

Quick guide

The Operation of the Railways in Wales

May 2011

1. Who runs the Railways?

The provision of rail services in Britain was privatised following the passage of the *Railways Act 1993*.¹ Passenger rail services were divided into a number of franchises awarded by government to private Train Operating Companies (TOCs). Rail infrastructure was initially owned and managed by **Railtrack PLC** until it was succeeded by **Network Rail** in 2002.

Governmental responsibility for the provision of Welsh rail services is divided between the Welsh Government and Department for Transport (DfT). The Welsh Government manages the **Wales and Borders Franchise** operated by **Arriva Trains Wales (ATW)** and has powers to fund railway network enhancements.

DfT is responsible for setting rail service strategy in England and Wales, including the management of the three franchises other than ATW which operate in Wales (First Great Western, Virgin Trains and CrossCountry Trains), and setting the outputs required from Network Rail.

2. What are the Powers of the Welsh Government?

The *Transport (Wales) Act 2006* (the 2006 Act) requires the Welsh Government to “develop policies for the promotion and encouragement of safe, integrated, sustainable, efficient and economic transport facilities and services to, from and within Wales”². The Welsh Government must publish and periodically review a **Wales Transport Strategy** setting out these policies, and how they are to be implemented, following consultation with Welsh local authorities, English authorities abutting Wales, and other appropriate persons³.

The *Transport Act 2000* (as amended by the 2006 Act and the *Local Transport Act 2008*) requires local authorities to prepare local transport plans detailing how the Wales Transport Strategy would be implemented locally.⁴ However, in 2006 the Welsh Government exercised powers under the 2006 Act⁵ to require local authorities to work

¹ OPSI, [Railways Act 1993](#)

² OPSI, [Transport \(Wales\) Act 2006](#), s1

³ [Ibid](#), s2

⁴ OPSI, [Transport Act 2000](#) (as amended), s108, 109A and 109B

⁵ OPSI, [Transport \(Wales\) Act 2006](#),s4

together as **Regional Transport Consortia** to produce transport plans for their region.⁶ The 2006 Act contains further powers for the Welsh Government to create Joint Transport Authorities should the collaborative consortium approach prove ineffective.⁷

The *Railways Act 2005* (the 2005 Act) abolished the Strategic Rail Authority and transferred a number of its powers to the Welsh Government. The 2005 Act⁸ requires that the Welsh Government be a joint signatory with the Secretary of State for Transport of any franchise agreement which includes Wales-only services.⁹ Additionally, the 2005 Act¹⁰ requires the Secretary of State for Transport to consult the Welsh Government before awarding a franchise agreement, or issuing an invitation to tender for a franchise agreement, which includes a Welsh service.¹¹

Further, the 2005 Act allows the Welsh Government to:

- Provide financial assistance to *any* organisation for *any* purpose in relation to Welsh railway services, including their provision, improvement or development (including funding to Network Rail **and** Train Operating Companies (TOCs)). The Secretary of State must be notified of any assistance provided in relation to freight;¹²
- Publish guidance jointly with the Secretary of State (or Scottish Ministers if appropriate) in relation to, and make proposals for, closures of services or facilities that it funds;¹³ and
- Designate new passenger services as experimental for a trial period of up to five years where the majority of funding is provided by the Welsh Government.¹⁴

3. Who is responsible for Rail Infrastructure In Wales?

Office of Rail Regulation.

The **Office of Rail Regulation (ORR)** is the independent economic and safety regulator of railways in Britain. The ORR was established by the *Railways and Transport Safety Act 2003* to replace the **Rail Regulator** established following privatisation in 1993. Its duties are set out in the *Railways Act 1993* and the 2005 Act.

Its economic functions are primarily to regulate Network Rail's stewardship of the rail network, licence operators of railway assets (including the **operation** of passenger and freight trains being used on a network, as distinct from the award of the **franchise**), and

⁶ OPSI, *Regional Transport Planning (Wales) Order 2006*.

⁷ OPSI, *Transport (Wales) Act 2006*, s5

⁸ OPSI, *Railways Act 2005*, s10(2)

⁹ OPSI, *Railways Act 2005*, s57(1) defines "Wales-only service" as a railway passenger service which starts and ends in Wales and does not make any other scheduled calls outside Wales.

¹⁰ *Ibid*, s10(1)

¹¹ OPSI, *Railways Act 2005*, s57(1) defines a "Welsh Service" as a railway passenger service which starts in Wales, ends in Wales or otherwise makes at least one scheduled call in Wales

¹² *Ibid*, s10(3)-(4) and s11.

¹³ OPSI, *Ibid*, s42

¹⁴ *Ibid*, s36

approving access to track, stations and light maintenance depots. The ORR also acts as the national health and safety authority for British railways.¹⁵

Department for Transport.

