

The rail system in Wales

Research Briefing

April 2024



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Cardiff Bay
CF99 1SN

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Research Briefing

April 2024

Author:

Charlotte Lenton

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This research briefing provides an overview of the rail system in Wales. It looks at responsibility for the system, current debates, policy developments, and future direction of rail. The briefing considers how passenger services, rail infrastructure and rail freight operate.



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1. Overview of rail in Wales

The **first steam locomotive journey was recorded in Merthyr Tydfil** in 1804, since then the rail network in Wales and Great Britain has undergone a complicated history of expansion, reduction, and partial devolution. Over that period, rail has played a significant role in urban and rural development. This section of the guide provides a brief overview of how the rail system has developed, and details the main government strategies and priorities.

Development of the current system

The UK Government took control of the railway during World War II, which later resulted in nationalisation of the network under the name **'British Rail', in 1948**. Following a report in 1963 by the then Chairman of the British Railways Board, Dr Richard Beeching, **thousands of miles of railway tracks were decommissioned** in an effort to cut costs.

In 1993, the railway was privatised with British Rail split into more than **100 companies**. **The Railways Act 1993** introduced a franchising model, which the UK Government considered to be an opportunity to **improve services** and performance.

Under the franchising model, **private organisations bid for contracts to operate rail franchises** as per government specifications and requirements. It was also possible for train operating companies (TOCs) without franchise agreements to apply to the regulator for **track access to operate 'open access'** passenger services. For example, open access operator, **Grand Union Trains**, is expected to begin **running services between Carmarthen and London by the end of 2024**.

During the pandemic, franchise agreements in England were paused through emergency measures. These have subsequently been replaced by **Passenger Service Contracts (PSC)**. In Wales and Scotland rail passenger services were brought under government control.

Wales and Borders franchise

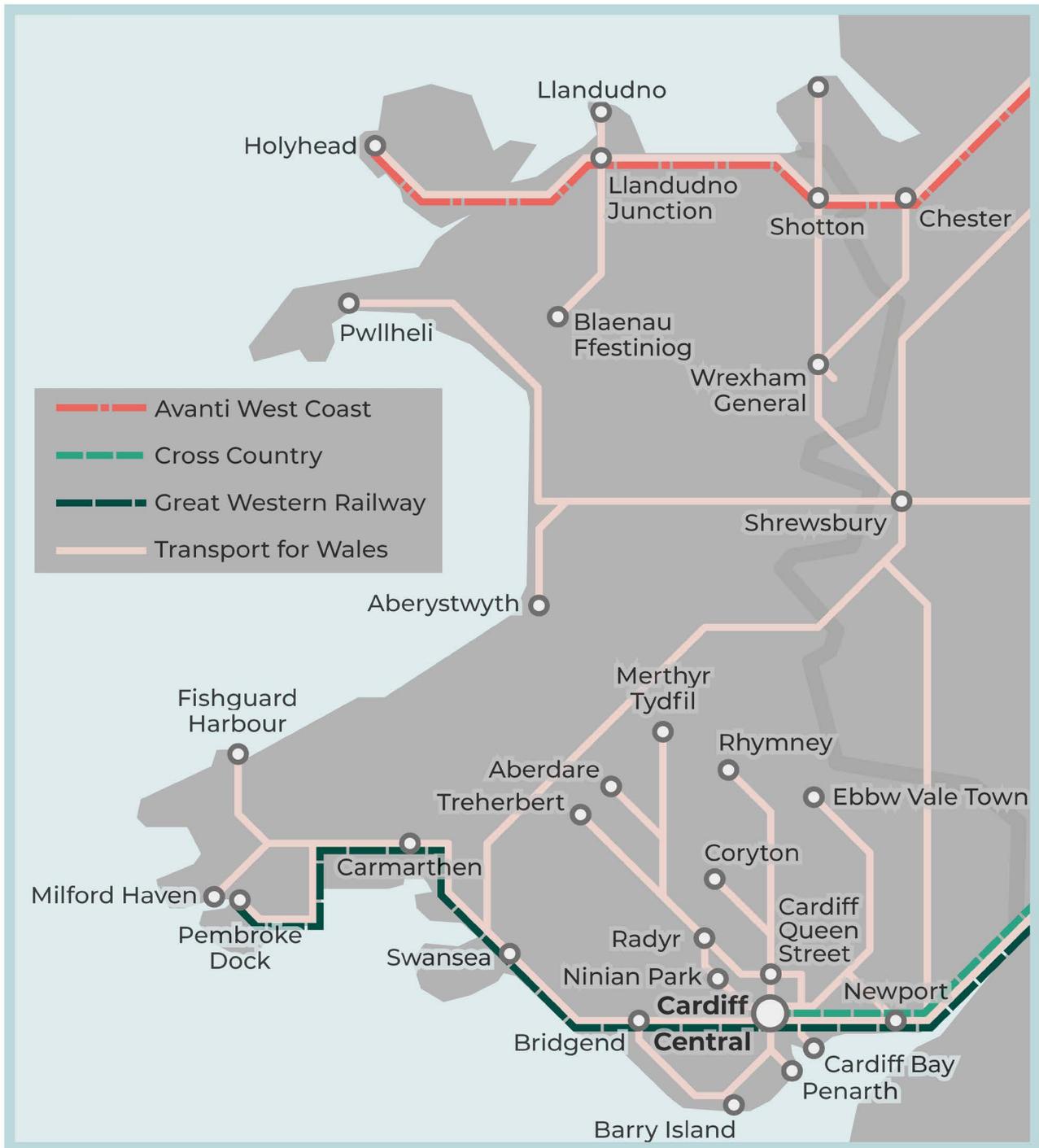
Prior to 2002, Wales had several rail franchises which covered areas in both Wales and England. A **unified system for Wales and the Borders** was developed by the UK Government in 2002. Arriva Trains Wales was appointed as franchisee on a 15-year contract by the UK Secretary of State for Transport.

