Agenda – Y Pwyllgor Menter a Busnes

Lleoliad:	I gael rhagor o wybodaeth cysylltwch â:
Ystafell Bwyllgora 1 – Y Senedd	**Gareth Price**
Dyddiad: Dydd Mercher, 3 Chwefror 2016	Clerc y Pwyllgor
	0300 200 6565
Amser: 09.00	SeneddBusnes@Cynulliad.Cymru

Rhag-gyfarfod preifat

(09.00-09.15)

1 Trafodaeth am yr Adroddiad ar y dystiolaeth a gasglwyd mewn perthynas â'r Ddeddf Teithio Llesol

(09.15 – 09.30) (Tudalennau 1 – 23)

Dogfennau atodol:

Adroddiad Drafft ar Deithio Llesol (Saesneg yn unig am y tro)

2 Cyflwyniad, ymddiheuriadau a dirprwyon

3 Ymchwiliad i'r Blaenoriaethau ar gyfer dyfodol Seilwaith y Rheilffyrdd yng Nghymru

(Tudalennau 24 – 45)

Dogfennau atodol:

Y Briff Ymchwil

3.1 Ymchwiliad i'r Blaenoriaethau ar gyfer dyfodol Seilwaith y Rheilffyrdd yng Nghymru – Grwpiau Busnes

(09.30-10.30) (Tudalennau 46 – 61)

Elgan Morgan, Rheolwr Polisi a Chynrychiolaeth, Siambr Fasnach De Cymru

Paul Bradshaw, Rheolwr Logisteg, Tata Steel
Nigel Jones, Pennaeth Cynllunio a Strategaeth, DB Schenker Rail UK

Dogfennau atodol:
EBC(4)-04-16 (p.1) Tystiolaeth gan Siambr Fasnach De Cymru (Saesneg yn unig)
EBC(4)-04-16 (p.2) Tystiolaeth gan TATA Steel (Saesneg yn unig)
EBC(4)-04-16 (p.3) Tystiolaeth gan DB Schenker Rail (UK) (Saesneg yn unig)

Egwyl (10.30 - 10.45)

3.2 Ymchwiliad i'r Blaenoriaethau ar gyfer dyfodol Seilwaith y Rheilffyrdd yng Nghymru - Safbwynt Academaidd

(10.45-11.30) (Tudalennau 62 - 82)

Yr Athro Stuart Cole, Athro Emeritws mewn Trafnidiaeth, Canolfan Ymchwil Trafnidiaeth Cymru, Prifysgol De Cymru

Dogfennau atodol:
EBC(4)-04-16 (p.4) Tystiolaeth gan yr Athro Stuart Cole (Saesneg yn unig)

3.3 Ymchwiliad i'r Blaenoriaethau ar gyfer dyfodol Seilwaith y Rheilffyrdd yng Nghymru - Grwpiau Buddiannau Teithwyr a Rheilffyrdd

(11.30-12.30) (Tudalennau 83 - 97)

Mike Hewitson, Pennaeth Polisi a Materion, Ffocws ar Drafnidiaeth
David Beer, Swyddog Gweithredol Teithwyr, Ffocws ar Drafnidiaeth
Rowland Pittard, Ysgrifennydd, Railfuture Cymru

Dogfennau atodol:
EBC(4)-04-16 (p.5) Tystiolaeth gan Ffocws ar Drafnidiaeth (Saesneg yn unig)
EBC(4)-04-16 (p.6) Tystiolaeth gan Railfuture Cymru (Saesneg yn unig)

Ôl-drafodaeth breifat (12.30-12.45)

Mae cyfyngiadau ar y ddogfen hon

Eitem 3

Mae cyfyngiadau ar y ddogfen hon

Eitem 3.1

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 32	WRI 32
Siambr Fasnach De Cymru	South Wales Chamber of Commerce

Submission to National Assembly for Wales Enterprise & Business Committee Inquiry on Priorities for the Future of Welsh Rail Infrastructure

Thank you for your invitation to submit our thoughts regarding what needs to be done to improve the rail infrastructure in Wales.

The South and Mid Wales Chambers of Commerce are modern, innovative, membership-based business support organisations run by businesses for businesses. We are local, independent, not-for-profit organisations, funded by member subscriptions and a long-standing part of a network of national Chambers, quality-accredited by the British Chambers of Commerce.

The South Wales Chamber of Commerce covers both city regions in South Wales while the Mid Wales Chamber of Commerce covers Powys and Ceredigion. Our membership consists of businesses of all sizes and from all sectors.

We regularly survey our members and the wider business community on issues that affect them and improving Wales' transport network is regularly mentioned as one of the top priorities for Welsh businesses. Here are some statements made by members in a recent survey that typifies why our members believe that something needs to be done:

> "All major roads are gridlocked at peak times of the day. Trains are full to bursting at peak times."

> "Time in traffic jams, sat on railway platforms, bus stops or in stopped trains costs money."

This paper outlines what small and medium businesses would like government and the rail industry to focus on over the next decade.

Increasing Capacity

Our members feel that the priority for infrastructure improvements should focus on increasing capacity on the existing network. Most commuter trains in Wales are full to bursting already and we need to not only ease this but build space for more people to travel by train in the future.

Increasing platform length to accommodate longer trains and making sure that stations are able to accommodate more people is therefore crucial.

Many of our members however state that one of the reasons that they do not travel by public transport is the infrequency of services or that timings of trains do not fit in with when they need to travel. We therefore need more frequent

trains. While many factors influence the frequency of trains, from an infrastructure point of view every line needs to have sufficient passing points etc. to allow the train operators to maximise the efficiency of the lines.

Another issue around line capacity is to make sure that there is enough space for freight trains. As well as the obvious advantages of moving freight off roads, freight has the potential to generate substantial income for the rail industry.

New Stations

Our members would also like to see a strategic review of railway stations in Wales which would focus on making sure that places where a large number of people live or work near a railway line are served by a station or can easily access the network.

An example given is the Waterton Industrial Park in Bridgend which has a mainline running past it but the nearest station is an hour's walk away.

On a more strategic level a review of stations should also look at where there is space for residential or business development near existing stations and that these areas are targeted for development before land further away.

Reducing Travel Time

While increasing capacity is a priority for businesses in South East Wales, in West Wales our members are keen to see a reduction in travel time. Many complain of the comparative slowness of trains west of Swansea, making commuting by train in the region impractical. It also affects the travel choices of people from the region who want to travel to the rest of the UK and of visitors to West Wales.

Throughout South Wales there is support for the electrification of the Great Western mainline between Swansea and Paddington and we hope that this will take place as soon as possible. Reducing the travel time between South Wales and London is key to enabling businesses in the region to access markets in the rest of the UK and in attracting businesses in to the area.

New Routes

When it comes to introducing new routes members have raised a few which they would like to be considered. These are:

- The link between Aberystwyth and Carmarthen which we believe will have a major impact on business, tourism and social travel between the two towns, and with stations located in appropriate places could open up business opportunities in Carmarthenshire and Ceredigion.
- Many businesses, particularly tourism businesses, in Brecon raised the need for the town to have a link in to the wider rail network as they believe that Brecon currently suffers.

- A connection between Caerphilly and Taffs Well to complete a 'circle line' with a new station for the Cwrt Rawlin/Castle View area of Caerphilly.
- A line between Caerphilly and Newport by providing a viaduct link between Energlyn and Bedwas.

In addition to this we fully support the work going in to the South East Wales Metro and look forward to seeing it develop over the coming years.

Our members have also expressed support for the rail link between Reading and Heathrow. While it is not in Wales, and therefore probably outside the scope of the inquiry, improving rail access to the UK's major hub airport will have major benefits to the Welsh economy and support for the project from Chamber members is worth noting.

Infrastructure around Railways

In addition to improvements to railways themselves our members have raised suggestions regarding the infrastructure around stations themselves.

Rail travel should be considered as part of a wider sustainable transport network and ensuring that every station has bus stops, facilities for safely parking bicycles and for taxis to stop is vital. We must also acknowledge that some people will need to use their car to connect to the rail network and therefore adequate car parking facilities are required. This is particularly the case in rural areas where other forms of public transport are insufficient and on commuter routes.

We also need facilities at railway stations that fulfil the needs of business travellers. Some business people choose to travel by train as they can get work done on the train which they can't in a car. However, the time spent waiting on a cold, wet platform is wasted time. The very minimum expectation is an enclosed waiting area with seats and tables where people can work but extra facilities such as toilets, refreshments area etc. would also make it more likely that business travellers will choose to use the train.

Delivery

We have already set out the hopes and expectations of our members when it comes to improving rail infrastructure and services in Wales. However, our members have expressed a lack of confidence in the ability of government (at all levels) to deliver the major transport infrastructure projects that we need to see.

We would urge everyone elected to the fifth Assembly, whether they form the government or opposition, to focus on delivering improvements to the rail and wider transport infrastructure in Wales.

While there are some contentious projects there is consensus around the vast majority and we would urge the committee in the next Assembly to focus on encouraging the Welsh Government to share best practice where projects are delivered and scrutinise them when projects are not.

Elgan Morgan
Policy & Public Affairs Manager

TATA STEEL

TATA

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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 36	WRI 36
Tata steel	Tata steel

Date: 20 January 2016

Subject: ***Tata Steel Europe response to Welsh Assembly Business' Committee Inquiry on Priorities of Welsh Rail Infrastructure***

Our reference: n/a

Your reference: n/a

Introduction

One of the largest steel companies in the world, Tata Steel has major operations in Wales and is, by far, the largest user of the rail network. We have global activities and a global vision, but what keeps us in Wales is not our heritage here, but our vision for a sustainable steel industry in Wales. Part of that outlook is accessibility for materials, services and people using the transport infrastructure. An efficient and low-cost freight infrastructure is vital to us; it is one of those factors which influence key business decisions.

The international crisis affecting the steel industry is well-known and on 18th January Tata Steel announced manpower-reductions to mitigate the impact of the commercial challenge. It is vital to state that the technical capacity of the industry in Wales has not been reduced. In the Strip Products Hub (Port Talbot and Llanwern steelworks), we have not changed our planned output for the foreseeable future. However every opportunity is being taken to identify areas for improved competitiveness. We sense that no area is excluded for development under the

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aegis of the Welsh Government – Steel Industry Taskforce, and this may include attention to the transport infrastructure and how it serves the industry.

Our commitment to Wales is clear and substantial. Our GVA to the Welsh economy is estimated to be over £3bn/a. We are one of the country's largest private sector investors. Some £500m has been invested into operations in Wales over the last 5 years alone, in the teeth of the recent economic downturn. Directly we employ over 7,000 people – the annual wage-bill for whom is over £180m. A recent independent academic study has shown that as many as 18,000 jobs "depend" on Tata Steel's presence here. Our four main manufacturing locations: Port Talbot, Llanwern, Shotton and Trostre are responsible for managing a large proportion of Wales's raw material movements. By volume, we are Wales's largest user of the transport network: using rail, road and ports.

In the heat of a crisis in the global steel industry, Tata Steel in Europe has recently announced its strategic intent increasingly to focus on developing its Strip Product's business. This includes the bulk of its operations based in Wales but also in Mainland Europe. How Wales develops as a business environment will therefore play a vital part in influencing the balance of Tata Steel's operations in the UK (largely Wales) and Europe more broadly.

1. Rail and Steel are Critical Partners in Wales

Tata Steel is the largest freight-user of the Welsh rail infrastructure. When manufacturing is at normal/full capacity, some 6 million tonnes of material is moved by rail. Within Wales this may take place between the four main sites of Port Talbot, Llanwern, Shotton and Trostre – sites up to 100 miles apart. The Welsh operations dispatch material within our supply chain to the English Midlands, North East England, to our operations in mainland Europe and to customers in the UK, to ports for export and into Europe. This traffic is vital business for Wales' rail infrastructure.

Some material can only be safely transported using rail. As far as possible we "hot-link" our operations to minimize energy cost in re-heating material in consecutive processes. This is easier on the Port Talbot site owing to the proximity of different operations. However, in-process steel slab (or "bar") is safely transported in a hot state from Port Talbot to Llanwern. At full-capacity, this could total 1.5 million tonnes a year, the cost of reheating it from "cold" may exceed £10 per tonne.

Access to efficient, low-cost rail is vital to Tata Steel too. It was a railway entrepreneur – not an "ironmaster" – who enabled the steel industry to grow here in the 19th Century – when Sir Christopher Rice Mansel Talbot linked the GWR to the South Wales rail network. He commissioned Port Talbot's the deep water harbour. When it opened in 1837, it allowed the (then) iron industry to supply an imperial worldwide market, and, moreover, it brought better quality metallurgical raw materials for innovative steel development, inland. The "Iron Horse" has been inseparable to the steel industry. It will be no surprise that Tata Steel's own sites bear the highest concentration of rail-track (about 30 km of it at Port Talbot alone) – and we have the largest private fleet of heavy railway locomotives , wagons and specialized conveyors – moving steel in molten, hot-slab and semi-finished form. This has increased in recent years. The volume of material movement in primary production operations that has been borne by rail has increased from about 40% to over 85% since the 1990s. This has been the fruit of a positive strategy by the company.

