

Cynulliad Cenedlaethol Cymru	National Assembly for Wales
Y Pwyllgor Menter a Busnes	Enterprise and Business Committee
Ymchwiliad i'r Blaenoriaethau ar gyfer dyfodol Seilwaith y Rheilffyrdd yng Nghymru	Inquiry into the Priorities for the future of Welsh Rail Infrastructure
WRI 28	WRI 28
Yr Adran Drafnidiaeth	Department for Transport



## **SUBMISSION FROM THE DEPARTMENT FOR TRANSPORT**

### **NATIONAL ASSEMBLY FOR WALES ENTERPRISE AND BUSINESS COMMITTEE INQUIRY INTO THE PRIORITIES FOR THE FUTURE OF WELSH RAIL INFRASTRUCTURE**

#### **1. Introduction**

- The Department welcomes the opportunity to submit evidence to the Committee's inquiry.
- The railway in Wales, as in other parts of Great Britain, has experienced unprecedented growth in recent years, and growth is set to continue. Investing in our rail network is a key part of the UK Government's long term economic plan and we are committed to improving journeys for passengers throughout the country.

#### **2. Rail infrastructure in Wales for control period 5**

- Network Rail will be delivering a £38bn programme in control period 5 (2014-19) to help transform the busiest parts of the rail network in England and Wales. This includes around £15 billion of infrastructure enhancements, to run and improve the rail network, supporting economic growth and jobs and delivering a greener, more cost efficient railway that is better for freight and better for passengers.
- Electrification of the Valley Lines and extension of Great Western Main Line electrification to Swansea were the Welsh Government's priorities for rail investment in control period 5 and the Rail Investment Strategy (RIS) reflects that. The UK Government has committed to contribute £125m to the Valley Lines Electrification scheme, of which the Welsh Government are now sponsor, and reiterated its commitment to electrification of the Great Western Main Line to Swansea.
- Wales stands to benefit directly and indirectly from over £2 billion of investment in modernising the rail network - the most significant infrastructure investment in

Wales for decades. This shows what can be achieved when the Governments in Cardiff and Westminster work together for the benefit of Wales.

### **3. Preparations for Control Period 6**

- The industry planning process for the next control period (CP6, 2019-2024) that will inform funders' decisions is underway. The planning process is led by Network Rail, with input from a wide range of stakeholders and funders including the Welsh Government, and covers the needs of each 5-year Rail Investment Strategy (RIS) and longer term requirements up to 2043.
- In March 2015, Network Rail published for consultation the Welsh Route Study setting out the strategic vision for the rail network in Wales over the next 10 to 30 years. The Welsh Route Study, due to be finalised shortly, will help shape priorities for the Initial Industry Plan for England and Wales for Control Period 6 (2019-2014) due to be published in September 2016, and will inform decisions by funders on the next RIS, due to be published in Summer 2017. Decisions on the RIS for Control Period 6 will also take into account the recommendations of the Hendy, Bowe and Shaw reports (see sections 6-8 below)
- The Department for Transport and the Welsh Government work closely on the development of each RIS for England and Wales so that relevant Welsh priorities are reflected. The focus of the RIS continues to be the national rail network and the high value for money and affordable upgrades. The funding for each RIS comes from a number of sources. In line with the principle that the beneficiary pays, the funding for schemes whose benefits accrue largely locally or regionally, rather than nationally, is expected to be sourced locally. Such principles underpin Network Rail works in the current control period, funded by the Welsh Government, to improve capacity and reduce journey times between North and South Wales.
- The UK Government welcomes the recent initiative of the North Wales Economic Ambition Board, Mersey-Dee Alliance and Cheshire and Warrington LEP to form a taskforce to develop proposals to the Department and Welsh Government for rail infrastructure and service improvements in North Wales and West Cheshire/Mersey-Dee area, and a prioritised growth plan for submission to the Northern Powerhouse Minister and Welsh Government.