In 2014 the **Commission on Devolution in Wales** recommended the **devolution of the Wales and Borders franchise**. This would give the Welsh Government a greater role in appointing a new franchise operator.

The UK Government delivered this through **transferring franchising powers for passenger services on the Wales and Borders route** to the Welsh Government in 2018. **KeolisAmey was awarded the contract to operate the franchise and develop the South Wales Metro** in partnership with **Transport for Wales (TfW)**.

Other franchises also operate services running in Wales including **Great Western Railway (GWR)** and **Avanti West Coast**.

Figure 1: Map of rail network colour coded to show passenger train operator routes in Wales



Source: Senedd Research with data from **TfW**, **Avanti West Coast**, **CrossCountry**, and **GWR**

Impact of the pandemic

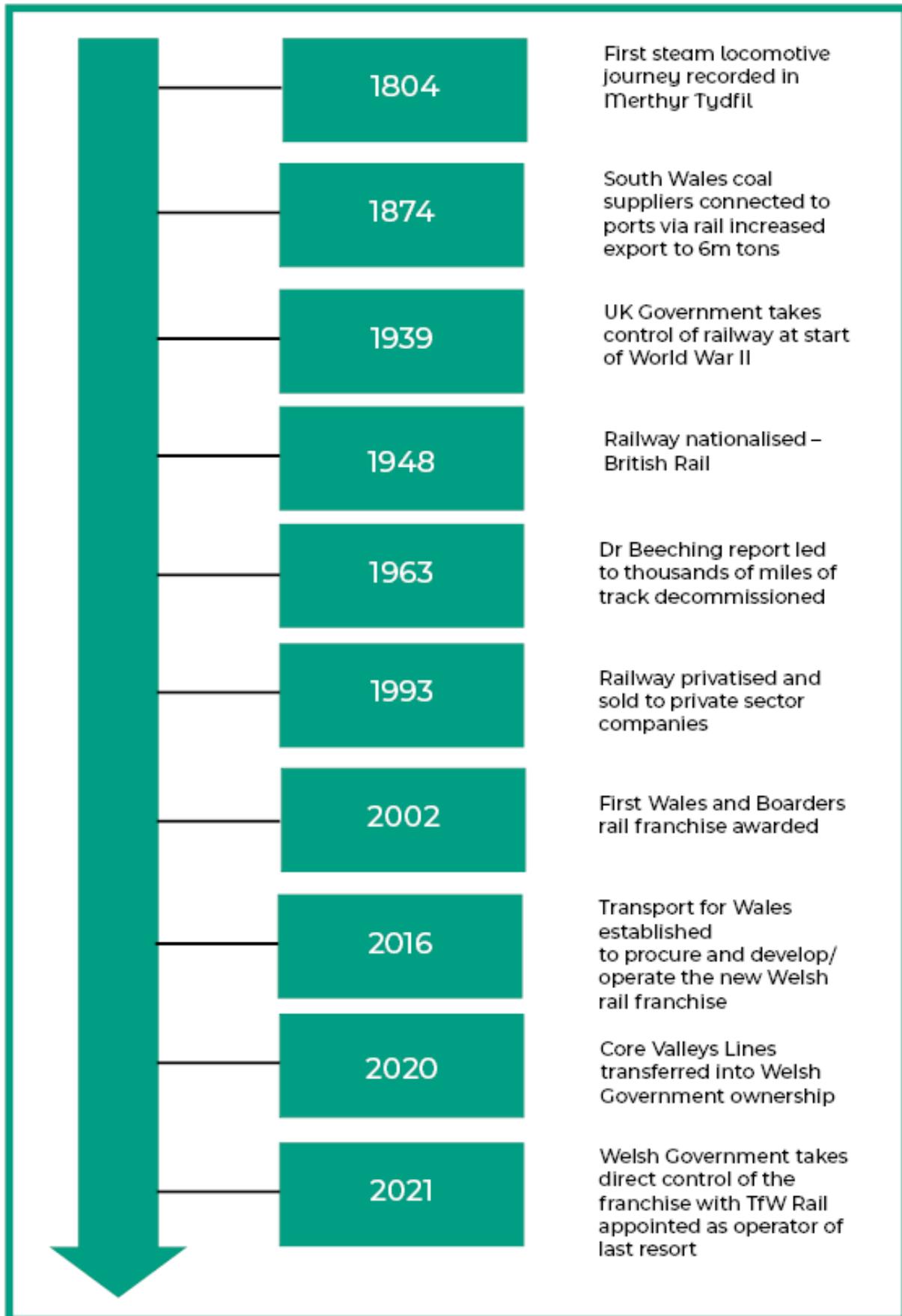
Like most other sectors, the **Covid-19 pandemic presented significant challenges** for the rail industry. The number of rail journeys taken in Wales during 2020-21 was almost **83% fewer than in 2019-2020**. While rail journeys in Wales increased during 2021-22 there were still **40% fewer journeys than before the pandemic**.