If rail could not be used for steel, we estimate that some 300,000 road movements would be required per year. Rail keeps HGVs bearing steel off the roads, without it, we estimate that as many as 1,000 would be required to carry out the work. This makes the highways safer and less-congested. The environmental benefit is equally considerable. The use of road transport would increase carbon dioxide emissions eight times that of by rail.
In purely commercial terms, the distance from Wales to many key markets, the efficiency of rail for high volumes of heavy material, and the dispersal of steel product-chain sites – all point to the contribution the rail infrastructure makes for the competitiveness of the steel industry In Wales, (amongst other factors).

Use of rail by the Welsh steel operations is also important for the distribution of other goods into Wales. We "back-haul" from the Rhur or from Italy: anecdotally incoming goods have been beer and fridges – but in fact we facilitate the flow of a very wide range of goods into the UK and to Wales.

2. Welsh Devolution and Trans-Boundary Issues

Our corporate experience in devolved Wales has been broadly positive. The Welsh Government distinguishes Tata Steel as a key "Anchor Company". In turn we can play our part in helping the Welsh government meet its objectives in areas in our ambit, such as economic development, environmental regulation, education and skills and occupational health.

In developing our relationship with a devolved authority, we look to create a favourable environment for our industry to thrive – for the benefit of all. We have pursued this in recent consultation processes in devolved tax, for example.

Consistent with similar points we have made about other devolved solutions, it is important for us that devolution delivers ease, efficiency and competitiveness – and does not deliver unnecessary complexity, practical obstacles and further bureaucracy. Our operations are not confined to Wales and the high volumes of material that travel from the South Wales operations to Shotton – travel via England. For this reason – and also to reduce administration, we would not support a high-level of differentiation between Welsh and English rail infrastructure and management. The "join" needs to be seamless.

3. Essentials to be Considered by the Committee

1. Access and availability of track

An efficient rail infrastructure will be accessible at consistently low cost at all times. Port Talbot, Trostre and Llanwern are well-connected, but excess other traffic on the east-west mainline often prevents us from accessing the track for vital movements, In the case of hot-linking material at Llanwern, this generates an increased production energy cost.

The ***"Shotton Chord"***

Critically for us, a vital connection does not exist to serve our North Wales Shotton site, the largest customer for steel made in South Wales. The North-South Bidstone line from the Wirral to Wrexham does not connect with the East-West North Wales line which runs from Holyhead to Crewe. The result is a lengthy and costly detour via Wrexham. The Deeside Industrial Park lies within a Welsh Government Enterprise Zone, a site which includes other possible key rail freight users such as UPM Paper. It is an area in which some 9,000 men and women are employed. We understand that Flintshire County Council commissioned a

feasibility study to assess demand for a project known as the Shotton Chord. A setback for the concept has been that demand has, apparently, been confined to freight traffic and the viability of this does depend on the transfer of freight from road to rail – and the balance of cost/benefit for all parties. A review of the Welsh Government's strategy to encourage freight from road to rail may be helpful here.

In South Wales, the Welsh Government must make a study and consult affected parties on the subject of the impact of **electrification** and also the **South Wales Metro** – on freight traffic.

The extent to which we use the rail infrastructure is obviously limited by the accessibility of our customers via rail. Choice of a suitable site is a business decision to be managed by those companies in question. Equally, the rail companies themselves should be acting on their market research. But there is a helpful role to be played by government strategically to encourage development of the network to support the economy.

2. Track Access Charges

Freight traffic is an important customer for the rail sector, but culturally can be seen to be a lesser priority by that sector. Passenger transport by rail is subsidized, but not such incentive exists for freight – which delivers a benefit to the general public by reducing road traffic.

3. Axel Loading Weights

The capacity of the rail infrastructure to carry high volumes of freight has an important bearing for our costs. Currently we are able to load 60 tonnes of material per typical rail wagon. A normal train may consist of about 25 wagons. In mainland Europe and elsewhere, the rail infrastructure has a greater capacity – improving efficiency, reducing costs and delivering environmental benefits. An additional cost is borne when freight needs to be transferred into the greater-capacity European regime. We believe a study should be commissioned to assess the cost/benefit of increasing the capacity of the UK/Welsh rail infrastructure for high volume freight.

4. Engineering works

Just as road-blockages and diversions are costly on travel-time and fuel, railway engineering works also add to our costs. The capacity of the rail infrastructure can be reduced further when diversion routes are introduced. A common example is the Tondu diversion in the Vale of Glamorgan, deployed when issues arise on the South Wales, East-West main line. The infarction forces us to reduce the amount of steel carried per wagon – and more trains (and locomotives) are required. Consignments are split, potentially causing us logistical issues

5. Your Themes for Comment

a) High level priorities for the development of rail infrastructure to provide the capacity and connectivity necessary to support the social and economic well-being of Wales

Rail infrastructure development must take account of our current and future needs, aware that the efficiency and cost of rail transport are major competitive issues for us. Creating and sustaining a strong rail freight transport solution alongside the passenger agenda is a priority.

b) How far Welsh Government's rail infrastructure priorities, including those in the National Transport Finance Plan, and the Ministerial Task Force on North Wales Transport report, meet the needs of Wales

The finance plan must take into account the priority of sustaining and constant improvement for the rail freight infrastructure. It should take account of the cost to business – and to the alternative transport sectors – of failing to do so. The North Wales plan must take into account the priority of connectivity with the South and its efficiency for large-scale freight movement.

c) How the development and exploitation of rail infrastructure in England affects Wales, and vice versa

Our experience of devolution to date has been positive, however it is important that a "seamless join" exist for freight users – and that trans-boundary issues and administration – does not add to cost.

d) The impact on Wales of key planned developments in England including High Speed Rail, electrification, Northern Power House / Transport for the North, and wider devolution of responsibility for rail within England

We have noted the activity concerned with compensation to Wales which has become a partisan issue into which we will not engage. It is our contention that whatever development is taking place elsewhere, the Welsh freight infrastructure must be up-to-date and technically improved to become more efficient, competitive and sustainable.

e) How Welsh Government can best engage with and influence infrastructure developments in England and the development of passenger and freight services using the network

The Welsh Government must make clear the important role played by freight transport for the whole UK economy, and, in particular, stress the vital role it plays for one of Wales' largest economic contributors. Plans for the English network must take account of the geographical fact that the rail route from Wales to mainland Europe does pass through the south of England, and English customers of Welsh steel do rely on the existence of efficient, low-cost railway infrastructure between the two countries. It would be a tragedy if English steel users chose foreign material owing to the frailties of the railway infrastructure.

f) Whether the periodic review process meets the needs of Wales and takes account of the needs of Welsh passenger and freight users, and how this should be developed

The Period Review Process should include the direct interests of the rail infrastructure's key customers as a normal customer-engagement discipline. The process should include a benchmark assessment of comparative cost and efficiency of rail infrastructure in similar Western European countries in the context of commercial competitiveness. It should also be identified where other governments may influence the balance of transport modes.

g) The effectiveness of the Network Rail Wales Route and whether the approach to delivery of network management, maintenance, renewal and enhancement functions are effective in delivering value for money, capacity, frequency, speed, reliability and handling disruption for passengers and freight users in Wales

Above we have drawn attention to the difficulties and additional costs created by engineering works, and the need to enhance capacity of wagons, trains and accessibility of track – notably to the mainlines.

h) The fact that funding for Welsh rail infrastructure is not devolved. The advantages, disadvantages, opportunities and risks potentially associated with devolution.

Our focus is on the environment in Wales to carry out our business with maximum efficiency and competitiveness. The right investment, at the right time, in the right places for the right practical reasons are priorities for us. It is for the UK and Welsh Governments to determine where the devolved arrangements should be made.

Conclusion

The steel industry is well-established in Wales. Working with government here, we hope to be able to sustain a highly-skilled workforce, work within a strong energy and transport infrastructure, and a sound regulatory structure. Above all, a potentially supportive fiscal environment can work together with a pro-growth economic development policy to make Wales the country of choice for future investment in our business.

We understand the appetite in Wales for self-determinism and local, tailor-made solutions, to solve local problems. New approaches to government, new ways to manage communities, new philosophies and new technology can be highly beneficial in every sector. But simultaneously we are an international business with global interests and partners. While we focus positively on important matters at a local level these must be consistent with the much broader UK and global view to continue to drive economic benefit. To be effective for us, the instruments of Welsh devolution, be they policy, lawmaking, tax or infrastructure - must work in this context.

Some important questions must be answered to inform our proposals with respect to the rail infrastructure in Wales. The future of the UK-wide infrastructure – including key ports, its funding, strategic processes, and how it fits with EU partners' - will be critical for Wales' viability as an economy – however passionate we are about Wales' self-determinism.

Tata Steel welcomes the opportunity to contribute its views and look forward to making further contributions where appropriate.

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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 17	WRI 17
DB Shenker Rail (UK)	DB Shenker Rail (UK)

1. This is the response of DB Schenker Rail (UK) Limited (DB Schenker) to the Inquiry into the priorities for the future of Welsh Rail Infrastructure announced by the Enterprise and Business Committee of the National Assembly for Wales in December 2015.

2. DB Schenker is the largest rail freight operator in the UK and is a wholly owned subsidiary of Deutsche Bahn, the second largest mobility and logistics company in the world. DB Schenker operates over 5000 trains per month in the UK conveying everything from cereals to coal, consumer products to biomass and petroleum to steel. DB Schenker employs over 3300 people in the UK providing freight, infrastructure, rail support and charter passenger services within the UK and freight services to and from continental Europe via the Channel Tunnel.

3. DB Schenker, in common with other rail freight operators, is a wholly private sector activity receiving no material direct government support. In a heavily-capital intensive industry, DB Schenker owns and operates its own assets, including depots and rolling stock, and has invested heavily in new locomotives, wagons and facilities since UK privatisation.

The Value of Rail Freight

4. Rail freight generates over £1.5bn of economic benefits for UK plc every year through a combination of improved productivity, reduced congestion and wider environmental benefits. It is vital for the competitiveness of the UK economy and is an intrinsic part of everyday life in the UK.

5. Rail freight transports goods worth over £30bn pa, moving over 25% of the containers entering the UK and underpinning industrial sectors such as steel, power generation and construction. Rail is also a key supplier to UK manufacturing sectors such as the automotive industry and a major supplier to Network Rail.

6. Rail freight has transformed itself since privatisation in the mid-1990s into a competitive and vibrant industry, recognised by the CEO of the Office of Rail & Road as "the most transformed sector in the rail industry since privatisation". Total volumes increased by over 80% from 13.5bn ntkms in 1995 to 24.4bn ntkms in 2013-14.

7. The sector is changing as the UK economic base itself shifts, with reductions in traditional rail freight markets such as moving coal to power stations - where Government environment and other policy choices are driving conversion to biomass, renewables and other forms of electricity generation. Alongside this is an increase in the volume of containers moved for the growing retail/consumer sectors. Continued rail freight growth will increasingly focus on the retail, construction and international sectors reflecting the general change in patterns of the UK economy.

8. This will have geographical as well as sectorial implications, with the areas where the UK's population is concentrated become increasingly significant for rail freight. These areas are usually where demand for passenger rail services is highest, so ensuring sufficient usable rail capacity is available to allow rail to compete with road will be more complex than ever over the next decade.

9. Rail freight is an intensely competitive industry – both within the mode and with road transport in particular. This strong competition has driven efficiencies, lowered prices to customers and reduced the costs of operation. The drive for longer and heavier freight trains is one example of how this has been achieved. In the decade after 2002/3 the number of freight trains on the network reduced by over 33%, whilst volumes increased by 17% - this meant (taking distance into account) that each freight train increased its cargo carried by over 50%.

   These competitive pressures will continue and the sectors offering the most volume potential for future rail growth are also those with the strongest price and service competition with road transport.

10. Intrinsic to continued rail freight growth and development will be continued private sector investment. Investment in rolling stock and facilities by freight operating companies such as DB Schenker is clearly understood - over £2bn has been invested by Freight Operating Companies since privatisation.

    In addition over £500m was invested by Governments (including EU funding) in CP4 on freight specific rail network enhancements and a further £230m has been planned for CP5 freight specific network enhancements by the UK Government and Transport Scotland. Since 2009, successive Governments have based their rail freight policy on the development of a Strategic Rail Freight Network (SFN) and the underlying principles of the SFN should continue to be supported.

    Freight customers and suppliers - including ports and terminal operators have also invested heavily in rail freight facilities - over £250m in the last decade on port-related rail infrastructure alone. Investment in new rail-connected warehousing and terminals is critical for future freight growth.