The 2005 Act gave the Secretary of State sole responsibility for specifying railway outputs for England and Wales and identifying the funds available. The Secretary of State is required to set out a **High Level Output Specification (HLOS)** detailing the railway outputs to be delivered, along with a **Statement of Funds Available (SoFA)**. The current HLOS covers the 2009/10 to 2013/14 period. Once satisfied that the expectations are reasonable, the HLOS is enforced by ORR to the extent that it delivered by Network Rail.¹⁶ The 2005 Act devolved powers to the Scottish Government to prepare its own HLOS.¹⁷

DfT is required to consult the Welsh Government, along with other stakeholders and rail funding authorities and the current HLOS was informed by the **Wales Rail Planning Assessment**¹⁸ (WRPA), produced jointly by the Welsh Government and DfT in 2006 to consider potential growth in rail usage in Wales until 2026. The Welsh Government is currently working with DfT on preparations for the next HLOS covering the period 2014/15 to 2019/20 due for publication in 2012.¹⁹

Network Rail.

Network Rail, a not for dividend company limited by guarantee, was formed in October 2002 to assume responsibility for Britain's rail network infrastructure, previously the responsibility of **Railtrack**. Operations are primarily funded from debt raised on the capital markets, along with a Network Grant paid by DfT and access charges paid by passenger and freight operating companies. The Welsh Government provides funding for additional projects included in its **National Transport Plan**.

Network Rail plans within 5-year **Control Periods**, mirroring the HLOS period, each accompanied by a **Delivery Plan**. Progress updates are published periodically.²⁰ The current Control Period 4 runs from 2009/10 to 2013/14.

Since 2005 the ORR has required Network Rail to produce and maintain **Route Utilisation Strategies (RUS)** to promote the effective use and development of available capacity. RUS are developed regionally, with a separate RUS prepared for freight. The **Wales RUS** was published in November 2008 following consultation and with reference to the WRPA, HLOS and the Welsh Transport Strategy²¹. It considers the rail network's ability to meet current demand, as well as gaps between forecast demand and current capacity.

¹⁵ The ORR's health and safety responsibilities are *primarily* found in the [Railway Act 1993](#) (as amended by the [Railways Act 2005](#)) and in the [Health and Safety at Work Act 1974](#) and associated Regulations.

¹⁶ OPSI, [Railways Act 2005](#), Schedule 4

¹⁷ OPSI, [Railways Act 2005](#), s5 and Schedule 4

¹⁸ Welsh Government and Department for Transport, [Wales Rail Planning Assessment](#), July 2007

¹⁹ HC [11 January 2011](#) Vol. 521 Pt. 96 c239-40W

²⁰ More information can be found at [Network Rail: Control Period 4 Delivery Plan](#). [Accessed 12 April 2011]

²¹ Network Rail, [Wales Route Utilisation Strategy](#), November 2008, p11

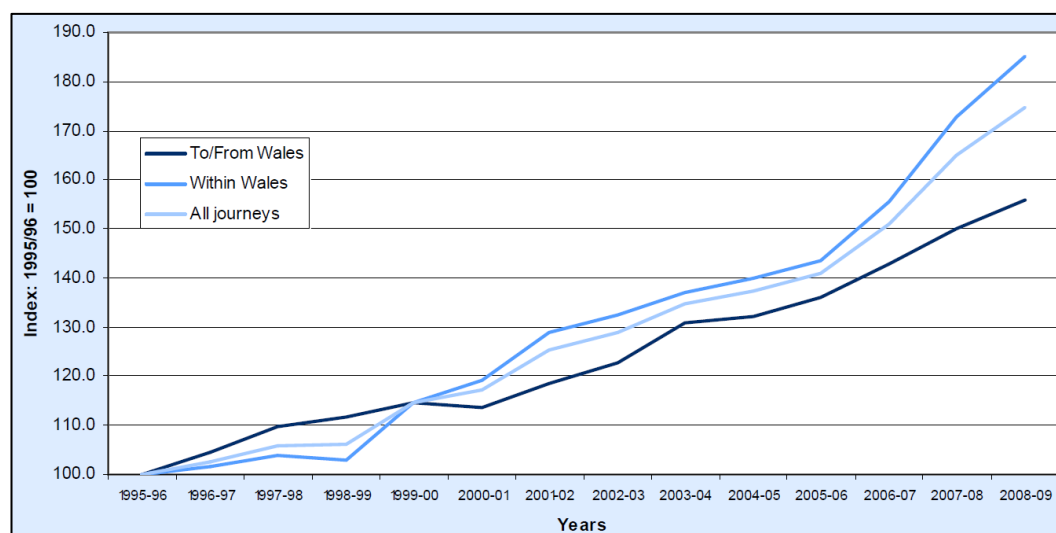
The RUS is implemented through annual **Route Plans** developed along with Network Rail's customers.²² **Route L-Wales** takes account of priorities identified at UK Government, Welsh Government and regional level. It provides details of planned implementation dates for specific projects and funding details. Rail infrastructure projects are managed through the **GRIPP** project management process, an eight stage process used by Network Rail to take each project from output definition to option selection, design and construction.²³