As a result of the loss of passenger revenue, the Welsh Government initially moved services onto **Emergency Measure Agreements (EMAs)**. This meant it paid KeolisAmey a fee to deliver services to specified standards. However, in October 2020 the Welsh Government announced it was appointing **TfW as the ‘operator of last resort’** (OLR) taking over direct control of the Wales and Borders franchise from KeolisAmey. Although OLR powers are a feature of the statutory framework for privatised rail, and **public sector operators are currently prohibited** from bidding for franchises in England and Wales, this effectively nationalised rail services from February 2021. Under **section 30 of the Railways Act 1993** an OLR is appointed by the franchising authority to operate passenger rail services in the event of TOC failure or breach of contract. The Welsh Ministers have executive powers for this relating to the Wales and Borders franchise.

Similar emergency measures were also introduced **in England** and **Scotland** to support rail services during the pandemic. The **UK Secretary of State for Transport** made clear these emergency agreements were “designed to bring the rail franchising system to an end”. As such **these contracts are being used as a stopgap** while larger scale rail reform in Great Britain is developed (**see section 5 for details**).

After initially adopting **the EMA approach**, the Scottish Government has also moved to take **its Scotrail** and **Caledonian Sleeper** services into public control and ownership.

Figure 2: Timeline of rail development in Great Britain



Source: Senedd Research

Transport for Wales

In anticipation of franchising powers being devolved, the Welsh Government established TfW in 2015 as a not-for-profit company, wholly owned by the Welsh Government. It was initially set up to undertake the **franchise procurement process** on the Welsh Government's behalf. In 2018, the then **Cabinet Secretary for Economy and Transport**, Ken Skates MS, indicated an ambition for TfW to operate on a 'multi-modal' basis, in a similar way to Transport for London.

The role of TfW subsequently **evolved beyond rail to also include wider responsibilities**, including bus and **active travel**. The Welsh Government sets out the **strategic priorities for TfW** for the period covering 2022-2027 in its current remit letter. The letter refers to TfW developing a multi-modal culture and supporting the development and delivery of an integrated transport network.

Regional Transport Planning

TfW is **developing three metro transport networks** through its **regional transport planning divisions**. Four regional teams within TfW support the **Corporate Joint Committees to deliver the metro programmes**.

The **South Wales Metro** project is the most advanced and aims to integrate rail and bus services with active travel. Work includes upgrades to signalling and stations, electrification of track on the Core Valley Lines (CVLs), and construction of new stations. The majority of the work is due to be **completed by the end of 2024**. Future **development opportunities** to 2029 and beyond have also been identified but these are yet to be confirmed and finalised.

The **Swansea Bay and West Wales Metro** is at an earlier stage in its development. Works are predominantly focused on enhancing integration of transport, improvement of bus and rail services, and encouraging active travel choices. **Longer term ambitions** include the construction of new rail stations in the Swansea area and electrification of the South Wales Main Line to Milford Haven. However, as this infrastructure is owned by Network Rail this would normally require significant investment from the UK Government and **previous plans to electrify the South Wales Main Line to Swansea were cancelled**.

Similarly to the other Metros, the **North Wales Metro** will introduce rail, bus and active travel enhancements to the North Wales region.

Welsh Government strategy and priorities for rail

Llwybr Newydd: The Wales Transport Strategy 2021 (WTS) outlines the priorities and ambitions the Welsh Government has for the transport sector in Wales. The three key priorities are; reducing the need for travel, enhancing the accessibility, efficiency and sustainability of transport, and encouraging behaviour change.

