

Submission from Chartered Institute of Logistics and Transport Cymru Wales to the Welsh Affairs Committee inquiry on Rail Infrastructure in Wales.

The Chartered Institute of Logistics and Transport (CILT) is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. This response has been prepared by the Cymru Wales nation within CILT, with support from the Rail Freight Forum.

Where does responsibility lie for rail infrastructure in Wales?

Responsibility for the rail network is currently split between a number of different organisations. The vast majority of the network (excluding the Core Valley Lines) is the responsibility of the Department for Transport and Network Rail. The Department for Transport provides policy direction and agrees significant project investment (such as the partially completed electrification of the Great Western Main Line, with west of Cardiff still to be authorised).

There are several parts of the network that do not come under the responsibility of these organisations:

- Core Valley Lines, which have been transferred from Network Rail to Transport for Wales (TfW), ahead of their improvement. These assets are leased to Amey Keolis Limited who act as the infrastructure manager. The Core Valley Lines include the passenger railway network from Cardiff to Treherbert, Aberdare, Merthyr Tydfil, Coryton and Rhymney, as well as the freight branch to Cwmbargoed. This arrangement is not affected by the upcoming change in the franchised rail operator.
- Freight terminals are owned, managed and operated by the private sector which has provided the investment in such essential facilities for the development of rail freight. Within Wales, there are terminals at a number of sea ports, as well as inland sites that are either customer/commodity specific (e.g. Tata Steel at Port Talbot, Llanwern and Shotton, cement at Aberthaw and Penyffordd) or serving multiple users for all commodities (e.g. the Freightliner terminal at Wentloog).
- Train Maintenance Depots, although owned by Network Rail, are leased to operators (typically train operators or train maintainers) who take on full responsibility for the facility.

Beyond this, the Office of Rail and Road acts as the economic and safety regulator for the UK rail network, ensuring that Network Rail meets agreed targets and ensuring that health and safety standards are met by all involved in running the rail network. Another role is ensuring fair access to the rail network. The ORR also has duties to promote use of the railway for both passengers and freight. One of the principal mechanisms by which ORR holds Network Rail to account and secures value for money for users and funders of the railway is through the Periodic Review process for England and Wales. Scotland has a separate determination process.

Finally, the Historical Railway Estate, which covers infrastructure associated with closed railway lines, are now the responsibility of Highways England with the management of these assets being the responsibility of Jacobs. This arrangement would appear to blur responsibilities between devolved and non-devolved activities.

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

It is difficult to make a full judgement when viewing the relationship from outside. However, there clearly is some evidence of the governments being able to work together, for example through the transfer of the Core Valley Lines to TfW. However, there are also clear tensions when the aspirations of the two governments do not completely align. For example, the curtailment of electrification to Cardiff instead of extending to Swansea, as originally agreed. Whilst many passenger journeys are within Wales, almost all freight operates on a GB-wide basis and it is important that there is proper alignment on freight matters.

Should responsibility for railway infrastructure in Wales be fully devolved?

There is a strong case for the full devolution of responsibility for railway infrastructure. Devolution over the past 20 years has resulted in many aspects of transport policy no longer residing within the Department for Transport. However, there is inconsistency in this devolution, which leads to imbalances in investment. For example, rail infrastructure funding is devolved in Scotland but not in Wales. Therefore, any investment by the Department for Transport generates additional funding for the Scottish Government through the Barnett Formula but not for Wales. Consequently, improvements to the rail network in Wales are evaluated with those for England, and there is evidence that this has resulted in underfunding. Devolution in Scotland has resulted in a closer focus on the needs of freight customers and operators, to the benefit of achieving key policy objectives such as modal shift and decarbonisation.

Another reason for devolving responsibility would be in the appraisal of transport projects. Currently, any appraisal where there may be a road versus rail comparison, a comparison of options can take place but ultimately a decision on rail investment lies with the Department for Transport. Consequently, a desired rail investment by Welsh Government is dependent upon agreement with the Department for Transport but, with full devolution, such decision making would lie in one place.

However, any devolution arrangement would need to ensure that fair access remains for all operators both passenger and freight. For the Core Valley Lines, TfW is the body responsible for the rail network and it could be assumed that, with full devolution, they would take on responsibility for the rest of the rail network in Wales, subject to regulation by ORR along with a separate High Level Output Statement for Wales (as is the case in Scotland). This would then mean that TfW would have responsibility for both the network and the main operator, which could lead to conflicts of interest when deciding access between Transport for Wales Rail Services and those by other operators. However, there would need to be a special arrangement to cover those sections of lines between Chester, Shrewsbury and Newport given the cross border nature of these routes. It may also be appropriate for TfW to take over the whole of the Wrexham to Bidston line, to meet the Merseyrail network rather than leave an isolated part of the network under Department for Transport control.

