Central Station but these are in the early stages of development work, meaning that the current spend on these projects is low compared to other regions that have a greater number of schemes in delivery. The DfT will continue to work with the Welsh Government in progressing these schemes through the Rail Network Enhancement Pipeline.

Enhancement Portfolio

The 2020 Spending Review confirmed that the UK Government will continue to support the railway, investing in ambitious improvements to modernise our railway.

We continue to deliver ambitious enhancements to the rail network, investing in key priorities including the Transpennine Route Upgrade, Cardiff Central development project and the Cambrian Coast signalling project. We have committed to spend over £120m-£140m on electrifying the Core Valley Lines (see 1. and 2. above). We are further focused on restoring lines and stations closed during the Beeching cuts including many schemes in Wales such as St Clears Station and Deeside Station, with an unrelenting focus on levelling up and ensuring all communities have the connections they need to support growth and prosperity.

Ambitious proposals exist for a number of new stations on the main lines in north and south Wales and we are in discussion with the Welsh Government as to how these are progressed.

The Spending Review confirmed increasing investment in our rail infrastructure, committing over £40bn. This includes over £2bn of funding confirmed in 2021-22 for rail services, building on the estimated £12.8bn of support for transport services that the UK Government has already committed to provide in 2020-21.

It also confirmed that the UK Government will continue to support the railway, investing in ambitious improvements to modernise our railway. The DfT is currently working with NR to agree a new baseline for the portfolio that aligns with the Spending Review settlement.

Given the current uncertainties about future demand for rail services as a result of the pandemic, it is appropriate that project assumptions are assessed to see if they remain valid.

Key facts

NR's operations, maintenance and renewals budgets for England and Wales have not been changed as a result of the 2020 Spending Review. Programmes of work will continue to be based on the five-year regulatory funding settlement for 2019-2024.

Efficiencies identified by NR and the Spending Review will feed in across the network and be reflected in NR's operations, maintenance and renewals funding for the Wales and Borders Route.

The Spending Review Settlement includes over £58bn of investment confirmed for road and rail transport between 2021-22 and 2024-25, delivering some of government's largest capital portfolios and levelling up across the country. This includes record investment in strategic roads and rail.

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 on investment in the railway infrastructure)?

Sustainability of services

The COVID-19 outbreak has posed unprecedented difficulties to the whole country. The rail industry worked diligently throughout this crisis to deliver rail services and ensure those who needed to travel, including critical workers, such as frontline health staff, could do so with confidence.

Rail operators are running services to ensure those who must travel continue to be able to do so safely. We recognise that public transport, including rail transport, is instrumental in keeping the country moving, and are supporting the railway in providing these crucial services.

Rail operators have been asked to reduce the numbers of services they run during this lockdown to reflect lower passenger demand, deliver better value for taxpayers, and ensure services remain reliable if COVID-19 affects staff availability. (See Annex A)

The industry will ramp up services in time, as demand returns; however, this is unlikely in the short-term and must also be in line with Public Health England and

devolved administration guidance. Our priority is ensuring the safety of hard-working railway staff, who are helping passengers and keeping key services on the network running.

Rail operators are running services to ensure those who must travel continue to be able to do so safely. We recognise that public transport, including rail transport, is instrumental in keeping the country moving, and are supporting the railway in providing these crucial services.

The DfT continues to work closely with train operators and the British Transport Police to build on existing measures to keep passengers and staff safe and promote COVID-19 compliance, particularly in light of the new strain of the virus. This has included reiterating the importance of reminding passengers how to travel safely by wearing face coverings, maintaining social distancing and hand sanitising, and encouraging passengers to book ahead where possible to manage demand. Additional in station and on train announcements are also being made.

Comprehensive guidance has been issued to transport operators, including rail operators, on keeping trains clean and ensuring staff and passengers are able to maintain good hand hygiene, and have made face coverings mandatory on all public transport. People should continue to keep their distance and follow the safer travel guidance.

Passenger footfall decreased in response to national restrictions. In the week ending 15 February, passenger journeys were ~13.5% of those observed in the same week in 2019.

Investment in the railway infrastructure

A key factor in the business cases for rail enhancements is the forecast of passenger and freight demand. These affect many aspects of the business case and consequently the consideration of what projects are taken forward for investment by the Rail Enhancements portfolio.