The WTS is accompanied by the **National Transport Delivery Plan 2022 to 2027 (NTDP)**. The NTDP describes the action government and other public bodies will take over a five-year period from to achieve the aims of the WTS. Key activities set out for rail during this period include:

- Increase rail services by 30% by 2025, compared to those operational in 2018 (section 4.3);
- Invest in rolling stock to ensure 95% of passenger journeys running on new trains by 2025 (section 4.3.4.4);
- Work with the Department for Transport (DfT), the UK Government, and Network Rail to deliver shared ambitions for rail in Wales (section 4.3.1); and
- Enhance capacity for services in Wales by working with the UK Government, DfT, and Network Rail to improve capacity, electrification of lines, and accessibility of rail in Wales (section 4.3.2.1).

At the time of **awarding the franchise in 2018**, the Welsh Government outlined commitments to increase service frequencies across the network and invest £800m in new rolling stock. While the Welsh Government initially stated that 95% of journeys would be on new trains by 2023, it now aims to meet that target **by the end of 2024**.

2. Passenger services: oversight, performance and funding

Oversight of services

The rail sector is subject to high levels of regulation, monitoring and scrutiny in the interest of safety and performance. Several government, industry, and independent organisations play a part in regulating, monitoring, and advising organisations working in the sector. These include:

Office of Rail and Road	Rail Safety and Standards Board	Transport Focus
<ul style="list-style-type: none"> ▪ Independent statutory body ▪ Industry regulator and enforcement authority ▪ Funded via licence fees and levies ▪ Established 2004 ▪ Monitors safety, performance & efficiency 	<ul style="list-style-type: none"> ▪ Member-based not-for-profit organisation ▪ Owned by major industry stakeholders ▪ Provides information & guidance ▪ Established 2003 ▪ Covers all aspects of rail: Passenger services, infrastructure, and freight 	<ul style="list-style-type: none"> ▪ Independent industry watchdog ▪ Non-departmental public body sponsored by DfT ▪ Established 1947 ▪ Provides passenger focused insights and advice

Service performance

TfW publishes **periodic data for several Key Performance Indicators (KPIs)**. These include; customer satisfaction; revenue generated by passenger fares; total number of passengers; and, **passenger time lost**.

In addition to TfW’s own performance data, the **ORR publishes cross-industry periodic** data for a range of issues including rail usage, passenger experience, performance, finance, and safety. These are published for all rail services in Great Britain, allowing for comparison between service providers.

In November 2023, **Senedd Research published an article** outlining the performance of TfW rail services following multiple **media reports** of poor

performance. Prior to the Welsh Government taking the franchise under direct control (**see section 1 for details**), it had **issued a number of penalty fines to KeolisAmey** relating to poor performance.

Funding

TfW receives the majority of its **funding from the Welsh Government** and generates income from passenger ticket revenue. Since services were brought under direct control, TfW (and therefore the Welsh Government) bears the **revenue risks** associated with controlling the franchise. **TfW sets out how it intends to spend the funding** it receives from the Welsh Government and passenger revenue in its annual business plan.

In October 2023, in an **update on the financial position of the Welsh Government**, the Minister for Finance and Local Government, Rebecca Evans MS, announced £125m further funding for TfW. This funding is to “safeguard services for passengers and to continue the programme of transformation currently under way”.

The requirement for extra funding **was linked to** passenger revenue failing to grow as forecast when the franchise was awarded, despite **passenger numbers returning to pre-covid levels**.

In January 2024 during scrutiny of the Welsh Government’s 2024-25 budget, the Minister for Climate Change, Julie James MS, **told the Climate Change, Environment and Infrastructure Committee** that had additional funding not been made available there would have been a “substantial reduction, if not complete reduction, to [services on] some lines”. The challenges of being responsible for rail in Wales were also emphasised by the then **Deputy Minister for Climate Change, Lee Waters MS, who told the Committee** that taking on a railway “is a huge liability”.

The 2024-25 Welsh Government budget **included £110.8m more for rail services** than expected, when compared to the indicative figure for 2024-25 which had been included in the 2023-24 Final Budget.

Fare regulation

The amount passengers pay for rail journeys varies by area, by train operator, and by ticket type. **Some fares are regulated whilst others are not**. This can be confusing for passengers, as can the wide range of fare and ticket options available in stations and online.

To better understand public needs and views on a new fares system, the **Rail Delivery Group (RDG)**, in collaboration with industry watchdog Transport Focus, carried out a **public consultation in 2018**. The following year RDG published its proposal '**Easier Fares for All**' citing simplified fares, consumer protection, and enhanced flexibility as beneficial outcomes for passengers. These proposals for a new fares structure have been incorporated, to an extent, in the **UK Government's plans for rail reform** (see **section 5 for more detail**).