### **4. Funding for Network Rail in Wales**

- The Silk Commission's recommendation to devolve Network Rail funding in Wales was not one on which political consensus was reached as part of the cross-party process leading to the Government's February 2015 Command Paper "Powers for a purpose: Towards a lasting devolution settlement for Wales" and is therefore not being taken forward.

- Close co-operation will therefore continue between the Department for Transport and the Welsh Government on the development of each RIS to ensure the alignment of English and Welsh priorities, as we have successfully done in the two RIS's to date. Enhancement plans for control periods 4 and 5 have reflected the relevant Welsh Government priorities with funding provided for the Cardiff Area Signalling Renewal (CASR), Valley Lines electrification and electrification of the Great Western Main Line to Swansea.
- Department for Transport officials will continue to work with the Welsh Government to see how trains services and supporting infrastructure in England and Wales might be better aligned to deliver economic growth. No decision on any major investment in Wales is made without taking into account the views of the Welsh Government, and they will be consulted on any in England that has implications for the Welsh franchise.
- Although no decision has been taken to devolve Network Rail funding, the Welsh Government will gain much greater control over the development of rail services in Wales as a result of the agreement reached between the two Governments in November 2014 to devolve executive franchising rail functions in Wales, so that the Welsh Government can lead on the procurement of the next Wales and Borders franchise from 2018.

## **5. The impact on Wales of key planned developments in England**

- The UK Government is working with Transport for the North on options for high speed rail connections across the North of England. Northern Powerhouse Rail builds on the HS3 proposal, and it is our shared aspiration to transform connectivity between the great cities of the North of England: Liverpool, Manchester, Leeds, Sheffield, Newcastle and Hull. Of particular relevance for Wales is our aspiration to speed up journeys between Liverpool and Manchester, and Liverpool and Manchester Airport. Initial development work is being carried out by Network Rail and HS2 Ltd, which will include looking at making use of HS2 infrastructure, upgrading existing routes, as well as potentially constructing brand new railway lines. In November 2015, the Government and Transport for the North published 'Northern Transport Strategy: Autumn Report', providing a progress update on the Northern Powerhouse Rail network.
- The Welsh Government and Transport for the North have developed a Memorandum of Understanding so they can join forces on the projects that bring benefits both sides of the border. We welcome the meetings being held at official level between the Welsh Government and Transport for the North to discuss how they can work together and to discuss work streams of mutual interest.
- We continue to work with the Welsh Government on Welsh ambitions for high speed rail and to explore the means for increasing the benefits that Wales receives from a new national high speed rail network. HS2 will significantly benefit Wales through journey time reductions for Welsh passengers on the network, and through capacity released onto the rest of the rail network. The benefits to Wales are an important part of the case for HS2.

## **6. Network Rail performance**

- Network Rail is investing £38 billion in England and Wales in the five-year period to 2019, and undertaking the biggest programme of railway modernisation since the Victorian era. As the Secretary of State stated in his oral statement on 25 June to Parliament, important aspects of Network Rail's investment programme are costing more and taking longer. He has taken action to reset the programme and get it back on track.
- In June 2015, Richard Brown was appointed as a Special Director of Network Rail to bring additional experience to Network Rail's Board and to provide a much stronger link with the Department for Transport.
- Sir Peter Hendy was also appointed as the new Chair of Network Rail. His first task was to develop proposals for how the current rail upgrade programme could be carried out. His review of the Rail Enhancements Programme was published in November 2015. The Secretary of State has accepted Sir Peter's report, subject to a short period of consultation with relevant stakeholders in order to ensure their views are captured and the most efficient and effective plan is executed.
- All infrastructure schemes will be delivered including the electrification of the Great Western Main Line from London to Swansea. Some programmes will take longer and cost more than originally planned but we will see the job through to deliver better journeys for passengers. Some of the extra funding for rail upgrades will be paid for by a programme of Network Rail asset sales and efficiencies.