The DfT has produced a series of scenarios which have been used to understand the impact of COVID-19 on short-term and long-term rail demand. Different factors drive the short-term and long-term impact on rail demand.

The key drivers of rail demand in the short run are based on assumptions around how long the virus will be prevalent and therefore how long social-distancing measures and advice to restrict travel will last in some form.

In the long run, the key drivers of rail demand are based on GDP and employment impacts (based on Office of Budget Responsibility forecasts which are updated at intervals), as well as assumptions about working from home changes in the future. These scenarios range from a 'high-demand' scenario, where demand recovers quickly to pre COVID-19 levels, to a 'low-demand' scenario, where rail demand remains lower than pre COVID-19 levels even after the pandemic has ended, due to structural changes in the economy, as demonstrated by potentially changes to GDP and employment.

They are not predictions, but instead reflect some of the possible impacts of the pandemic on future rail demand. The range of the scenarios shows the high level of uncertainty which could affect rail demand over the next 12-18 months as well as some of the potential long-term effects that the pandemic could have on rail demand.

The scenarios can be applied to revenue forecasts and business cases, to test the robustness of projects and highlight the levels uncertainty, in order to provide the best possible advice. The assumptions and methodology are updated at intervals using the latest available evidence, with appropriate quality assurance and governance.

We agreed the enhancements funding envelope for the next three years while taking into account the impacts of COVID-19 as best we can understand them. The reduction in enhancements budget reflects the wider economic position of the country.

We will continue to assess the demand for rail, which will inform future spend on capacity projects.

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

On 30 June 2020 the Prime Minister announced an independent review would be undertaken into union connectivity, exploring ways to improve connectivity between the four nations of the UK and bring forward funding to accelerate infrastructure projects that support this.

Chaired by Sir Peter Hendy CBE, the review will make recommendations on how the UK Government can level up transport infrastructure and improve connectivity between Scotland, Wales, Northern Ireland and England, boosting access to opportunities and improving people's everyday connections.

Working closely with the devolved administrations, Sir Peter will look at road, rail, air and sea links, and how they could be improved to fuel the UK's recovery from the COVID-19 pandemic. Sir Peter brings extensive experience and knowledge to the role with over 45 years working in the transport sector, including as Chair of Network Rail and successfully running London's transport network during the Olympics.

The review will look at how the quality and availability of transport infrastructure between England, Wales, Scotland and Northern Ireland can support quality of life in communities across the UK while also aiding economic recovery. This will in turn lead to recommendations on whether and how best to improve connections, and whether that includes the need to invest in additional infrastructure by the UK government. Among other things, Sir Peter will look at the feasibility and conduct a detailed initial assessment of options for improved road and rail connections between England and Scotland, and England and Wales, as well as improved air links across the UK.

The review will also look to the future, considering the role of future technologies and assess environmental impacts of current and future infrastructure. Sir Peter will be expected to publish his final recommendations in Summer 2021.

How the Union Connectivity Review (UCR) will be conducted

The UCR is being conducted in three phases. The listening phase has been running from the launch until the submission of the interim report to the Transport Secretary and Prime Minister, planned in the next month. Sir Peter has met with key political, academic, business and transport delivery partners through a series of roundtables to understand their views and issues and to explain how he intends to conduct the review. This is in addition to the call for evidence, which was launched on 16 November for a six week period.

In January we started to shift to the thinking phase where we will maintain some, albeit reduced, communications with stakeholders and once the DA elections have concluded, we will be able to move to the explaining phase. It is planned that in June, Sir Peter will present the overarching proposals of the review at a series of town hall events in Wales, Scotland and Northern Ireland and in July, we will finalise the report and Sir Peter will submit it to the Prime Minister and the Transport Secretary.

The scope of the review - connectivity between the nations - is very broad. The review will need to first assess where improved connectivity is most needed. Officials in the secretariat are already working with officials in BEIS, the Cities & Local Growth Unit and the Territorial Offices to understand which cities and regions are being held back by poor connectivity and what the strategic priorities are for economic development. These choices will also be informed through the call for evidence and data analysis looking at current journey times, the capacity and resilience of existing infrastructure, freight flows, travel patterns and passenger demand.