Currently, just under half of fares in Wales are regulated by the Welsh Government. Regulated fares include season tickets used by regular commuters, some long-distance off-peak return tickets, and some anytime tickets.

In 2024, the **Welsh Government applied a cap of 4.9%** to regulated fares (**the same as in England**). This means that TfW can only charge passengers up to an additional 4.9% from March 2024 for regulated ticket types. The Welsh Government has also **challenged TfW to develop a creative approach to rail fare increases** based on route usage or traveller type.

Unlike regulated fares, train operators are not restricted by any such cap in relation to fare increases for unregulated ticket types. Long distance anytime, advance, and first-class ticket types are among those which are unregulated.

3. Rail infrastructure

There are a combination of private and public organisations responsible for different aspects of the railway in Great Britain.

Rail infrastructure is defined by the ORR as the “fixed assets used for the operation of the railway” including, but not limited to, land, buildings, track, and signalling equipment.

While the rail system as a whole is largely a reserved matter, the Welsh Government has executive powers devolved under UK Acts of Parliament to procure and manage the rail franchise as set out earlier in this guide. However, rail infrastructure and the infrastructure planning and delivery process is reserved to the UK Government. The Welsh Government has powers to invest in rail infrastructure, but it does not receive any block grant allocation. In general, this investment is funded by Westminster.

The only exception to this in Wales is the **Core Valley Lines (CVL)**, which were **transferred into Welsh Government ownership** in 2020. Through Tfw, the infrastructure is leased to **Amey Infrastructure Wales Limited (AIW)**. AIW is responsible for the **operation, maintenance, renewals, and replacement of infrastructure** on the CVL including the upgrades needed as part of the South Wales Metro project.

Network Rail in Wales

Network Rail owns and manages most of the rail infrastructure in Great Britain. The infrastructure owner is responsible for the management, maintenance, and replacement of the track, signalling equipment, tunnels, bridges, and some stations.

As a public sector organisation, **Network Rail is primarily funded by the UK and Scottish Governments**. Around 70% of Network Rail’s funding comes from government grants, with the remaining funding from **track charges and property income**.

The rail system is also reserved in Scotland, so that the Scottish Parliament cannot change the statutory framework for rail. However, rail strategy and funding were **transferred to the Scottish Ministers** through the **Railways Act 2005**. The Welsh Government does not contribute financially to Network Rail as rail infrastructure, with the exception of the CVL, is not currently devolved.

Network Rail originally introduced **regional “routes” in 2011**, including a “Wales route”, as part of a process of internal “devolution” of control within the organisation.

In 2019, **Network Rail created five regions, comprised of 14 ‘routes’** in total. Each region is led by a managing director with an allocated budget and responsibility for supporting the routes in their area. The Wales and Western region includes the **Wales route**

Each route is run locally and is responsible for “operations, maintenance and minor renewals, including the day-to-day delivery of train performance and the relationship with their local train operating companies”. However, major enhancement projects in England and Wales are decided and funded separately by the UK Government (see below).

Figure 3: Map of rail network by infrastructure manager



Source: Senedd Research with data from **Network Rail** and **TfW**

Rail infrastructure planning cycle

The rail planning cycle refers to the long-term planning of rail services and infrastructure in line with predicted demand, evolving passenger needs, and systemic changes required in the future.

The ORR regulates the activities of Network Rail in relation to its obligatory long-term planning process for operations, support, maintenance and renewals (OSMR). In this context **long-term refers to planning up to 30 years ahead.**

Shorter term planning for rail is set out in five-year strategic business plans developed by Network Rail. These five year planning periods are commonly known as Control Periods (CP). Coinciding with the start and end of the financial year, **CP7 will commence on 1 April 2024 and run until 31 March 2029.**

Prior to each control period the DfT publish a **high level output statement (HLOS)** and a **statement of funds available (SoFA)**. The HLOS specifies what the UK Government wants Network Rail to achieve during the Control Period in terms of OSMR. The SoFA sets out how much funding the UK Government is making available to Network Rail during this period.

In past Control periods, the HLOS and SoFA have addressed operations, maintenance and renewal of the network, and also major enhancement projects identified by the Secretary of State. However, since CP6 (2019-2024) enhancements have been dealt with separately via the **Rail Network Enhancement Pipeline (RNEP)**.

The ORR uses the detail provided in the HLOS and SoFA to hold Network Rail to account during its **periodic review process**. The periodic review process determines what Network Rail must deliver in each control period, and is conducted every five years prior to the start of a new CP.

In October 2023, the ORR published the most recent periodic review report for the **Wales and Western region**.

Operations, support, maintenance and renewals (OSMR) funding

Network Rail describes CP7 as a national framework however, each region also has its own plan and budget. The **Wales and Western regional CP7 plan** details the strategy, outcomes, financials, and risks over the next five year period.