    Ensuring the private sector has the confidence to continue to invest to support rail freight - and rail freight growth in particular – remains vital.

11. Rail freight can move freight in greater volumes, more safely and reliably than road transport. Each freight train removes up to 75 HGVs from the UK's roads – without rail freight over 7.5m additional road journeys would have been needed. Transporting freight by road reduces CO2 emissions by 76% compared to road.

Characteristics of Rail Freight

12. As already stated, freight is a wholly private sector activity determined by customer and market needs. In this respect it is different to passenger rail and rail freight has a very different, less direct, relationship with Governments, funders and other devolved bodies as a result.

    A practical example of this is that freight operators such as DB Schenker do not enjoy the degree of protection to services that results from the Franchise Specification process and are much more dependent on the nature of Track Access Rights.

13. Rail freight operates in *response* to specific customer demand - a key distinction from passenger where services are planned in *anticipation* of demand. Many trains are customer-specific rather than multi-customer - so if a customer does not require a service on a particular day or week it will neither be scheduled nor run. Rail freight's use of capacity is therefore often very different to that of passenger operators.

14. Rail freight is a nationwide, international business. It does not correspond neatly to railway administrative boundaries (that are generally based around passenger needs) and it can be easy to misunderstand the complexity and difficulty this can cause national operators such as freight.

15. Most rail freight services operate at least two, and often more, railway administrative boundaries; for example a freight train from Southampton to Cardiff traverses three Network Rail routes. Unless carefully managed, there can be planning and operational downsides to this complexity.

16. Freight is often not seen as a priority within the rail industry – for example, with rail freight accounting for only 4% of train numbers and 8% of all train miles, rail freight is often not seen as a priority by Network Rail. It can be hard for Network Rail's Route Managing Directors, under pressure from their lead passenger operators, to make time for freight at all.

17. There is also little natural alignment between rail freight activity and the emerging politically devolved regional and transport units and it is important this is more widely realised.

18. Common to both railway and political devolution is how an appropriate balance will be made between local/regional and national requirements/priorities in ways that best support both regional and national economic activity and growth.

    Any further structural changes for the railway have to be clear as to how this will be managed and optimised.

19. Previous attempts to devolve rail freight activity to railway routes or zones have not been successful. Network Rail's response in 2011 was to recreate a central freight team (led at Director level) to manage both the external interface with FOCs, and other customers, and the internal interfaces with Routes, IP and other teams.

    In general terms this structure has worked well, but one downside is that it becomes easier for Network Rail's route management to "leave freight to the freight team".

20. It is also hard for a national freight operator to maintain effective relationships with multiple Network Rail routes, as well as the central freight team - and the same principle applies to multiple devolved or local authorities.

Priorities for future infrastructure in Wales

21. DB Schenker supports the points made in the submission by the Rail Delivery Group, particularly in respect of strategic and cross-border issues.

22. As already set out, rail freight has an important role supporting the Welsh Government in its objective to deliver sustainable economic growth and future prosperity in terms of delivering connectivity and services to business in Wales.

23. Ensuring sufficient usable and efficient capacity for freight is essential. It is important that the needs of freight are properly taken into account in the specification and provision of both passenger services and enhancements/improvements (both major and smaller-scale). On a mixed traffic railways, suitable integration of the needs of all users is necessary to maximise financial and economic benefits.

The current planning environment

24. DB Schenker is an active participant in the rail industry's planning environment and we endorse the points made by the Rail Delivery Group. DB Schenker is part of the Wales Rail Industry Leaders Group and both the Long Term Planning Process (LTPP) and the development of the policy framework that will lead to the anticipated production of the England and Wales High Level Output Specification (HLOS) in July 2017.

25. There is benefit from the clarity and transparency that five-year periodic reviews have brought to Network Rail's funding and output obligations. These help freight and train operators such as DB Schenker to plan their businesses with a reasonable degree of certainty and give customers and Governments a means by which to hold Network Rail to account for its performance and any shortfalls.

26. Five-year funding settlements also take the railway out of the normal government budgeting processes (and the uncertainty that shorter term funding arrangements can entail). In an industry with assets that have long lives and where investment cases are complex, these are important attributes.

Devolution

27. DB Schenker recognises that the while the Railways Act 2005 devolved full funding and specification responsibilities for the network in Scotland to Scottish Ministers, this is not the current status of the railway in Wales. However given that the responsibility for the management and re-letting of the Wales and Borders franchise has transferred to the Welsh Government, and that Network Rail has established a Welsh Route, DB Schenker understands that the potential for further devolution remains an active political topic.

28. The services that DB Schenker offers customers either based in Wales, or who wish to move goods to/from Wales, are rarely wholly within Wales and have to be understood in both national (UK) and global perspectives. It is important that any moves to further devolution, whether political devolution such as Wales or railway devolution such as Network Rail, do not make the task of offering services that cross administrative boundaries harder or less efficient.

    On mixed-traffic railways, it is important that potential changes (both physical and timetable) are tested for the impact on all users before decisions are made.

Relationship between the GB and Welsh networks

29. Again, DB Schenker supports the points made by the Rail Delivery Group.

30. As rail freight changes and develops across the UK, it is important that physical network developments (for example provision of W10/W12 gauge) extend to key locations within Wales in order for the rail freight sector to continue to offer efficient services to Welsh industry.

31. Failure to do so will result in operational solutions (such as expensive specialised rolling stock) being necessary and these are usually less efficient and more costly.

Planning beyond 2019

32. The industry's strategic planning for Wales been developed with input and support from both the Welsh Government and the Department for Transport. DB Schenker and the rail freight sector were heavily involved in this to ensure that rail freight's needs were covered. Priorities for CP6 are already emerging, which provides clarity as to what funders will require from the industry.

33. The nature of the economic and physical geography of Wales means that there is little, or no, current rail freight activity on either the Cambrian or North Wales routes. It is hard to see any substantive change to this in the foreseeable future and any rail freight solutions are likely to be need to be based on innovative technology and low-cost operations.

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 22	WRI 22
Yr Athro Stuart Cole	Prof Stuart Cole

CYNULLIAD CENEDLAETHOL CYMRU – Y PWLLGOR MENTER A BUSNES

Blaenoriaethau ar gyfer y dyfodol Sellwaith Rheiffyrdd Cymru

Tystiolaeth o'r Athro Stuart Cole CBE BA MSc FCILT FICE
Athro Emeritws mewn Thrafnidiaeth, Canolfan Ymchwil Trafnidiaeth Cymru, Prifysgol De Cymru

NATIONAL ASSEMBLY FOR WALES – ENTERPRISE & BUSINESS COMMITTEE

Priorities for the future of Welsh Rail Infrastructure

Evidence from Professor Stuart Cole CBE BA MSc FCILT FICE, Emeritus Professor of Transport, Wales Transport Research Centre, University of South Wales

SCOPE OF THE INQUIRY

- The operational effectiveness of current rail infrastructure for passengers and freight within Wales and priorities for the development of Welsh infrastructure, particularly in Control Period 6 (2019-24) and beyond;
- The relationship between the Welsh and English rail networks in terms of planning, management, maintenance/renewal and enhancement, and how these should be co-ordinated to benefit passenger and freight users on both sides of the border;
- The effectiveness of the current approach to planning rail infrastructure in Wales, as well as delivery of maintenance/renewal and enhancement, and whether the current approach achieves the best outcomes for passengers and freight users in Wales.

INFRASTRUCTURE OVERVIEW

In parallel with this National Assembly Inquiry three reports have been published / are being prepared which are directly relevant to this Inquiry and are recommended to be read in advance:

Dame Collette Bowe, non - executive director DfT is examining the past and what lessons can be learned from the periodic review process for Control Period 5 (CP 5)

Sir Peter Hendy, Chairman of Network Rail report *The replanning of Network Rail's Investment Programme* is looking at the present i.e. how to deliver as much of the current enhancement programme as possible (including the SWML electrification programme)

Ms Nicola Shaw CEO of HS1 report *The future shape and financing of Network Rail – The Scope* sets out recommendations on the longer term financing and shape of Network Rail. WG have an opportunity here of promoting a WG owned NfD infrastructure company as part of the existing Transport Company - Transport for Wales / Trafnidiaeth i Gymru (TiG). (See section 8)

There is a need to inform those reports from this inquiry and separately and more immediately from the Welsh Government (WG), which has hopefully been done.

Two major investment programmes can be used to introduce this assessment of Network rail's strategic and operational procedures and achievements – the South Wales Main Line (SWML) electrification and Valley Lines (VL) electrification. While these ar both in south Wales the lessons learned apply equally to plans for the North wales main Line Electrification

Guide to Network Rail (NR) Investment Process

This is a key input into Sir Peter's review. If a project has proceeded beyond GRIP Stage 5 then cancellation is not an option – high compensation costs

The investment process at Network rail has five GRIP stages up to construction completion. On the SWML this has progressed through to GRIP Stage 3 and beyond

- London to Bristol (and new Bristol Parkway depot) is at GRIP stage 6 – under construction, test and commission. The wires are up and depots have been built
- The line to Cardiff is at GRIP Stage 5 (Detailed Engineering Design giving cost, time, resource and risk estimates) and progressing to GRIP Stage 6 (Construction, Test, and Commission). This means pre-construction, planning and procurement including the Severn Tunnel (for which there are robust engineering solutions) which almost guarantees electrification to Cardiff.
- West to Swansea is at GRIP stage 3 – feasibility and engineering analysis moving to GRIP Stage 4 there are two options still open The all - electric IEP or a bi-modal IEP option, so the electrification guarantee is lower.

Critical Issues SWML

- The additional production cost compensation payment, and operational costs of the heavier bi – modal trains could exceed the savings achieved from not putting up the wires to Swansea. DfT appear to be doing both
- The Hitachi depot at Maliphant Sidings, Swansea is able to maintain both IEP types so in itself does not imply electric trains
- Notice will have to be given to the operators – primarily Arriva Trains Wales / Great Western Railway / Cross Country Trains – of closure of for example the Severn Tunnel for putting in the electrification infrastructure which will have to occur in the six weeks to mid – October to maintain the planned construction /completion dates
- Uncertainty in the infrastructure programme has several impacts. The passengers who will not want to see brand new trains standing idle awaiting the overhead wires and will wish to plan journeys well in advance. The train companies have to plan construction period timetables matching reduced train capacity.
- The logistics supply chain (getting materials, machinery and skilled staff to the sites on time) remains the biggest challenge if the railway is to be operational while electrification takes place.
- There are unforeseen obstacles such as planning consents; possible underground workings and listed Victorian over-bridges and buildings. Here local authorities, Cadw and the planning minister must be prepared to act quickly to benefit the south Wales economy.
- As with all rail infrastructure investment it is amortised over 60 years. An investment of say £550m with interest changes of 3% pa (as WG / NR backed by HMT) would cost circa £25m pa

Benefit Cost Ratios (BCR's) as known

London – Bristol: above 6:1. Therefore well above the HM Treasury acceptable limit of 2:1 and under construction. Costs are relatively low; few tunnels or old overbridges; runs through open land. Passengers are 100% of the flow at the Reading section and fall to about 50% of the flow at Bristol on the both routes

Bristol – Cardiff (current figure N/A to me). Previous BCR varied from 2:1 to 3:1 so acceptable to HMT. Would be in competition with other schemes but for 'the priority given to the GWML'). Passenger numbers are high with about 30% of total flows on the line

Cardiff – Swansea (current figure N/A to me) previous figures for this section as a stand – alone project was 0.9:1 so below HMT minimum. In basis terms it is 25% of the route miles but with <10% of passengers loadings. This could only ever be electrified now on a sequential basis (so now is the last chance for probably 40 years). With any new schemed 30% of the costs are set up costs. Crossrail has

acquired much of these set up costs for GWML. These would only reduce the BCR for Cardiff Swansea

In the earlier studies for WG when VLE and GWMLE / SWMLE were combined they achieved a BCR of 4.6:1. This was based on the lower cost of VLE compared with now and a high passenger flow on VL.