Where this is a particular concern is in relation to freight services. South Wales is a major centre of rail freight operations, with services taking 4,000 trucks per day (over one a minute) off the M4. While movements have reduced with the demise of the coal industry, rail freight provides essential support to the steel and petrochemical industry and is of growing importance in the movement of consumer goods and construction materials. There are opportunities for freight in North Wales,

notably with the movement of slate waste for use as an aggregate in North West England, the Midlands and elsewhere.

Although the recent Wales Transport Strategy does recognise freight, many policy discussions in relation to rail often consider passenger services only. For example, the South East Wales Transport Commission has proposed enhanced local passenger services, with freight potentially sharing tracks with high-speed inter-urban services. The reality of this is that freight services would struggle to be pathed during the daytime. Similarly, the draft Cardiff City Region rail strategy makes no mention of freight at all, beyond proposing the conversion of some existing lines to tram-train operations.

Also, the SE Wales Commission report states “As part of this work, we note there is a good case for Transport for Wales (TfW) to undertake scheme design and development for enhancements to the SWML on behalf of Network Rail. In terms of rail operations, we note the opportunity for TfW to operate new, commuting rail services on the SWML.

Consequently, the concern is that TfW would prioritise passenger services over freight, leading to operations being constrained to unfavourable times of the day, which would have a major detrimental impact on Welsh industry. Suitable protections therefore need to be included in any devolution settlement, for example through the Office of Rail and Road. The Welsh Government should actively support and encourage the development of rail freight in Wales, as occurs to good effect in Scotland.

Terminals or interchanges are decidedly critical for the provision of freight services in Wales as much so as main line access if not more so in many cases. Rail freight services without terminals would be like passenger services without railway stations. Gauge Clearance on key intermodal freight routes is also critical – in particular, it is important that the slow lines through the Newport Terminals are also gauge cleared to W12.

The Covid pandemic has highlighted the dependence upon such terminals as Wentloog between Cardiff and Newport on the South Wales Main Line. It is highly desirable to have a strategic network of terminals across the country including in urban areas, and to have proactive and benign land use planning policies to support this provision. For example, a Strategic Rail Freight Interchange at Llanwern, with rail-served warehousing for Regional Distribution Centres (RDCs) serving Wales and the West, could generate up to 10,000 jobs for South East Wales. It will be important for the future to ensure that Welsh ports such as Holyhead in the North and Port Talbot in the South are effectively connected to the rail system.

Further devolution of rail infrastructure to Wales would enable the Welsh Government to remit TfW to include targets to grow freight in any future Wales HLOS, alongside freight performance and journey time improvements through an industry growth plan as has been the case in Scotland with Transport Scotland.

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

There is evidence that the level of investment in rail infrastructure has not reflected the size of rail network in Wales. One of the challenges behind securing investment in the network is the appraisal process as, given the nature of demand on the Welsh rail network, many investments often have a

low cost-benefit analysis and therefore, on these terms, do not justify investment. However, there may be wider reasons for undertaking the investment that are not captured by this appraisal technique.

In some instances, the Welsh Government has stepped in to fund enhancements, such as doubling between Wrexham and Chester and at Gowerton. However, it should not be the responsibility of Welsh Government to step in to plug investment gaps but instead there should be an appropriate level of funding to start with.

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

Ultimately, funding for rail infrastructure in Wales comes from the Treasury. Much of this funding is directed through Network Rail. Within Network Rail, there are established processes for developing enhancement schemes, often in conjunction with local stakeholders. Appraisal of these reflects guidance from the Treasury and this then leads to a decision on investment. Historically, the appraisal has relied heavily on cost-benefit analysis although recent announcements from the Treasury may change this approach to also reflect wider strategic goals. . This will be essential for investment decarbonisation measures, notably electrification of the major rail routes for freight moving out of Wales, such as Severn Tunnel Junction to the Midlands and North via Chepstow and Gloucester.