Funding of **£44.1bn is available nationally** for CP7. A total of **£5.2bn has been**

allocated to the Wales and Western region for OSMR, £1.9bn of which is for the Wales and Borders route. Network Rail states this funding will be used to improve performance and to make the railway more sustainable.

Concerns about the impact of reduced OSMR funding by Network Rail were raised by the CEO of TfW, James Price, at a meeting of the **Climate Change, Environment, and Infrastructure Committee in November 2023**. He said:

Infrastructure funding is really important. For Network Rail in next control period, the funding is reducing. Our increased reliability of our new fleet will just about compensate for that reduction in reliability of the network, if that makes sense, so the passengers shouldn't see a reduction in quality of service, but if Network Rail's service didn't deteriorate, or in fact increased, the passenger would see a massively improved reliability curve.

The then Deputy Minister for Climate Change, Lee Waters MS, also **criticised CP7 funding** for the Wales and Borders route. He suggested:

The effect of this will be a managed decline of the railway in Wales... It will take the rail network 10-15 years to recover from this set-back.

Enhancement spending

Enhancements spending is in addition to the OSMR spending required to maintain the current capacity and reliability of the network.

A new approach to enhancement spending was implemented by the DfT in March 2018. The **RNEP is a five-stage "rolling programme of investment"** separate to the five-year funding cycle aligned with the CPs.

In July 2021 the House of Commons Welsh Affairs Committee criticised the RNEP as being a process that is **"too slow and hampers, rather than helps, the evaluation of infrastructure proposals"**. It called for a reform of RNEP to accelerate Welsh rail projects.

A pipeline of projects has also been developed by the Wales Rail Board should further funding become available (see below for more information on the development of the Wales Rail Board)

Digital Railway Programme

In 2018, Network Rail, together with a range of industry stakeholders, published a 15-year strategy detailing how the **Digital Railway Programme** would be delivered. The Digital Railway Programme focuses on the increased deployment and

adoption of technology to support rail operations, improve passenger experience, and reduce operating costs.

One of the first initiatives to be delivered through this programme was a new traffic management system for south Wales providing **enhanced real-time data to signallers** for over 300 trains a day.

Long-term aspirations of the programme towards the end of CP7 (2027 onwards) anticipate technological innovation and digital solutions to be adopted and implemented more frequently and quickly.

Performance monitoring

As the regulating body for the rail sector the **ORR is responsible for monitoring Network Rail's performance**. Performance is continually measured against targets for track access charges, network licence obligations, and its own business plan forecasts. Areas of Network Rail which are scrutinised by the ORR include efficiency, train service performance, stakeholder engagement, and costs.

In July 2023 the ORR published its **annual assessment of Network Rail for April 2022 to March 2023**. It highlighted several issues including punctuality and reliability of trains, effective handling of incidents, and planned renewal works not being delivered on a national level. **Section 7 of the report** looks at the performance of the Wales and Western Region.

More recently, in November 2023 the **ORR launched an investigation** into poor punctuality and reliability in the Wales and Western region.

4. Freight services

Rail freight services are operated by private freight operating companies (FOCs) through **track access agreements** with the rail infrastructure manager (i.e. Network Rail and/or Amey Infrastructure Wales Limited).

According to the RDG, rail freight is an environmentally friendly alternative to road. It estimates **carbon emissions are cut by 76% for each tonne of freight moved by rail** compared to road. Despite the environmental benefits, only **7% of total UK freight** was transported by rail in 2022. Slightly less **freight was moved by rail in Wales (5.9% for the same period)**.

The ORR produces quarterly bulletins for **rail freight usage and performance** for the sector in the UK. **Between July and September 2023**, 17.5 million tonnes of freight was lifted and 4.11 billion net tonne kilometres were recorded. Net tonne kilometres accounts for the net weight of goods and the distance it was carried.

The **UK Government Future of Freight plan** (2022) outlines aims to develop a freight sector that is “cost effective, reliable, resilient, environmentally sustainable and valued by society”. In December 2023, the UK Government announced a new target for a **75% increase in UK rail freight by 2050**. Whilst freight and logistics are not devolved, **the Welsh Government’s NTDP** commits to developing a Wales National Freight and Logistics Plan.

Who’s who in freight?

Privately owned freight companies operate via licences and track access agreements. **The Railway (Licensing of Railway Undertakings) Regulations 2005** (as amended) require operators of both passenger and freight services to apply to the **ORR for a licence to run trains on the network**.

Track access agreements are issued by the infrastructure manager for the railway line the freight operator wants to run services on.

FOCs include Colas Rail, DB Cargo UK, Direct Rail Services, Freightliner, and GB Railfreight.