4. How does the Wales and Borders Franchise Operate?

The Wales and Borders Franchise was awarded to Arriva Trains Wales (ATW) by the Secretary of State for Transport in October 2003 for a period of 15 years. On 1 April 2006 the Welsh Government became responsible for funding and performance management of all ATW services following a budget transfer from the UK Government. Annual funding for the franchise currently stands at approximately £140 million²⁴. The 'no-growth' basis of the franchise means that any enhancements are likely to come from the Welsh Government.

ATW are responsible for 244 stations leased from Network Rail, 221 of which are in Wales. They operate approximately 955 services per day on 1009 miles of track.²⁵ Like other TOCs, rolling stock is leased from **Rolling Stock Companies (ROSCOs)** who are responsible for investing in new trains and carrying out heavy maintenance.²⁶ ATW are a member of the **Association of Train Operating Companies (ATOC)**.²⁷

Table 1 – Index of the number of rail passenger journeys in Wales 1995-96 to 2008-09



Source: data provided by the Welsh Government

²² More information can be found at [Network Rail Route Plans](#). [Accessed 13 April 2011]

²³ More information can be found [Network Rail: The Gripp Process](#). [Accessed 13 April 2011]

²⁴ Welsh Government, [Wales and Borders Franchise](#), [Accessed 11 April 2011]

²⁵ [Arriva Trains Wales Website](#), [accessed 12 April 2011]

²⁶ Association of Train Operating Companies, [Rolling Stock](#), September 2009

²⁷ More information can be found at the [Association of Train Operating Companies website](#). [Accessed 13 April 2011]

Despite the franchise terms, the Welsh network has experienced steady passenger growth in recent years. It is also notable that since 1999/2000 journeys within Wales have grown more rapidly than those to and from Wales (see Table 1).

5. How Do Freight Services Operate in Wales?

The Structure of Freight Services in Wales

Unlike franchised rail passenger services, which generally receive some form of subsidy, freight businesses are owned and operated commercially, with operators paying an access charge to use the rail network. Rail freight generally takes one of two forms:

- Bulk services – carrying bulk products with origins and destinations in specific rail terminals. For example, transporting fuel between a port and power station.
- Intermodal services – where goods are moved via different modes of transport, so that facilities equipped to move containers from rail to road and / or sea are required.

EWS Railway, based at Port Talbot, Newport and East Usk is the dominant Freight Operating Company in Wales carrying mainly bulk traffic. Additionally, Freightliner Ltd operates an intermodal service linking deep sea ports to a number of destinations in South Wales, England and Scotland, while Freightliner Heavy Haul operates bulk services in north and south Wales. Direct Rail Services Ltd serves the Anglesey nuclear power facility.²⁸

The Future of Rail Freight in Wales.

Throughout Wales the primary rail freight movements are between Wales and England/Scotland.²⁹ Network Rail has forecast that freight usage in the UK as a whole is likely to have increased by approximately 25 per cent between 2004/05 and 2014/15.³⁰

The **Wales Freight Strategy**, produced by the last Welsh Government, identifies potential benefits from increased rail freight in the form of employment, road casualty reduction, and efficient connections to and from Welsh markets. Freight has environmental advantages as a rail freight train is typically equivalent to 50 goods vehicles, and a tonne of rail freight produces at least 80 per cent less carbon dioxide than road freight.³¹

The strategy identifies key potential issues for freight in Wales:

- Infrastructure – capacity pinch points can arise not only as a result of limitations in the signalling and track infrastructure available, but also through variations in demand as well as maintenance and renewal requirements. Additionally, the loading gauge, determining the height and width of containers which can travel on a route, may become an issue as maritime shippers use increasingly large containers;
- Competition with passenger services – capacity pinch points can bring passenger and freight services into competition, a situation which is likely to be compounded by

²⁸ Network Rail, [Wales Route Utilisation Strategy](#), November 2008, p30

²⁹ Welsh Government, [Wales Freight Strategy](#), May 2008, p52

³⁰ Network Rail, [Freight Route Utilisation Strategy](#), March 2007, p35

³¹ Welsh Government, [Wales Freight Strategy](#), May 2008, p54-55

increasing demand in both sectors;

- Cost – particularly in terms of infrastructure required to move freight between road and rail vehicles (see discussion of the Freight Facilities Grant scheme below); and
- Structural barriers to competition – access to equipment and facilities can be complex and expensive, with existing companies operating their own terminals, making it difficult for new entrants to access the market.³²

6. What are the Key Elements of Welsh Government Strategy and Policy?

The Strategic Framework.