As already noted, this funding process does not preclude the Welsh Government from investing in schemes of strategic importance, such as the introduction of services on the Vale of Glamorgan and Ebbw Vale routes. However, such investments need to be balanced against other requirements within the Welsh Government budget. Moreover, the Barnett formula does not anticipate such inputs, therefore detracting from equitable funding for other fully devolved functions. The additional funding can also take into account other objectives as set by the Welsh Government, such as strategic connectivity, decarbonisation and well-being.

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

For passenger services, Covid-19 is likely to have a significant impact. Commuters will return to the network, as it seems unlikely that the scale of working at home currently experienced will continue. However, it seems unlikely there will be a full return to working patterns from before the pandemic. Reduced levels of business travel are inevitable, possibly no more than 50% of pre-Covid levels. However, leisure travel is expected to grow.

The consequence of this is that there continues to be a need to improve the rail network to facilitate journeys to work (such as the South Wales Metro improvements), while providing suitable rail provision to encourage modal shift is also important. The growth in leisure travel may well create additional traffic demands on the more peripheral rail routes in Wales (such as the Cambrian Coast) although there is scope for increasing capacity through operations rather than infrastructure in the short and medium term.

Freight traffic levels have, after a temporary dip in mid-2020, been largely unaffected by Covid-19, and have recovered to at least the levels seen in 2019 and sometimes higher. Within Wales new

services have begun in the past 12 months, such as additional intermodal trains to Wentloog from Tilbury. Steel exports are at a high level with over 5000 tonnes a day moving to ports for shipment. Welsh aggregates, such as gritstone and steelworks slag, are moving to South East England for use in construction projects, including HS2. Rail freight in Wales is more dependent upon, for example, the fortunes of the steel industry for which there are many factors other than Covid-19 that influence this. What remains essential is that investments facilitate both freight and passenger services.

Decarbonisation is, and will continue to be, a priority for transport services in the country. Linking with positive action to combat climate change, rail infrastructure has a key role to play in decarbonising rail traction. For example, extending rail electrification west to Carmarthen and to Holyhead could be complemented by electrification of the lines from Newport to Shrewsbury and to Crewe. Westwards of Carmarthen and Shrewsbury, the rail infrastructure must provide battery charging points or hydrogen refuelling points depending upon the traction technology adopted. This will facilitate clean trains for both passenger and freight services on rural and less heavily used lines.

A further concern for the Welsh rail network is resilience in response to climate change. Lines such as that to Blaenau Ffestiniog are closing more often as a result of substantial rain fall, while landslips and flooding also cause regular disruption elsewhere. The Cambrian Coast line acts as a coastal defence for some parts of Gwynedd and therefore is at risk from rising sea levels. There will be a need for continual, and potentially significant, investment in the network to build resilience and enable services to continue.

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

A number of opportunities were identified by CILT in our submission to the Union Connectivity Review.

South Wales to London and Southern England

This is a key, high volume corridor for both passenger and freight services. There are issues with capacity and resilience on the main, Severn Tunnel route with the diversionary route via Gloucester being significantly longer. Opportunities for improvement here include electrification, gauge enhancement and line speed improvements to Swansea, including Margam Yard for freight, for both capacity and decarbonisation reasons. At some point in the future, a new rail Severn crossing will be needed.

North Wales to North West England and Midlands

As well as supporting the travel to work area from North Wales into Liverpool/Manchester, there is also significant leisure travel along this route, both to destinations in Wales and for ferry crossings to Dublin. Key opportunities include electrification and increased gauge clearance to allow shipping containers to be conveyed by rail.

Mid Wales to the Midlands

Passenger journeys on this corridor are important, for business, education and leisure. Rail infrastructure west of Shrewsbury is limited and lacks resilience yet enhancements are difficult to justify of cost-benefit analysis alone. However, building additional resilience into the network (such as through additional passing loops) would be worthwhile and may facilitate additional services to the Midlands in the future.

South Wales to the Midlands

This corridor is particularly important for freight, with significant volumes of Steel and intermodal traffic heading to and through the Midlands. Electrification and gauge enhancement of the route through Gloucester, as part of a coordinated plan to extend this into Birmingham would allow passenger and freight services to benefit from electric haulage, as well as improve the diversionary route for passenger services heading to London. Providing more freight capacity on the Marches line would also give an alternative route to the busy corridor north of Gloucester.

The above routes are those considered within the scope of the Union Connectivity Review. In addition to these, we would advocate opportunities for improving North-South Wales routes as well. Additional speed enhancements would be a short term objective while, in the longer term, electrification may well be viable, particularly if looking to decarbonise rail services in Wales.