## **7. The planning of Network Rail's enhancement programme**

- Dame Colette Bowe's review of the CP5 planning process was published in November 2015. It makes recommendations for how we can ensure the rail industry better plans upgrade programmes in the future. The Secretary of State has accepted of all Dame Collette Bowe's recommendations. In response, we have announced a review of the ORR, which is responsible for ensuring the efficient delivery of Network Rail's enhancement programme, and announced changes to the way major rail enhancement projects will be governed in future.
- The Department is working with Network Rail to strengthen the governance and day-to-day management of the process for planning and overseeing rail enhancements, providing clear accountability for associated costs and project management. The aim is to provide the Government with the flexibility it needs to adjust its investment programme, in the way that Dame Collette Bowe has recommended. In future scope will be formally defined and agreed along with an assessment of deliverability, including consideration of uncertainties that may affect costs and schedules. All projects will be subject to a clear change control

process. These new arrangements will be underpinned by improved governance arrangements between the Department for Transport and Network Rail. These measures will reset the formal framework and will be underpinned by a new Memorandum of Understanding which will be published by the Secretary of State in March 2016.

- The Secretary of State is also making changes within the Department. The planning and delivery of enhancements will be brought together under a single Director of Network Services, who will be responsible for approving the scope of all current and future enhancements and be the single point through which any change of scope is authorised. This will mirror similar arrangements being introduced in Network Rail.
- It is expected that passengers and operators will play a much greater role in developing priorities for future investments. Investment priorities should be more closely aligned to the franchising programme where independent research on passenger priorities is already a key input in the process. This approach will support the integrated planning of railway investment across infrastructure, rolling stock and franchises and move the rail industry from being 'producer led' to 'passenger led'. The Department will also continue to work closely with freight operators, Network Rail and the Welsh Government to develop a new freight strategy.
- The simplification of Network Rail's governance coupled with changes detailed above, will help to ensure future investments are planned and delivered in a coherent way, where the key players are absolutely clear of their roles, responsibilities and accountabilities.

## **8. The future shape and financing of Network Rail**

- In the Summer Budget on 8 July 2015 the Chancellor and the Secretary of State for Transport asked Nicola Shaw, Chief Executive of High Speed 1, to advise the government on how it should approach the longer term future shape and financing of Network Rail. The work is divided into a scoping report, which was published on the 12 November 2015 and a final report to be published by the 2016 Budget.
- In her scoping report, Nicola Shaw sets out the current environment of the rail industry and poses a series of questions which she sought to frame in three different perspectives: the customer perspective - which considers who Network Rail's direct (and potentially indirect) customers are, and how effectively the current organisational structure works to deliver for those customers; the growth perspective - which approaches the issue of Network Rail's structure by asking whether it works to enable effective planning and delivery of enhancements to rail infrastructure, with a view particularly on meeting growth projections and

increasing capacity; and the devolution perspective - which considers the question of the geographical organisation of Network Rail's operations, and whether this enables effective delivery of railway infrastructure, especially given the continuing move to deeper and more widespread political devolution.

- Nicola Shaw is considering all options and the Government has no pre-determined view of the right outcome.

## **9. Network Rail Route Devolution**

- Last year Network Rail announced 'Deeper Devolution'. This is driven by the creation of a new Route Services Directorate (RSD) which enables routes to decide which services are best provided from the centre, and champion only those change programmes they feel deliver improved performance.
- The RSD will initially include: Group Business Services; National Supply Chain and Network Rail Consulting (all of which have to date been part of Corporate Services) and other pan routes services are planned to move over time. It was also announced that Network Rail planning is to divide into 8 units based on its current routes, in order to benchmark its performance and introduce market testing to demonstrate that route services are competitive.
- In his Summer Budget 2015, the Chancellor emphasised the Government's support for Network Rail's programme to devolve power to route managers, making the railway more responsive to the needs of passengers, but that it is for Network Rail to identify a suitable way forward.

Department for Transport

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