Electrification / Infrastructure enhancement

The primary criteria for rail infrastructure improvements are

- 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 infrastructure:

- Provide passengers with what they want
- Reduced journey time
- Better quality services
- Faster more frequent trains
- 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

ISSUES SET FOR DISCUSSION BY THE ENTERPRISE AND BUSINESS COMMITTEE

1
High level priorities for the development of rail infrastructure to provide the capacity and connectivity necessary to support the social and economic well - being of Wales;

South Wales

- South Wales Main Line electrification to Swansea. The electrification to Cardiff is now at GRIP Stage 6 (Construction, Test and Commission) and therefore past an expenditure point to not complete the work. The Cardiff – Swansea section is at GRIP Stage 4 of Single Option Development / GRIP Stage 5 Detailed Design. Approval in principle has been agreed and there have been ministerial announcements from Westminster Government that the programme will be completed to Swansea. The cost element in relation to demand levels continues to be a part of the analysis. But I have been told that there is no reason why electrification to Swansea should not be completed. This however would be dependent on the engineering work being done incrementally at the beginning of CP6. Any time break in delivery would increase capital costs and put the electrification to Swansea in jeopardy.
- Valley Lines (VL) electrification as part of the Metro development. The decision between heavy rail and trams / tram train has to be made. The latter will delay electrification but has to be seen in a longer term context of service quality (frequency, vehicle capacity) and lower capital investment / operating cost subsidy), Cardiff is Wales' equivalent to the Northern Powerhouse with which we have to compete. With growth rates of up to 8% in passenger numbers VL have to be seen as one integrated whole (Metro). The DfT see Valley Lines original routes, the Vale of Glamorgan and the City Line as three separate services.
- SWML increased frequency beyond Swansea to Carmarthen (regular half hourly) and Milford haven / Pembroke Dock (regular hourly) and Fishguard connecting trains at least two hourly and to meet Irish ferries. This is consequent in the recently completed Llwchwr Viaduct and track doubling from Cockett to Llanelli.
- Extensions to existing lines e.g. at Ebbw Vale (town); Maerdy in the Rhondda Fach;
- Development of the Swansea commuter network on heavy rail using existing stations. These could provide a half hourly (or more frequent dependant on demand) service.
- Integration into local bus and TrawsCymru services at Cardiff, Swansea, Carmarthen and Haverfordwest
- Cardiff Central Station faced capacity issues following the first World Cup game (see Appendix 1) less so following subsequent games. The station is designed for longer distance and commuter travel on a far smaller scale of passenger departures per hour. Consideration could be given to providing extra platforms and increased capacity for the eastern facing track exit. This however has high level capital investment implications for use on under 15 times per annum. The wider economic benefits would however also be considered for Cardiff as a major events location
- The electrification of the relief lines between Cardiff and Newport should continue to be considered

- New Metro stations at e.g. Magor, Maindee, St Fagan's; at Whitland with a half hourly service (see above). All new stations and many existing stations to have P&R facilities.
- Electrification and high speed trains between Newport (SWML) and Birmingham

Canolbarth (Mid – Wales)

- Ensure that passing loops and signalling on the Aberystwyth – Shrewsbury line provide sufficient capacity for an initially stopping hourly service and subsequently a half hourly 'fast' service. Similarly provision for an hourly service on the Cambrian coast line to Pwllheli
- In connection with this provision retain the Aberystwyth – Birmingham service within the Wales and Borders franchise
- Extra stations e.g. at Carno should be considered in the context of more local stops versus overall journey time. In such a context train services have to be considered alongside capital investment. A 'fast' service might avoid this

North Wales

- Electrification of the North Wales Main Line starting within CP6. This would obtain the benefits of HS2 with through trains running between north Wales and London partly on conventional track and partly on HS2. The trains would be HS2 type (similar to the French TGV which operates on both types of track e.g. between Paris and Bordeaux).
- Redoubling of the track from Chester to Wrexham to increase frequency and avoid timetable padding which extends journey times at present.
- Electrification of Chester – Wrexham – Bidston to provide a bi – directional route to / from Liverpool Merseyrail.
- Retain the through Carmarthen – Manchester service and not terminate at Shrewsbury requiring a train change. This seems possible.

2
How far Welsh Government's rail infrastructure priorities, including those in the National Transport Finance Plan, and the Ministerial Task Force on North Wales Transport report meet the needs of Wales.

The National Transport Finance Plan (NTFP) 2015 – 2020 sets out the indicative expenditure on transport for the next five years (p.11) in terms of both revenue and capital accounts. However it only confirms the financial year 2015 – 16 and makes clear that in subsequent year's expenditure 'will reflect the available resource position'.

This is the fundamental flaw in all public expenditure accounting and can have serious repercussions where third parties (whether local authorities or private bodies are concerned). They in turn cannot plan expenditure and often have insufficient time to deliver the best plans.

(Please see my Ministerial Report on Active Travel, June 2015 where the one year funding is clearly inappropriate as most, even small, schemes take up to three years to develop).

This is even more relevant in railway expenditure where capital schemes can take many years to deliver (see note below on control periods). The Wales & Borders agreement between WG and ATW shows it os possible to commit funds (£140 m subsidy) over a 15 year period.

The published NTFP has no priority setting mechanism. It is largely a list of schemes or often proposals for evaluating schemes. The schemes referred to are similar to those included in section 1 above. But the sequence of work, the priorities and timing are not clear after the current year in the sections RI 7 – RI 11 on station reconstruction or new stations; or in RI 12a – b neither on NWML electrification / increased speeds nor on the upgrade of the relief lines between Cardiff and Newport.

Therefore while the NTFP gives an overall picture on what might be expected over the next five years the detail on funding and deliver requires considerable development. It needs also to fit into the Hendy report on Network Rail delivery over the next three CP periods.

The NTFP should be seen as a dynamic document under frequent review to meet new circumstances. The proposals are all positive in terms of demand and capacity potential. But funding is an obstacle unless Block Grant income is put on a similar basis to that in Scotland.

The capital investment applies primarily to rail. The Metro sees integration with buses and the series of feasibility studies are essential. But to do this bus services (both tendered, TrawsCymru and commercial) have to be a part of an integrated network. Part of the success of TrawsCymru has been that direct integration with Bwcabus, local services and train timetables and locations. But new buses for commercial routes may not be funded under state aid rules. Companies must make that decision themselves. The TrawsCymru fleet is funded directly or through contractual payments by WG and thus serves many settlements which the railway could not.

Overall the NTFP covers in railway terms – stations, track enhancements or new lines, interchanges and access for wheelchairs, park and ride for cars and cycles and safe routes and access to stations for pedestrians / cyclists.

A useful guide to the stages of rail passenger market analysis and funding are:

Passenger Demand Forecasts leading to:
> Capacity assessment (trains / track / stations) to:
> Services and paths to:
> Rolling stock types to:
> Track / depot capacity delivery.

3
How the development and exploitation of rail infrastructure in England affects Wales, and vice versa

National

Wales has a long porous border with England and the Marcher Line is a key element in connecting up the three east west sections of our national rail network. This line is largely in England and connects via Abergavenny, Hereford, Shrewsbury and Chester. Expenditure therefore on new development (major projects or enhancement)this line may not be a priority for DfT or NR.

At present the Network Rail Wales Route is directly linked into the WG and the Wales and Borders franchise / Arriva Trains Wales in maintenance terms and this appears to work well.

By contrast the Scottish network is more internal with two points of entry from England – the WCML and the ECML. The line across the central lowlands between Edinburgh and Glasgow connects up the internal network within Scotland. This makes for a more cohesive rail infrastructure investment programme.

South Wales

Electrification of the GWML will affect south Wales train operations / paths. All train operations on the SWML are dictated by the GWML and in particular the train paths available through Reading. InterCity express trains are at level 1 in terms of path priority and Reading Station has to accommodate trains to / from south Wales, Bristol, and the West of England as well as Cross Country long distance services. It also has to accommodate Thames Valley local services to / from Paddington. The recent enlargement to 18 platforms and the new western flyover has eased the position considerably for trains to south Wales.

The passenger travel patterns on the GWR south Wales trains are in general: westbound trains collect most passengers at Paddington and drop off en-route with limited picking up of passengers. Eastbound, loadings are low to Cardiff and passenger numbers grow from there en route to London. For Newport and Bristol Parkway the south Wales service is the only one to London. At Swindon and at Reading there are many other train options for travellers to London so pick – up is spread over more trains

North Wales

The creation of HS 2 will have benefits for north Wales only if the NWML is electrified with direct services to London, Birmingham and Manchester. (See the Shaw Report 2015 Figure 4 – The new HS2 network). This shows that the NWM is currently

incompatible with HS2. Conversely lines to Stafford, Liverpool, Warrington, Preston and others on the WCML are compatible and therefore more attractive destinations from London and the English Midlands than is north Wales. There is no HS2 station at Crewe which again acts against the attractiveness of north Wales and the benefits HS2 could bring to north Wales.

Electrification of the Trans – Pennine Express could involve shortening of north Wales services to terminate at Chester and require a change of trains for travellers to / from Manchester. The north Wales – Manchester services provide the link to / from the Northern Powerhouse. It is essential that these services remain under WG control and not transferred to the adjacent English franchise for which they will not be a priority

Mention here should also be made of the travel patterns between north Wales and Chester / Liverpool; the Canolbarth and the English west Midlands and south Wales to / from Bristol. Some of these flows are significant in commuter and retails market segments. WG should be in constant discussion with DfT on these services. The issue of electrification therefore applies again in the case of the NWML.

Major track enhancement funding should be the financial responsibility of the DfT funding Network Rail (see devolution note in section 8). Electrification of or increased speeds on the NWML are a priority for WG and residents and businesses in north Wales. Electrification in north east wales and a gateway interchange station between the NWML and the Wrexham Bidston line are priorities for Wales. Neither has been put forward to date as a priority for DfT. Its priorities lie on major routes in England

Wales' effect on England

The rail network in Wales was built primarily on the periphery of a London centric network for Great Britain and Ireland. Consequently there is little effect from the Welsh network onto railways in England.

4
The impact on Wales of key planned developments in England including High Speed Rail, electrification, Northern Power House / Transport for the North, and wider devolution of responsibility for rail within England

HS2 and Northern Powerhouse links are dealt with under section 3 above.

The primary rail investment for Transport for the North is the electrification of the Trans Pennine Express and local services to the north and east of Manchester. The impact of this and its timing will depend on devolution of the Network Rail investment programme together with sufficient funding for that work.

The UK Government has been somewhat disingenuous (to both Wales and northern

England) in claiming that project as HS3. This title was given to the plan for constructing a new western line from London to south Wales proposed in 2006 and which members will no doubt recall. This was to be a full TGV / Eurostar style service. The northern 'HS3' is unlikely to have that format but would be an electrified service.

5
How Welsh Government can best engage with and influence infrastructure developments in England and the development of passenger and freight services using the network;

Mention has been made of three key reports sponsored by DfT – the Hendy, Shaw and Dowe reports. These have provided the best formats in recent times to engage with and influence infrastructure developments in England.

On the Dowe / Shaw consultations (The Shaw consultation closed on 24 December 2015) one presumes WG put in its detailed response.

The process which follows these three reports has to be a continuous and in depth dialogue between WG, Network Rail, Office of Road and Rail (ORR), Nicola Shaw and the DfT. Developments in England will be determined by the CP6 expenditure plan and the ORR restructuring. To influence these effectively WG will need to obtain staff in the next six months. The extent of the skills and staff numbers currently available within the WG Transport Company, as I previously advised following the national rail transport seminar in November 2014, are insufficient to achieve the objectives implied in the scope of this inquiry (see section 5 below).

Three areas within the WG Transport Company require populating by those with direct recent expertise in the rail industry – interface with Network Rail; procurement of rolling stock; procurement of a train operating company (TOC) to operate the service until such time as a not for dividend (NfD) direct operating company can be established under new legislation.

To achieve its requirements WG will have also have robust discussions with:

- Senior and junior officials in Whitehall
- National Infrastructure Commission (Lord Andrew Adonis)
- ORR (Chairman: Professor Stephen Glaister and for the present, CEO: Richard Price)
- HM Treasury
- Scottish Government – Transport Scotland (Bill Reeve). Useful advice will come from Scotland who have the infrastructure regime that Wales (more or less) seeks on how it works for them and how they use their expertise
- European Commission Bruxelles. What funding contributions may come? WG (with WEFO) need to reach for the EC rail agenda

6

Whether the periodic review process meets the needs of Wales and takes account of the needs of Welsh passenger and freight users, and how this should be developed

The periodic review (Control Period / CP) process
(Source: Office of Road and Rail)

As an example set out below are the key stages of the 2013 periodic review (PR13):

Stage one - from May 2011 until March 2012

This stage focused on consulting on a number of key issues in preparation for subsequent stages. It culminated in advice to the Secretary of State and Scottish Ministers on how they should develop their high-level output specification (HLOS) and a statement on funding available (SoFA).These set out what it was hoped the railways would achieve between 2014 and 2019 and the public financial resources that would be, or were likely to be, available for this.

Stage two - from March 2012 to October 2013

During this phase consultation took place on detailed issues relating to the regulatory framework and how access charges should be set. The Secretary of State and Scottish Ministers also issued their HLOSs and SoFAs. It ended with the publication of a final determination on 31 October 2013.

Stage three - from October 2013 to April 2014

During this stage, ORR and Network Rail, with its partners, focused on implementing the final determination. This includes the issue by ORR of the detailed changes to access agreements and Network Rail's network licence required to reflect the final determination. Network Rail and its partners also undertook detailed planning work ahead of 1 April 2014 to implement the determination.