Sir Peter has met with the Secretary of State for Wales and Ken Skates MS, the Welsh Government Minister for Economy, Transport and North Wales, as well as a number of MPs with constituencies in Wales, Welsh Local Authority representatives and a variety of Welsh stakeholders. Those meetings have provided an opportunity to understand the transport issues affecting Wales and have added to the information being compiled to assist Sir Peter in formulating his views in relation to his overall remit. In addition, officials from the UCR secretariat have been engaging with their counterparts in both Welsh Government and the Office of the Secretary of State for Wales (OSSW).

The call for evidence has provided a further opportunity for MPs, MS's and Welsh stakeholders to contribute evidence to the Review and to provide the Welsh context to the work Sir Peter and the UCR secretariat are undertaking.

February 2021

Annex A: Reduced timetables during the current COVID-19 restrictions

All train operators are currently operating reduced timetables and capacity in response to the substantially reduced demand from passengers under current COVID-19 related travel restrictions, the opportunity to save government support money, and the need to ensure that train operators can continue to offer reliable services with sufficient room for social distancing for those who need to travel.

A key principle of the reduced timetables is that they should be capable of rapid uplift in response to changes in COVID-19 rules, in particular in the event that schools reopen. To help achieve that objective, the current reduced timetables are based on a normal weekday timetable rather than Sunday timetables as was generally the case in the first COVID-19 lock-down.

Current cross-border services COVID-19 timetables

Wales & Borders Franchise (devolved: trades as ‘Transport for Wales Rail Services’)

Route	Current December 2020 Timetable		25 January 2021 Timetable	
	TfWRS Service Frequency	% provision against pre-COVID	TfWRS Frequency	% provision of proposal against pre-COVID
Chester – Liverpool	1 service per 2 hours	50%	Remain	50%
Shrewsbury – Birmingham	Full peak + Off Peak service as per base TT	100%	Reduce to 2-hourly or 2-hourly at off-peak	50%/75%
Heart of Wales (Shrewsbury-Swansea)	4 trains per day	80%	Reduce to 2 trains per day	40%
Marches (Manchester trains)	Full service as per May 20	100%	Remain	100%
North Wales Coast	Full peak service. Reduced frequency off peak (2 hourly).	65%	Reduce some Holyhead - Shrewsbury services where there are several trains per hour	55-60%
Chester - Manchester Airport	Full service	100%	Reduce off-peak to 2 hourly	75%
Wrexham - Bidston	Full service as per May 20 <u>minus</u> Wrexham General	100%	Reduce to 2-hourly	50%
Crewe – Chester	circa 90% full services	90%	Remain	
Cardiff - Cheltenham	Near full-service frequency as per May 20 timetable, with services terminating/originating at Gloucester vice Cheltenham Spa.	95%	Remain	95%

Additionally, there are service and capacity reductions on the complex network of routes in the Cardiff Valleys area.

Great Western Franchise (trades as ‘Great Western Railway’)

- London – Cardiff/Swansea: Currently hourly London-Swansea (pre-COVID 2 TPH: one London – Swansea and one London – Cardiff, with additional peak services). 10-car trains mostly reduced to 5-car.
- Cardiff – Bristol – Portsmouth: Currently hourly – as pre-COVID, but some early/late services withdrawn and trains running 3-car rather than 5-car capacity.

- Cardiff – Bristol – Taunton/South West: Currently hourly – as pre-COVID, but some early/ late services withdrawn

West Coast Franchise (trades as ‘Avanti West Coast’)

- London – Chester – Holyhead: Currently one return service per day London – Holyhead, otherwise hourly shuttles (two-hourly at weekends) Crewe – Holyhead (pre-COVID hourly services between Euston and Chester in each direction on weekdays and weekends, 5 per day of which are Euston – Holyhead and return)

Cross Country Franchise (trades as ‘CrossCountry’)

- Cardiff – Birmingham – Nottingham: Currently a train every other hour (pre-COVID hourly). Some additional services to/from Cardiff at peak times. Amended calls at local stations in the Severn Estuary area. Services are planned to be restored to a generally hourly service from May 2021, although calling patterns may still be different.
- Cardiff - Bristol – Manchester: Currently suspended (pre-COVID one train per day AM peak from Cardiff and evening). Following representations from TfW and local authorities this train will be re-instated from May 2021.