The **Rail Freight Group (RFG)**, is the representative body for the sector in the UK. It aims to increase the amount of goods transported by rail through promotion of rail freight, influencing policy, and supporting members. In addition to FOCs,

members of the RFG also include other organisations with an interest in rail freight such as ports, suppliers, property developers, and logistics companies.

What's in rail freight?

Steel, aggregates, and timber are the **most common products to be transported by rail** in Wales. Based on information the RFG has provided to Senedd Research the South Wales Main Line (SWML), Marches Line, and branches from the SWML are the busiest rail freight lines serving customers and terminals including:

- Tata Steel at Llanwern, Port Talbot, and Trostre;
- Celsa Steel;
- Associated British Ports at Newport Docks, Cardiff Docks, Barry Docks, and Port Talbot Harbour;
- Robeston Oil Terminal; and
- Machen quarry.

Llandudno junction **freight yard reopened** in July 2022 to carry Welsh slate to Luton, England.

5. Future of Rail in Wales

GB-wide rail reform

The **Williams Rail Review** launched in 2018 to examine the rail industry in Great Britain including the delivery of passenger services. Following this, the UK Government published the White Paper, '**Great British Railways: Williams-Shapps Plan for Rail**' (2021). The White Paper identified key issues with the structure of the rail network, a disconnect between the system and its customers, and an inability to adapt.

It made a number of proposals, the most significant being the creation of a new public organisation to both own and control rail infrastructure, manage services, decide fares, and set timetables. Whereas services and infrastructure are currently managed separately, the proposals would bring them together.

This would bring an end to current franchising arrangements, and move to a fee based concession approach – **as outlined earlier in this briefing** this change was effectively accelerated through the emergency agreements put in place as a result of the pandemic.

The plan proposed a new centralised “guiding mind” – Great British Railways (GBR) – to integrate planning of services and infrastructure. It said devolved authorities would continue to exercise their current powers and a “joint working agreement” would be explored between TfW and GBR.

The then Deputy Minister for Climate Change, Lee Waters MS, indicated the Welsh Government thinks **GBR “should be a body of equals” where devolved nations are partners** in developing the railway. The House of Commons Library **published a research paper** in 2022 which discussed these rail reform plans in more detail.

To date, a transition team has been established to develop GBR and oversee the transition of Network Rail into this new public body, also known as an Integrated Rail Body (IRB). The Great British Rail Transition Team (GBRTT) **summarised the role of the IRB in its February 2024 newsletter**. The timetable for this transition remains unclear as **legislative change is required** to create this new public body and the other arrangements planned.

Initially, a **Transport Bill** was proposed by the UK Government in the May 2022 Queen’s Speech. However, this was delayed and then withdrawn later in 2022. A **Draft Rail Reform Bill** was published in February 2024 for pre-legislative scrutiny

by the House of Commons. It is unlikely that the Bill will proceed further than this before the next UK general election.

Whilst changes to legislation are required to amend the arrangements for who the formal franchising authority is, there are **several aspects of the Plan for Rail which can be implemented** by the DfT, Network Rail, and the GBRTT **without new legislation**. This includes roll-out of flexible ticketing, workforce reform, and other efficiencies. **Pay as you go** and **simplified fares pilot schemes** are currently in-progress.

Calls of devolution of rail infrastructure

The Welsh Government has long called for the full devolution of rail infrastructure. It suggests comparative **underinvestment of between £2.9bn and £8bn from 2001-2029** in Welsh rail infrastructure enhancements by the UK Government. This is based on calculations on the basis of population size and route length allocations in Wales. In **'A Railway for Wales'** (2019), the Welsh Government argues that the current "devolution settlement is the root of many of the problems with our railway".

A misalignment of responsibilities for passenger services and infrastructure has also been cited as problematic by the **Wales Governance Centre at Cardiff University**. Development of a **Wales Rail Board** to promote joined up working between rail organisations and the Welsh and UK Governments was proposed by the House of Commons Welsh Affairs Committee in 2021.

The **Wales Rail Board** is made up of senior director-level representatives from Welsh Government, TfW, DfT, Network Rail, and the GBRTT. It has **agreed a joint set of priorities with DfT and Welsh Government** including upgrading and improving services in North Wales.

In January 2024, **the transport sub-group** of the **Independent Commission on the Constitutional Future of Wales published its final report**. This criticised current arrangements and suggested the most effective approach to rectify issues would be to:

...devolve rail infrastructure with a baseline uplift to compensate for historic under-investment accompanied by a Barnett share of investment in England in the future.

The then Deputy Minister for Climate Change, Lee Waters MS, reiterated the call for full devolution of rail infrastructure during **Plenary in February 2024**:

Ultimately, we want full devolution of rail powers and funding, as the McAllister-Williams commission recommended. But, as an interim measure, we want Wales to have what Scotland has, which is its own region within Network Rail, so that we can set the priorities for where investment goes.