Commentary on the CP process

The periodic review (CP) process will change. It needs in particular to understand the needs of Wales and WG needs again to feed constantly into the new format through the parallel DfT consultation by 11 January. For this WG must get a holding response in and then consider a further detailed response.

From a financial planning and expenditure viewpoint the CP system never was appropriate because:

- There is a five year fixed period budget

- This takes one year to begin to carry out the plan
- Most businesses have a5 – year rolling programme not a fixed term plan
- Year 2 – Year 4 is the activity period
- Year 5 – back to planning the next CP

In large business corporations a detailed plan may cover 5 – 10 years (rolling programme which responds to the market for implementation). But infrastructure in railway terms is amortised over at least 20 years – the period by the end of which major renewals will have to take place. In the public sector this can be interspersed with National Assembly and Westminster elections which can affect the plan and the spending cycle and priorities both in Wales and the UK

Investment commitments require a long term horizon. For example investments in CP6 are not subject to detailed analysis until CP5. In the Hendy report CP6 investment for the SWML has been placed correctly with continuity from CP5 (electrification of SWML Cardiff – Swansea follows on the end of CP5 to Cardiff in 2019). To do otherwise would have increased costs or result in non – construction. There is a temptation to put construction projects into the next CP (say CP6) even if it is illogical because there is insufficient funding in CP5.

EXAMPLE: On the Shrewsbury – Hereford line (the Marcher Line vital to Wales' internal rail connectivity a bridge over the River Teme was to be repaired in CP5 (year 1) when funding might be available. However its condition worsened so it was moved forward into CP4 or the line would have closed.

External factors

Network Rail have been known to put building or renewable projects into the internal cycle before e.g. obtaining local authority planning permission or having full knowledge of underground utilities; subsidence; historic coal mining; contaminated land; incorrect drawings of utility lines

In preparing costs initially there is a standard pricing ‘schedule’ for most familiar engineering elements. Though there is a 20% (or more) contingency in most capital projects that can be used for such costs associated with an unexpected low bridge or a coal working. But should the optimism risk factor be used to cover e.g. contractor’s wages levels

The periodic review periods enables Network Rail to report to target on:
- Initial determination
- Monitor NR delivery programme to satisfy the customer (train companies / DfT)
- Financial constraints

The ORR (see ORR report) will set out what NR needs to do in terms of for example:
- Safety
- Train performance
- Ensuring the economic elements tie up with safety (e.g. signals or level crossing replacements)

It is ORR who agree funding requirements for NR

DfT then deal with the train operating companies and agree their funding. In Wales and Scotland their respective governments carry out train revenue support negotiations

How the rail industry is funded

In the costs estimates assumptions in the case of GWML costs are known at the estimating time but may rise or fall and therefore changes from the draft determination and are finalised in summer 2013 for 2014 – 15. If say oil prices fall then it is difficult to make assumptions made for a fixed 5 – year plan.

Similarly seeing NR as a private company was not realistic. Its debt and interest charges had been guaranteed by the Welsh, Scottish or English (DfT) governments. Fining NR for non – performance also made little sense. This is even more so since NR has been reclassified as a public sector body.

There are oddities in the track charging regime where TOC's pay NR for use of the track. For example if a TOC put on extra carriages to relieve overcrowding then from a track charge viewpoint it is financially worse off with more but less crowded carriages.

In some cases a TOC mainly associated with a particular NR Route where for example charges for using lines in Wales may be paid to for example the Western Route because the majority of that TOC's services are on the adjacent Route's lines. Therefore for future funding ORR should ensure all relevant track charges are allocated to the Wales Route (porous border – see section 3)

Forecasting demand for train and track capacity

The outcome since 2003 has been one of growth:

- rates of between 8% and 13% per annum on different parts of the Wales and Borders franchise
- 60% passenger growth over the first 10 years of the franchise
- 1200 (25%) more trains per week 2003 – 2013

Research has shown this growth to be a result of cross price elasticity with car costs; road congestion; preference for what is seen as a more comfortable journey and environmental concerns.

The current franchise trains have load factors on most trains such that all passengers have seats and some load factors are down to 15% in the morning peak in Cardiff but on outbound trains.

The problem of high load factors (up to 130%) arises on certain journeys. Examples are:

- Morning inbound and evening outbound on Valley Lines

- North Wales main line services where only two car sets are in use (particularly at holiday periods, Sunday afternoons and where a delay in the Irish ferry arrival into Holyhead after the departure of the Virgin Trains 'boat' train.
- Cardiff / Bristol commuter services although this has been alleviated with the use of 3 – car sets. The Cardiff – Bristol service is currently operated by Great Western although on electrification it could logically be operated by GWR or the Wales and Borders franchise as part of a Swansea – Cardiff – Bristol – Bath service)
- Certain school time journeys
- Summer services to west Wales

If demand continues to grow at 8% per annum there is little point in assuming 2.5%. This is effectively what the DfT are doing. The use of more realistic demand figures can increase costs of future provision so that increased investment would not take place as it might not achieve the required benefit cost ratio

The passenger growth is a positive move but it was not forecast and has been an expensive issue for the Welsh Government in providing additional capacity through the contractor Arriva Trains Wales. In some cases e.g. Ebbw Vale Line, the subsequent need for additional infrastructure exposed the low demand forecast.

Lessons to be learned

A primary lesson is to effectively forecast demand and take into account any potential shifts in demand and demand patterns. The demand and train supply options should be set out as measures to meet changes in demand. This flexibility will protect the Government and the contractor against risks of lower or higher demand affecting increased capacity provision or revenue shortfalls.

In between lays the track capacity. The forecast passenger (and freight) demand for train numbers and track capacity have to be prepared together

To clearly define the franchise specification in terms of demand and rolling stock both diesel and electric, the working relationship between the train operating contractor and Network Rail who operate the infrastructure has to be linked. This becomes easier as the Network Rail Wales Route with its own management builds up and (for SWML) the presence of both sets of staff at the new control room at Canton.

This arrangement enables the Welsh Government to considered the best option for:

- North south services and their increase to hourly frequency
- Additional capacity on Valley Lines
- The impact of reopening the Glyn Ebbw and the Vale of Glamorgan lines
- Procuring additional rolling stock

The current penalty system relies too heavily on timekeeping alone. The new franchise should consider factors such as passenger growth, journey experience, train cleanliness and passengers personal security perception.

7
The effectiveness of the Network Rail Wales Route and whether the approach to delivery of network management, maintenance, renewal and enhancement functions are effective in delivering value for money, capacity, frequency, speed, reliability and handling disruption for passengers and freight users in Wales

The customer

Network Rail's customers are primarily the train operating companies (TOC), freight operating companies (FOC) and the DfT / Transport Scotland. There is no statutory or contractual relationship between the WG and NR. In terms of all the criteria set out in the Committee's question there is no responsibility directly to the traveller or freight customer. There are other customers who for example rent premises from NR but these are outside this inquiry.

NR does interact with a range of local regional and national bodies that represent local populations and straddles all NR functions including strategic planning. The Welsh Government and local authorities are included in this group. This however is a weakness in the structure although the pressure from the passenger / freight user as the ultimate customer should be passed through to NR's decision making. An example is avoiding the closure or restrictions on the railway at weekends when major events take place in Cardiff.

The TOC's and FOC's expect efficient and timely operations which also demonstrate taxpayer value for money. The TOC's and FOC's expect a railway which enables them to be provided with rail infrastructure of an agreed quality to run their services. The traveller / freight customer however has no concern for the providers identity nor should they. And passengers should expect trains to run on time.

The DfT (on behalf of WG) and Transport Scotland specify the HLOS outputs and the terms of TOC franchise agreements. NR should have that same relationship to deliver customer expectations on a day to day basis.

NR is a monopoly supplier so TOC's cannot go elsewhere for their track nor can they withhold payment. The ORR is the body to monitor the customer relationships of NR and by default may have become the user representative through its powers. Through its powers ORR may impose financial penalties on NR; however the change in classification of NR into a sponsored DfT operation may make this more difficult and effectively is charging the taxpayer. This does seem to put us where the British Railways Board was before 1993.

These penalties include:

- Compensating financially TOC's for operational performance below expectations
- Fines issue by ORR to meet obligations (but see taxpayer issue above)
- Penalty for overspending – but the Final Determination only provides for efficient delivery. Any inefficiency has to be covered by the taxpayer or as suggested in the Hendy report through sale of non – core assets.

The WG has become a customer by default. In the original franchise it was not specifically a named player. However as it now funds the revenue support (subsidy) payments to Arriva Trains Wales (ATW). WG has a direct interest in day to day real time delivery. The relationship between WG and NR has much improved since the creation of the Wales Route e.g. on maintenance and renewals issues such as timing of infrastructure work

On major projects managed by Wales and West Division the management is not devolved and there is a view that Western Route area is given more focus and priority than the Wales Route. The head of the CAS-R (Cardiff area resignalling) project does not report to the Wales Route but to NR Head Office. This also applies to NAS-R (Newport area) and the Port Talbot station rebuilding. It is therefore harder for the WG to control renewals and enhancements and harder for the major projects team to understand options, trade-off and priorities between e.g. stations, set of points or a bridge. It would be preferable for the major projects team for Wales to be based in Cardiff with the Wales Route. They would draw on expertise for civil engineering (stations and bridges) or signalling from a central core or contractual suppliers.

8

The fact that funding for Welsh rail infrastructure is not devolved – what are the advantages, disadvantages, opportunities and risks potentially associated with devolution?

Present Structure

NR has begun the process of devolving responsibility for the railway. The Wales Route is responsible for day to day maintenance and smaller renewals but only in a shared accountability with the centre. Major projects and long term planning remain a head office responsibility through the Investment Projects Directorate (IPD). Planning has moved towards a devolved status with the publication of the *Wales Route Study Long Term Planning Process.*

There appears to be a devolution policy but this has to move forward quickly if Wales is to benefit. The new Route services Directorate will provide central services

required and Routes will have more input into the IPD. (See Shaw report Section 3 Fig 7)

Current Financing NR

NR main sources of income are illustrated with the 2011 – 12 figures:

Total income in 2011-12: £12.5bn (all figures in 2011-12 prices).

This figure is made up of:

- £7.2bn from passengers
- £1.3bn from commercial operations such as station shops and car parks
- £4.0bn in subsidy from the taxpayer

Of this £4.0bn taxpayer subsidy:

- £0.1bn went to train operating companies
- £3.9bn went to Network Rail.

Network Rail receives 63% of its income in the form of a grant from government and:

- £1.7bn from charging franchised train operating companies to use the track
- £0.6bn in other commercial income

(Source: Office of Road and Rail)

Up to its reclassification NR borrowed on the market but with investors having a government guarantee. The government now lends directly to NR (under a £30 bn current agreement). This means the risk associated with NR expenditure has increased and lies entirely with the government. The government was always closely involved with NR funding. The new position means the whole of the company's finances have a direct effect on the government's fiscal objectives. The borrowing is no longer 'off balance sheet'.

Devolution of NR functions

This is a complex issue with key issues:

- Ownership of the infrastructure for enhancement. Is it all owned by NR
- Legal rights and can track access charges be made e.g. if WG took over the track and trains how would they charge their own TOC and other franchisees using their track
- Is the owner in the public sector or the private sector?
- Will there be any common ownership between TOC's, NR, Metro, and private interests?

The land ownership issues would arise if WG wished to convert the VL network to trams and take over NR track. (See note below)

Advantages

More control of track and trains if they were to be integrated into a single business such as the WG NfD company suggested by the Minister for Transport. There is a separate note by Professor Stuart Cole available on alternative funding option structures

Disadvantages

The financial risk outlined below

The legal structure and the people team to operate this business will require to be employed without further delay if even 2020 is to be a target date for electrification of VL

Opportunities

Network rail is in a deep alliance in Scotland with Abellio ScotRail and Transport Scotland. This is based on NR experience in Wessex, England with South West Trains. The latter had a single leadership team to align organisation structures for operating trains and managing engineering work, improve the financial position and provide improved services. It ended earlier than scheduled because of different incentives and financial risk outweighing opportunities. The financial risk is a key factor in any WG decision to move in that direction but NR appears to be seeking such alliances elsewhere – Wales might be an appropriate location.

Using the borrowing facilities suggested below the WG could take over the infrastructure but only by ensuring that the Block Grant provides for that funding.

However WG will need to a part of the current ORR consultation and constantly interact with the Shaw Report outputs.

It has been suggested that the Shaw report may recommend transferring parts of the network to private companies or to others. There are concerns arising from the withdrawal of Metrolink Sub Surface Railways (on London Underground) and Railtrack plc which suggest there are financial and operational control risks in such a move. A WG owned public sector company might reduce such risks.

This may be the opportunity for WG to suggest it becomes one of those parts – network recipients but in the public sector. Scotland has a different model in the Transport Scotland – Abellio ScotRail alliance. Wales could then be used a live test bed using a separate infrastructure organisation but which could also be recovered with little contractual and financial downside.

It would be relatively risk free, would have access to low interest funding as a blue chip borrower (guaranteed by HM Treasury) and city investors advise me they would be keen to invest.

The final Shaw report will be produced ahead of the budget in March 2016. If based on regional structures there is an opportunity for Wales based on the Wales Route and a perfect pilot for different ownership structure aligned with train operations. It would also provide for a mix of private and public funding (see infrastructure operator section next).

The WG Transport Company would be an informed buyer (unlike Railtrack which was not and outsourced all its maintenance). HS1 is an independent infrastructure operator with Eurostar and others as the train operating concessionaires. London Underground (TfL) is an infrastructure operator but has a different model.

Conclusion on WG as an infrastructure operator

WG has several options all operating through the Transport Company (or TiG).

Big question 1 – how is this funded?

- NR and repayment by WG over 60 years
- Private company who 'own' (or lease) the infrastructure and rolling stock – so far all privatisations have come to grief – Railtrack (into Railway Administration); NR (for EC state aid rules); Metrolink (unacceptable profit level)
- Borrowing directly from the markets to fund infrastructure owned by NR (but subject to HM Treasury approval) using new borrowing powers. This could be in the form of unsupported debt (as Dwr Cymru) or guaranteed by WG (as was NR in the past; OBB in Austria)
- Using the Transport Company / TiG on a NfD basis to fund operate and own the infrastructure jointly with NR if required or if practical (public sector BOOT – Build, Own Operate Transfer *to the public sector at the end of the concession* – the principle of the Severn River Crossings)
- Make the Transport Company / TiG responsible for both train operation and infrastructure with allowances for other non TiG contracted train operators to use the track and pay access charges to TiG.
- Set up a joint company with a private sector company / consortium (part privatisation as with the Royal Mail). It would finance the project and charge TiG over a period of years for train and infrastructure provision (private sector BOOT).
- Cash sales of non – core assets as BRB and NR have done in the past. Selling air rights above primary stations e.g. Cardiff, Newport.
- Concession for train operation over a set time period as with Eurostar on HS1

- Part funding bt WG Transport Company (TiG) with other local or UK government partners. This would apply to specific projects such as through the stations improvement programme

Big question 2 – will NR agree?

- NR is considering handing over part of its network? The negotiations could go on for many years. DfT / NR will not hand over without due diligence and not before 2018 – DfT does not want to see another Railtrack or for the state aid rules issue to return
- Do WG want to hand over Wales' railway including £3 bn investments in new infrastructure (e.g. Metro) to a private sector company without due diligence or indeed at all. And how will Metro's very large scale investment fit into such a funding exercise.
- Expensive skills are required to give WG Transport Company (TiG) adequate management controls over the agreement so that improved passenger experiences and WG policy objectives are achieved during the 10 year £3.5 bn franchise.
- Can this be achieved by 2016 to prepare an issue of new franchise by 2017 to begin in 2018 – very unlikely as the required Transport Company full team is a long way from being in place

A first step is to establish a statutory interface with Network Rail (not included in the Railways Act 2005). Rail infrastructure investment is currently funded through Network Rail borrowing the capital expenditure. The payment of interest and repayment of the loan over 35 / 60 years will become responsibility of the Welsh Government and our Minister of Finance must be sure that the repayments are affordable.

Conclusion: rail infrastructure can be independently operated but a co-ordinating body has to be present to provide network benefits. But this is the position in Western Europe where international trains operate successfully between countries some almost as small as Wales in population terms.

Risk

If the WG proceeded alone with its investment in Metro then it would have a major rail investment programme. It would also have to integrate its operations with those of the main line operators (GWML - SWML, WCML – NWML, Cambrian Line and other services). This would similarly apply if WG became the infrastructure owner / operator.

The planned Metro investement has a small proportion coming from HM Treasury (£125 m) but the major part will be from other sources. The experience on the

GWML shows how costs can escalate and the published figures so far for VLE have increased from £350 m to £550 m capital cost. These large amounts of capital will have to be refunded (capital and interest) and repaid over a period of 30 – 50 years. The funding arrangements have to be carefully negotiated. A briefing for the Committee might be taken from city experts in the field.

Professor Stuart Cole CBE BA MSc FCILT FICE
January 2016

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 09	WRI 09
Ffocws ar drafnidiaeth	Transport Focus

Submission to Enterprise and Business Committee inquiry: Priorities for the Future of Welsh Rail Infrastructure

1. Introduction

1.1 Transport Focus is the statutory watchdog for rail passengers in Great Britain; bus, tram and coach passengers in England (outside London) and for users of the Strategic Road Network in England. As the statutory body representing the interests of rail passengers in Wales, we work with the industry, user groups and government to secure journey improvements based on passengers' priorities.

1.2 We welcome the opportunity to provide input to the inquiry into the priorities for the future of rail infrastructure in Wales. Our starting point is to focus on outputs for passengers: the more that policies reflect passengers' priorities the closer they will be to delivering the type of railway that passengers want. In an era of cost consciousness and efficiency it will be essential that scarce resources are focussed on the things that deliver the biggest passenger 'dividend' across the whole route. Our research is relevant to the development of transport policies at high level, potential franchise decisions that may be taken in the next five years as well as future control periods. Transport Focus has published a wealth of data. Our key research reports are listed in Appendix A.

2. Passenger priorities for improvement

2.1 A study of passengers' priorities[1] shows that the top three requirements of passengers in Wales directly reflect those of the Great Britain sample overall.

Rail passengers' priorities for improvement (top 15 by index score)
Comparison of Wales and Great Britain

	Wales		Great Britain	
Factor	**Rank**	**Index**	**Rank**	**Index**
Price of train tickets offers better value for money	1	**458**	1	**494**
Passengers always able to get a seat on the train	2	**402**	2	**367**
Trains sufficiently frequent at the times I wish to travel	3	**238**	3	**264**
Train company keeps passengers informed about delays	4	**168**	5	**163**
More trains arrive on time than happens now	5	**150**	4	**178**
Accurate and timely information available at stations	6	**140**	8	**132**
Less frequent major unplanned disruptions to your journey	7	**133**	6	**161**
Fewer trains cancelled than happens now	8	**116**	7	**136**
Well-maintained, clean toilet facilities on every train	9	**106**	14	**89**
Inside of train is maintained and cleaned to a high standard	10	**106**	11	**93**
Free Wi-Fi available on the train	11	**97**	10	**97**
Accurate and timely information provided on trains	12	**97**	12	**92**
Connections with other train services are always good	13	**95**	15	**84**
Journey time is reduced	14	**84**	9	**105**
Less disruption due to engineering works	15	**76**	13	**90**

[1] http://www.transportfocus.org.uk/research/publications/rail-passengers-priorities-for-improvements-october-2014

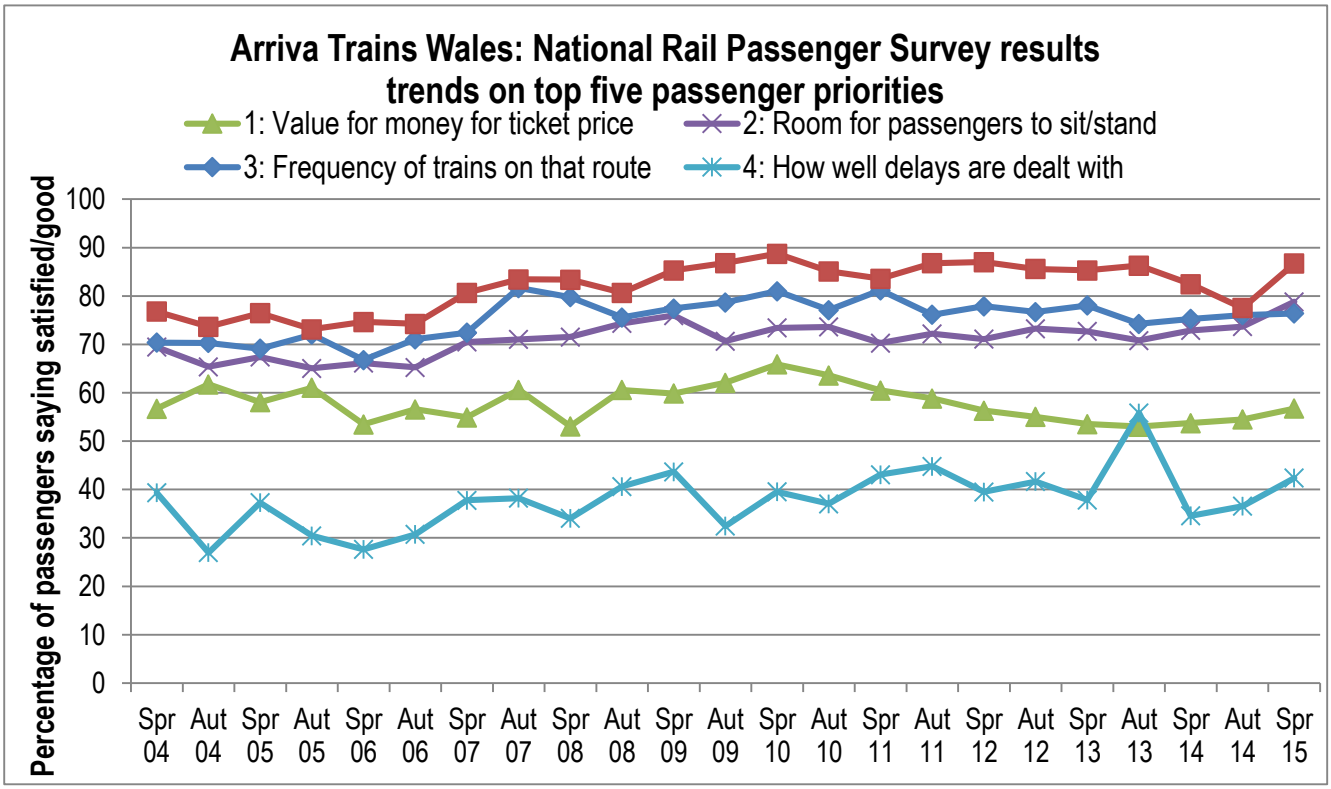
2.2 The priorities in the table above are shown as an index averaged on 100. An index of 300 is three times as important as the average and an index score of 50 is half as important as average. So we can see that, for passengers in Wales, the top priority of 'the price of train tickets offers better value for money' at 458 is therefore over four and a half times more important than average, with 'passengers always able to get a seat on the train' at four times more important than average.

2.3 This research provides a very clear picture of passengers' priorities for improvement. The two top priorities, by some considerable margin, are 'price of train tickets offers better value for money' and 'passengers always able to get a seat on the train'. The strong third priority for improvement, indexed at 238, is 'trains sufficiently frequent at the times I wish to travel'.

2.4 The next group of important priority factors also feature what can be regarded as core elements of service. Passengers want good information about their services, improvements in punctuality, reliability and journey time, fewer disruptions, well-maintained toilets and trains and good connections. All top ten priorities in Wales rank above the average 100 index.

3. Passenger experience

3.1 Transport Focus has conducted the National Rail Passenger Survey (NRPS) across England, Scotland and Wales since 1999. We consult over 50,000 passengers across two phases of research each year to produce a network-wide picture of passengers' satisfaction with rail travel. The data set is publicly available and able to be scrutinised on our website[2].



[2] http://data.transportfocus.org.uk/train/nps/question/service-overall/

3.2 Analysis of NRPS factors for Arriva Trains Wales which correlate most highly with overall journey satisfaction show that train cleanliness is the biggest driver of satisfaction, followed by punctuality, seating comfort and journey length. Managing delays and personal security on-board are the biggest drivers of dissatisfaction. The chart above shows the trends from NRPS data for passengers' satisfaction with these priority factors, since the beginning of the current Wales and Borders franchise.