Following its **inquiry on the issue**, the House of Commons Welsh Affairs Committee suggested the **benefits of devolving rail infrastructure would be outweighed by the disadvantages** of additional liability and loss of economies of scale under the current arrangements. It instead recommended new arrangements between Great British Railways and TfW be negotiated through the Wales Rail Board to support enhancement of rail infrastructure in Wales.

The **Draft Rail Reform Bill** issued by the UK Government for pre-legislative scrutiny in February 2024 does not change the devolution settlement for rail in Wales.

Transport Commissions

In 2019, the Welsh Government established the **South East Wales Transport Commission (SEWTC)** to consider alternative solutions to alleviating congestion on the M4 around Newport following the **cancellation of the M4 relief road**.

The Commission, chaired by Lord Burns, published its **final recommendations** in November 2020. It recommended a “Network of Alternatives”, **centred on public transport, to be delivered through five packages**:

- Infrastructure
- Network policies
- Behaviour change
- Governance
- Land use and planning

Prioritisation of funding and delivery of rail services by UK Government, Welsh Government, and Network Rail is recommended by the Commission as it considered rail to be paramount to an effective transport network.

SEWTC also recommended the **creation of new stations** along the South Wales Main Line (SWML). **As outlined in this briefing** the majority of rail infrastructure, including development of new stations, is **funded by the UK Government and managed by Network Rail**. The Welsh Government has previously applied to the New Stations Fund and **co-invested alongside the private sector** in rail infrastructure improvements.

The Burns Delivery Unit, resourced by TfW, was created in January 2021 to implement the recommendations made by the SEWTC. Its **2022-23 annual report outlines a timeline** of works the unit will deliver between 2021 and 2029. TfW **consulted on proposals for new stations** on the SWML, as recommended by the SEWTC, in autumn 2023. It makes clear that **funding would need to be made available by UK Government** to deliver these.

A similar commission, also chaired by Lord Burns, was established in 2022 to **review transport in north Wales**. The **North Wales Transport Commission** published its **final report** for improving transport solutions in December 2023. To continue this work and implement recommendations made by the Commission, the Welsh Government has announced the creation of a **north Wales regional delivery group**.

HS2 and Wales

High Speed Rail 2 (HS2) is a UK Government project to build a zero carbon high speed railway between London and Birmingham. Initially, the line was planned to run through to Crewe, which the UK Government suggested would **improve connections and journey times** to north Wales. Unlike Scotland and Northern Ireland, rail infrastructure in Wales is not devolved. The UK Government has also classified HS2 as an England and Wales project. Consequently, **Wales is not entitled to Barnett consequential funding** unlike the other devolved nations.

Geraint Davies MP for Swansea West, raised this matter with the Parliamentary Under-Secretary for Scotland in March 2023. He stated:

Wales has only had 1.5% of rail enhancement investment for the UK for 5% of the population, while Scotland gets 8% for its 8% of the population.

As a result, **estimates have suggested** Wales received a £5bn funding deficit. Additionally, the **Independent Commission on the Constitutional Future of Wales** argued the amount of **Barnett funding available for devolved transport projects was reduced** as a greater proportion of DfT funding was consumed by the HS2 project.

In July 2021 the House of Commons Welsh Affairs Committee undertook an inquiry into **Railway Infrastructure in Wales**. It concluded the HS2 project should be reclassified as an England-only project because:

Wales will not benefit in the same way as Scotland and Northern Ireland from Barnett consequentials arising from the HS2 project. This is despite the fact that UK Government's own analysis has concluded that HS2 will produce an economic disbenefit for Wales.

In September 2021 the **UK Government response** noted recommendation 15 (to reclassify HS2 as an England only project) and stated that the Welsh Government had "received a significant uplift in its Barnett-based funding due to UK Government spending on HS2".

In April and **October 2023** the Senedd echoed this position. It unanimously agreed an amended motion brought forward in October 2023 calling on the UK Government "to support a comprehensive programme of rail investment for Wales that will be developed and agreed by the joint UK and Welsh Government Wales Rail Board".

Suggestions the project should be reclassified as an England only project were further strengthened following **cancellation of phases 2a, 2b, and HS2 East**, including the Crewe leg of the project – meaning services will no longer travel north of Birmingham. UK Government previously argued that the **hub station at Crewe** would provide north Wales with access to high speed passenger services. The UK Government **maintains the project will be beneficial for Wales** through delivery of phase 1 despite cancellation of the work to Crewe.

Funding will be redirected to deliver **Network North** projects including £1bn for the **electrification of the North Wales Main Line**. James Price, CEO of TfW, said it is unclear **whether £1bn of funding will be enough to electrify the rail network** in north Wales as work is yet to be undertaken to understand this.