3.3 Based on our NRPS and priorities for improvement research we can readily identify the core factors that matter to passengers. These should be kept firmly in mind as developments take place for future policies. Passengers therefore want a dependable and resilient network that will deliver:

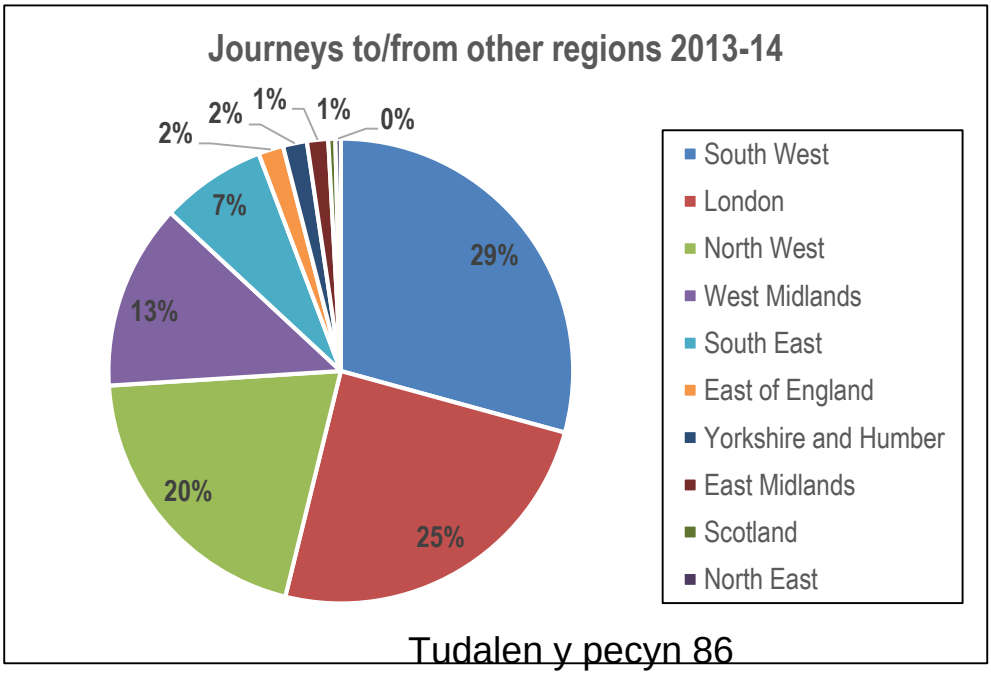
- a punctual and reliable service, with value for money for the price of tickets
- provision of sufficient capacity, in terms of frequency of service and sufficient seating on the train, network capacity and flexibility through effective design and electrification
- effective management of any disruption, especially through information to passengers
- well-maintained trains and toilets
- accurate information about trains and platforms
- good connections, with shorter journey times.

4. Factors for transport integration in Wales

4.1 Good transport integration should be built on recognising the issues passengers face and improving their experience to create a positive and attractive service.

Cross-border journeys

4.2 The latest figures from the Office of Rail and Road (ORR) highlight the importance of cross-border journeys to Welsh rail users. In 2013-14 nearly 29 million annual rail journeys started and/or finished in Wales. Just under one-third of these crossed the Wales-England border – just over nine million journeys. The chart below shows the majority cross the border to or from the South West and London, with a significant proportion then going to or from the North West and West Midlands; making these important areas of focus for the Welsh railway.



Connectivity and network integration

4.3 Comparison of satisfaction with transport connections both within Wales and for Wales-England shows that whilst connections between train services are broadly similar, when looking at connections with other forms of public transport, this difference for journeys within Wales is significant. As shown in the table below, in the spring 2015 wave despite improvements, satisfaction for journeys within Wales was only 68% compared with 78% for Wales-England journeys.

National Rail Passenger Survey - Transport Connections

Attribute % saying satisfied/good	Autumn '10	Spring '11	Autumn '11	Spring '12	Autumn '12	Spring '13	Autumn '13	Spring '14	Autumn '14	Spring '15
Within Wales Journeys										
Connections with other forms of public transport	61	58	54	64	67	61	63	58	61	68
Connections with other train services	82	82	76	79	81	85	87	73	78	77
Wales-England Journeys										
Connections with other forms of public transport	75	72	76	73	72	76	78	72	70	78
Connections with other train services	78	73	81	78	81	78	73	74	73	75

4.4 Passengers value the concept of a network and a seamless delivery of service. They want interaction and connectivity, with good standards of information to 'hold their hand' and give them confidence in the ability to make joined-up journeys.

4.5 Transport Focus conducted joint research with the Association of Train Operating Companies (ATOC) into the perception and reality of integrated transport[3]. This study aimed to gain a better understanding of the role played by integrated transport in attracting new or infrequent passengers to rail; the problems making end-to-end journeys and priorities for improvement. The main barriers we found were:

- the perceived cost of the ticket
- the perceived hassle of going by train
- an assumption that the door-to-door journey (except long-distance) would be longer
- concerns about punctuality and reliability; particularly when changing trains.

4.6 The South East Wales Metro proposes linking a core network with feeder services across a multi-modal network. This will need to demonstrate good transport integration, built on recognising the issues passengers face and improving their experience to create a positive and attractive service, that can be rolled out across Wales. To influence the decisions made by passengers on whether to use public transport, it will need to provide integrated, reliable and frequent services, allowing easy movement across regions and borders, supported by readily-accessible information and simple ticketing, travelling comfort, security and assurance that all stages of the journey will link up[4].

[3] http://www.transportfocus.org.uk/research/publications/integrated-transport-perception-and-reality

[4] Door to door by public transport – improving integration between National Rail and other public transport services in Britain, June 2009

4.7 Our smart tickets research[5] shows that rail passengers essentially want something that makes it easier to travel, with more flexibility, but also cheaper, offering a discount, with further products as technology develops and delivered in an easy format. It is also essential that smart ticketing schemes are well designed, properly implemented and clearly communicated.

5. Developing future rail services

5.1 Based on the priorities for improvement research and NRPS we can readily identify the core factors that matter to passengers and how well these are meeting the needs and expectations of passengers in Wales. These should be kept firmly in mind as future proposals are developed.

Transparency

5.2 We wish to see far greater transparency of information that is relevant to passenger experience. Giving rail passengers access to performance figures relevant to their services will help them to hold the train company to account and to ask what is being done to improve services in return for the fares they pay. Good management should not feel threatened by this. Indeed the availability of accurate data may actually help them – a particularly bad journey can linger in the memory and distort passengers' perceptions. Accurate, relevant data can help challenge these negative perceptions and focus management attention on areas that need improving. Hence, at the very least, we believe there is a case for providing performance data at a disaggregated route level.

5.3 More generally, we recommend adoption of an increasingly open approach to making data and information about all aspects of rail service provision available in the public domain.

High Level Output Specification (HLOS) – process and engagement

5.4 The Bowe report[6] emphasised the importance of engaging users. While acknowledging that there is engagement in the HLOS process and the Route studies the report recommended much more engagement into how the planning of enhancements should be delivered. She said, and we quote, "The failure to engage effectively with users in this planning of delivery has had two impacts. First, it can be seen as contributing to cost escalation, via inefficient planning of possessions and the associated performance payments required to operators through their track access agreements with Network Rail. And second, it may contribute to passenger dissatisfaction on the occasions when things do go wrong."

5.5 We agree with this analysis. We think there is value in projects containing specific plans covering:

- Consultation on delivery. At its most basic it would involve giving passengers information about the scheme: when it is coming up, a clear statement setting out what is being purchased for them, with an opportunity to feed in their views and a role for passengers in monitoring delivery.

[5] http://www.transportfocus.org.uk/research/publications/smart-ticketing-what-rail-passengers-want-july-2013
[6] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479560/bowe-review.pdf

- Disruption. The extent of disruption to services, the consideration of alternatives and how passengers will be informed. This would not be complete from day one as it clearly needs the ongoing involvement of the TOC(s) involved but it can at least set out the working assumptions and then be updated as the project evolves. The reference point for this is our recent research on disruption at Reading and Bath Spa in 2015[7], which showed that higher awareness of disruption leads to greater acceptance of the alternatives.

Performance

5.6 We recommend that operational focus on 'right-time' arrival at all stops is made a core requirement of the rail network, together with a requirement for publication of detailed performance information which will inevitably act as a catalyst to improvement:

- Challenging but achievable PPM targets for the network as a whole and key service groups
- Disaggregated punctuality, with passengers able to identify performance of individual trains
- Moves towards a 'right-time' railway, with a requirement to report performance of trains arriving at key intermediate stations.

Dealing with disruption and provision of information

5.7 'How the train company deals with delays' is, by far and away, the biggest driver of passenger dissatisfaction. Transport Focus has been working with ATW to review performance, with very positive outcomes. We recommend a partnership approach to building on this by incorporating key objectives:

- Targets to improve NRPS satisfaction with the provision of information during the journey and a strategy developed and implemented to improve NRPS scores for 'how well the train company dealt with delay' and 'usefulness of information during a delay.'
- Robust information provision, feeding into a facility for passenger emails or text alerts, warning of likely disruption, with an associated requirement to achieve a strong level of uptake
- Full adoption of the Association of Train Operating Companies' (*ATOC) Approved Code of Practice: passenger information during disruption* and compliance with the Good Practice Guides on provision of passenger information, together with a programme of audit and mystery shopping to assess delivery on the ground.

5.8 Further recommendations were published along with our latest findings in September 2014 in our report: Passenger information when trains are disrupted[8].

Devolution

5.9 Passengers are focused on the outputs that matter to them – how punctual their service is, how many seats are available and whether they are kept informed when there are delays – rather than the structures adopted by the industry and Government to deliver these. The fact that C2C (short-term franchise), Chiltern (longer-term franchise) and London Overground (a concession) all record high levels of passenger satisfaction suggests that that structure / ownership cannot be the sole factor determining success.

[7] http://www.transportfocus.org.uk/research/publications/planned-rail-engineering-work-passenger-perspective
[8] http://www.transportfocus.org.uk/research/publications/passenger-information-when-trains-are-disrupted

5.10 There appear to us to be two key features that need to be taken into account when assessing the different models available:

- Investment
  Investment is one of the common features in the examples given above. Money spent to make the infrastructure more reliable and on rolling stock to transform the travelling experience is reflected in higher passenger satisfaction. Put simply, there is a passenger dividend from investment.

  Hence one of the considerations when reviewing decentralisation proposals must be the ability of relevant parties to raise funds for investment – not just in terms of a one-off injection but sustained investment over time. History has shown that running/specifying a railway requires deep-pockets and the financial stability to withstand fluctuations in economic conditions.

- Management
  Investment must also be backed up with good management. From our perspective this means management that puts the passenger at the heart of the process and which has the skills, abilities and experience to deliver improvements. This may include procurement and contract management experience, engineering, railway planning, as well as the technical knowledge required to engage with train companies and Network Rail.

6. Conclusions

6.1 Our research demonstrates the critical importance of capacity and performance to passengers in Wales. This is clear both for current and future needs. This therefore suggests that improvements in infrastructure to enable greater capacity, frequency and performance should be the cornerstone of any approach. The particular importance attached to improving handling of disruption and provision of passenger information in Wales is also worthy of note.

6.2 Furthermore, given the importance of punctuality as a main driver of overall passenger satisfaction we believe greater adherence to a right-time' railway could help drive up levels of overall satisfaction in the future. We are not advocating the complete removal of PPM as the official measure but rather that greater use is made of right-time performance. Using the route study to establish a longer-term trajectory to improve right-time punctuality would help the industry focus efforts in areas that have a direct influence on passenger satisfaction.

6.3 Finally, given the scale of the exercise and timescales it is important that planning assumptions are regularly 'sense checked' to ensure plans continue to reflect passengers' requirements from the network. In the same vein given significant levels of increased demand across the area, it is also important that demand estimates are robust and process is responsive enough to accommodate changes or inaccuracies in planning assumptions.

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Website: www.transportfocus.org.uk

Appendix A – Passenger research

National rail passenger survey – spring 2015
http://www.transportfocus.org.uk/research/national-passenger-survey-introduction

Rail passengers' priorities for improvement – October 2014
http://www.transportfocus.org.uk/research/publications/rail-passengers-priorities-for-improvements-october-2014

Planned rail engineering work - the passenger perspective – December 2015
http://www.transportfocus.org.uk/research/publications/planned-rail-engineering-work-passenger-perspective

Train punctuality: the passenger perspective – November 2015
http://www.transportfocus.org.uk/research/publications/train-punctuality-the-passenger-perspective

Passengers' relationship with the rail industry – August 2014
http://www.transportfocus.org.uk/research/publications/passengers-relationship-with-the-rail-industry

Ticket to ride? – May 2012
http://www.transportfocus.org.uk/research/publications/ticket-to-ride-full-report-may-2012

Ticket to ride update – February 2015
http://www.transportfocus.org.uk/research/publications/ticket-to-ride-an-update

Smart ticketing – what rail passengers want - July 2013
http://www.transportfocus.org.uk/research/publications/smart-ticketing-what-rail-passengers-want-july-2013

Smart ticketing – mobile applications – November 2013
http://www.transportfocus.org.uk/research/publications/smart-ticketing-mobile-applications

Smart ticketing - contactless payment for rail – December 2014
http://www.transportfocus.org.uk/research/publications/smart-ticketing-contactless-payment-for-rail

Delays and disruption: rail passengers have their say – November 2010
http://www.transportfocus.org.uk/research/publications/delays-and-disruption-rail-passengers-have-their-say

Passenger information when trains are disrupted – September 2014
http://www.transportfocus.org.uk/research/publications/passenger-information-when-trains-are-disrupted

Integrated Transport - perception and reality – January 2010
http://www.transportfocus.org.uk/research/publications/integrated-transport-perception-and-reality

Giving passengers a voice in rail services – June 2013
http://www.transportfocus.org.uk/research/publications/giving-passengers-a-voice-in-rail-services

railfuture
CYMRU | WALES

Campaigning for better services over a bigger rail network

Enterprise and Business Committee
National Assembly for Wales
Pierhead Street
Cardiff
CF99 1NA

please reply to:
[redacted]

SeneddEcon@Assembly.Wales

12th January 2016

Railfuture Cymru response to consultation:
Inquiry into the priorities for the future of Welsh rail infrastructure

Dear Sir,

Railfuture Cymru is a national independent voluntary organisation campaigning for a bigger, better railway in Wales, so we welcome the opportunity to provide an informed response to the topics identified for the Inquiry.

We recognise the importance of the provision of a responsive growing railway in contributing to wider economic, employment and skills, social inclusion and environmental issues.

If you require any more detail or clarification on the attached response please do not hesitate to get in touch.

Yours faithfully,

[redacted]

[redacted]
Secretary
Railfuture Cymru

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Response to consultation by the National Assembly for Wales: Inquiry into the priorities for the future of Welsh rail infrastructure

The Railfuture Wales and the Borders Development Plan 3rd Edition, which can be downloaded at http://www.railfuture.org.uk/DL702, sets out a comprehensive vision as to how the rail network in Wales could be improved to play a more important role in the daily lives of people living in Wales thereby improving the quality of life for individuals and giving a boost to business, the economy and tourism. A summary of the plan which has recently been prepared for election candidates is also available.

1. High level priorities for the development of rail infrastructure to provide the capacity and connectivity necessary to support the social and economic well-being of Wales

The Welsh network must not be considered as a series of unconnected local services but must be a catalyst for improved travel opportunities within Wales and to and from Wales. It must be fully connected to the English rail network with through services operated from Wales to all major centres in England and Scotland. Railfuture supports the rail line improvements and frequency enhancements in the National Transport Finance Plan R13, 14 and 15 in relation to the Ebbw Vale Town and Maesteg branches. The rail infrastructure should be improved to provide at least a two hourly service on all passenger lines in Wales. Many lines will require an improved infrastructure for more frequent services. There should be provision for fast services to overtake all stations local services between Cardiff and Swansea.

The double tracking of the lines between Wrexham and Chester and Swansea West and Swansea should be completed, to make timetabling easier, especially in the context of service enhancements, and to make connections between services easier to achieve in the event of late-running.

There should be line speed and signalling headway improvements on the Marches and North Wales coast lines and eventual electrification. Line speeds should be increased on the relief lines between Severn Tunnel Junction and Cardiff. There should be improved signalling at Cardiff Central for bidirectional and permissive working. There is also a need to improve line speeds to make services on the Heart of Wales Line more attractive, partly by modernising the operation of level crossings to remove speed restrictions.

Railfuture welcomes the decision to electrify from London to Swansea and also wishes to see improved links from South Wales to Bristol and beyond. There should be provision for freight traffic to use electric traction. Wrexham to Bidston should be electrified and the train service extended to Liverpool. All lines in the South East Wales metro area should be electrified including the Ebbw Vale, Maesteg and Vale of Glamorgan lines, to give an integrated rail network and to allow a better range of cross-Cardiff services.

As outlined in our Development Plan, light rail should be used to provide inner suburban services within the proximity of Cardiff, Newport, Bridgend and Swansea, especially to serve new housing developments.

Wales must have adequate provision for servicing and maintaining locomotives and rolling stock. At present ATW passenger rolling stock is maintained at two depots in Wales and two

in England – the latter could be affected if the franchise boundary is redrawn. GWR have a depot at Landore Swansea which is to close and be replaced by an already completed depot for IEP trains.Virgin West Coast has no depot in Wales. Freight rolling stock has heavy maintenance in England with limited facilities at Margam (DBS), Cardiff Canton (Colas) and Cardiff Tidal (DBS).

2. How far Welsh Government's rail infrastructure priorities, including those in the National Transport Finance Plan, and the Ministerial Task Force on North Wales Transport report meet the needs of Wales

The infrastructure priorities included in the National Finance Plan only go part of the way to meet the growing needs for rail travel both passenger and freight in Wales and to and from England and a future development programme is urgently required. It is regrettable that no new stations will be opened in Wales in 2016

Small infrastructure changes can provide increased opportunities and improved services, including bidirectional signalling, including Bridgend to Cardiff and along the Marches line Moreover, further small-scale infrastructure changes could be needed if the Wales franchise is reconfigured, such as turn back platforms at Chepstow and Abergavenny. New links at Shotton should be investigated.

An increase in the number of passengers requires an improvement in station facilities especially at the heavily used unstaffed stations in South Wales, for example including improved shelters and extended platform lengths. Interchange facilities should be improved at for example Llanelli, Craven Arms, Shotton and Newport. Better facilities for linking rail and bus services should be provided at many stations to improve transport integration: examples include Llandrindod, Newtown and Bridgend. Railfuture's Development Plan lists the facilities that should be provided at stations where passengers need to make connections. Cardiff Central station is now unfit for purpose following an increase in passenger numbers - new station facilities and an improved track layout are required.

The main line routes in North and South Wales and the Marches line need to have the maximum gauge clearance for containers. The Freight Facilities grant should remain. Intermodal facilities should be provided especially at the Welsh ports, including Holyhead and Fishguard. Railfuture's Development Plan lists proposals for freight depots and opportunities for new freight traffic.

The reinstatement of passenger services on disused and freight only branch lines should be considered, including Gaerwen to Llangefni and possibly Amlwch, Aberdare to Hirwaun and especially new stations the Swansea District line.

Long term consideration should be given to the rebuilding of abandoned routes, for example Bangor to Caernarfon (with a later extension to Afonwen on the Cambrian Coast line), Ruabon to Llangollen, Aberystwyth to Carmarthen and Moat Lane (near Newtown) to Builth Road.

3. How the development and exploitation of rail infrastructure in England affects Wales, and vice versa

Unfortunately there is no provision for a high speed route from London to Bristol and South Wales. There is the need for a direct connection (that is without a change of train being

required) from South Wales to Heathrow Airport and improved links to Gatwick Airport. Bristol Parkway needs to be developed to give cross platform interchanges between the South West to North route and the South Wales to London route. The use of Paddington for the dedicated London Airport service should cease when the BA contract terminates and this will provide more track and platform capacity at Paddington. The Airport service will be provided by Crossrail. Service times from the South to Birmingham are extended by the slow approach to Birmingham New Street following all stations local trains from Barnt Green and in the near future by an increased level of local service from Bromsgrove. Of more concern are the Camp Hill curves proposals which would divert the present Cardiff to Nottingham service to Birmingham Moor Street with the loss of connections to destinations served from New Street and possible truncation of the through service to Nottingham.

4. The impact on Wales of key planned developments in England including High Speed Rail, electrification, Northern Power House / Transport for the North, and wider devolution of responsibility for rail within England

The development of HS2 with Crewe as a railhead for North Wales may improve journey times to London and the South East. However the overall present journey times for trains from North Wales to London via the existing Trent Valley route are similar to those proposed via HS2 with a connection at Crewe. HS2 will have little effect on journey times from South Wales to the North and the Cambrian lines to London especially with delays caused by changing trains and stations at Birmingham. Delays will be caused by stopping South Wales to Paddington services at the proposed new interchange station at Old Oak Common.

Electrification should provide improvements to services and capacity to and from South Wales and London Paddington, but it is important to retain and indeed improve connectional facilities at Bristol Parkway and Reading. Electrification provides the opportunity for the reinstatement of direct services from Swansea to Bristol Temple Meads and beyond.

A major concern at present is that the size of the new Wales franchise could be smaller than the present Wales and Borders franchise. This has been noticeable with developments in the north of England where there has been a reluctance to allow ATW to operate to Manchester Airport and where the new Arriva Trains North franchise includes a service from Chester to Manchester via Warrington, whereas ATW currently provides the only service on this route. Outline proposals for the forthcoming Midland franchise indicate a possible takeover of the Shrewsbury to Birmingham and Crewe routes which may result in an inconvenient change of trains for passengers to and from Wales at Shrewsbury.

Wider devolution of responsibility for rail in England could bring a more realistic approach to joined-up thinking between the English Regions and Wales, especially by forging links with the Northern Powerhouse, the Midlands and Bristol and the South West.

5. How Welsh Government can best engage with and influence infrastructure developments in England and the development of passenger and freight services using the network

This should be at high level between Welsh Ministers and the Department for Transport, with the backing of Welsh businesses and passenger organisations and passengers themselves. UK level-organisations can help, such as the Rail Freight Group, Transport Focus and Railfuture. For example, Railfuture is campaigning with Cross Country for the restoration

services from Swansea, Cardiff and Newport to the North East of England and Scotland and would like to have the support of Welsh Government.

6. Whether the periodic review process meets the needs of Wales and takes account of the needs of Welsh passenger and freight users, and how this should be developed

Railfuture considers that Welsh Government should, if it does not at present, have a direct input into this review using statistics compiled by the Welsh Statistics office. There should be periodic reviews throughout the passenger franchises serving Wales and passengers need to be able to comment at break points in the franchises.

7. The effectiveness of the Network Rail Wales Route and whether the approach to delivery of network management, maintenance, renewal and enhancement functions are effective in delivering value for money, capacity, frequency, speed, reliability and handling disruption for passengers and freight users in Wales

There appears to be no system to draw out the costs of looking after and developing the Welsh rail network, which makes it difficult to comment on delivering value for money.

Railfuture has noted delays with a number of maintenance renewal and enhancement projects in Wales, for example:

- Track and signalling developments at Cardiff Station and East of Cardiff, where renewal work was not completed in time and other work has been postponed to Christmas 2016
- Track reductions East of Cardiff created a not fit for purpose layout which resulted in train delays and was a major factor in clearing passengers from Central station during the Rugby World Cup and resulting delays of up to two hours to incoming services. However three additional crossovers were installed at Christmas 2015 which when commissioned will improve the situation
- The delay in commissioning the reinstated double track section between Rossett and Saltney Junction led to severe delays to diverted trains when the Shrewsbury to Crewe line was closed in the Autumn for signalling renewal at Crewe
- The new station bridge at Newport continues to receive many adverse comments including the small lifts and poor position which has resulted in lack of shelter on platforms, and the inconvenient positioning of station facilities.

The apparent present policy of replacing like for like has restricted the number of speed enhancements. Large sections of the Cardiff Valley network have been relaid but in some cases there was no provision for speed enhancements. In some cases there has been a reduction in both track and signalling provision, such as east of Cardiff. At Newport connections to the Ebbw Vale branch were reduced and the opportunity for a turn back siding east of Newport removed.

Nevertheless, there have been successful projects, such as:

- The reconfiguring of the junction and station at Severn Tunnel Junction
- The redoubling of the line between Llanelli and Swansea West (including a major viaduct replacement)
- Re-signalling of the Rhymney branch and provision of loop at Tir Phil.

- Christmas/New Year work at Cardiff 2015-6.
- Repairs to sea defences, bridge replacement and track restoration during winter 2014-5.

Many enhancements of rail facilities in Wales have been sponsored by Welsh Government (including some by the former transport consortia) and this process should continue including full use of available EU funding.

8. Funding for Welsh rail infrastructure is not devolved. What are the advantages, disadvantages, opportunities and risks potentially associated with devolution

It is important that the Welsh rail infrastructure receives its correct proportional allocation of funding for maintenance, development, administration and major contingencies including that consequential from spending on HS2, Transport for London and English light rail schemes.

The potential advantage of devolution is that it should provide complete control and the ability to define priorities for the defined Welsh network that could be different from those at present. This, however, could be disjointed as many parts of the network link Wales with England resulting in different priorities and uncoordinated planning of improvements along these routes.

Welsh Government has been able to develop and implement local rail improvements without delay when funding has been put in place, but this has been dependent largely on funding from the European Union which is now in doubt in view of the Brexit campaign in relation to the forthcoming referendum

There is a large pool of on and off track equipment used in the maintenance of railways and it would be difficult to establish a comprehensive pool of equipment to serve the railways of Wales. There is no major rail infrastructure base in Wales and all equipment is manufactured outside Wales.

There are major risks to the infrastructure from flooding and sea level changes, not only along the coast but by river flooding inland. This is a substantial risk along the North Wales and Cambrian coasts. There is also the issue of the maintenance of cross border features such as the Severn Tunnel and the Wye and Dee bridges. A further risk is the ability to attract suitable staff with a wide range of expertise to oversee the planning of maintenance and developments to the Welsh Network.

Railfuture Cymru has available a more detailed paper (already presented to Welsh Government) on this topic listing most, if not all, of the requirements needed for a devolved infrastructure in addition to the contents of the Railfuture Wales Development Plan which is attached.