In fulfilling its obligations under the 2006 Act the last Welsh Government published **One Wales: Connecting the Nation**³³, the Wales Transport Strategy, in May 2008 providing a framework for the development of all modes of transport in Wales including Rail. The Wales Transport Strategy, and other Welsh Government strategies such as the Wales Freight Strategy, established national outcomes and strategic priorities to be achieved through the **National Transport Plan**³⁴, and at a regional level through **Regional Transport Plans**.³⁵ The National Transport Plan reiterates most of the rail projects listed in the **Rail Forward Programme**³⁶, published by the Welsh Government in December 2008.

Welsh Government Funding and Support for Transport

In addition to funding provided directly to the Wales and Borders franchise, the Welsh Government provides the following support:

- **Funding for Network Rail** - The Welsh Government provides funding directly to Network Rail to fund its priorities where these will not otherwise be funded by Network Rail. For example, the last Welsh Government indicated that it had invested more than £40 million in reopening passenger lines in Wales³⁷ and that it would be funding a range of enhancements, including redoubling work between Loughor and Gowerton and the Taff / Rhondda Turnback;³⁸
- **Additional Funding for ATW** – the Welsh Government provides funding for service enhancements over and above the franchise terms. For example, the last Welsh Government has invested £7.5 million to refurbish ATW's fleet of Class 158 trains³⁹ and has announced £1.4 million per annum to fund five additional daily trains between Carmarthen and Fishguard from September 2011;⁴⁰

³² Welsh Government, [Wales Freight Strategy](#), May 2008, pp55-57

³³ Welsh Government, [One Wales: Connecting the Nation](#), May 2008

³⁴ Welsh Government, [National Transport Plan](#), March 2010

³⁵ Welsh Government, [Guidance on Regional Transport Plans](#), April 2007, p14

³⁶ Welsh Government, [Rail Forward Programme](#), December 2008

³⁷ Welsh Government, [Railway Lines Reopened in Wales](#), [Accessed 3 May 2011]

³⁸ Enterprise and Learning Committee Paper EL(3) 02-11 Paper 2, [Welsh Assembly Government's new rail programme; Submission from Network Rail](#), 20 January 2011

³⁹ WAQ57090, [Nick Bourne to Ieuan Wyn Jones \(Minister for the Economy and Transport\)](#), RoP p6, 10 February 2011

⁴⁰ Welsh Government Press Release, [Additional Trains to Fishguard](#), 29 March 2011

- **Rail Freight Facilities Grant in Wales (FFG)**⁴¹ – assists organisations to address the capital cost of moving from road to rail freight in order to access the associated environmental benefits; and
- **Concessionary Rail Fares Scheme**⁴² - the last Welsh Government introduced the scheme on selected lines in May 2007. The scheme is currently funded until September 2011.

Project Assessment and Appraisal

The last Welsh Government required all major transport initiatives seeking government funding to be appraised using the **Welsh Transport Planning and Appraisal Guidance (WeITAG)**⁴³. WeITAG identifies the most appropriate scheme by comparing competing options. It is structured in the following stages: planning; a two stage appraisal process; post appraisal, including monitoring of performance and evaluation/value for money assessment; and participation, including consultation, which occurs throughout the planning process.

7. What are the Key Future Issues Affecting Wales?

Electrification.

Rail electrification is seen to offer long-term benefits to rail operation through reduced costs and improved environmental performance. While approximately 40 per cent of the British railway network is electrified, there are currently no electric lines in Wales⁴⁴.

The previous UK Government announced the electrification of the Welsh rail network and promoted electrification of the Great Western Mainline (GWML) as far as Swansea. However, in March 2011 the Secretary of State for Transport announced the approval of electrification only as far as Cardiff, indicating that this would cut 20 minutes from the journey from London to Swansea using bi-modal diesel electric trains. The Secretary of State also announced his intention to work with the Welsh Government to develop a full business case for electrification of some of the valleys lines during Control Period 5, beginning in 2014.⁴⁵

Intercity Express Programme.

The Intercity Express Programme (IEP) was launched in June 2005 to address costs and risks associated with operating the ageing InterCity 125 train fleet used on the GWML. The aim is to develop a new generation of flexible and reliable trains offering increased capacity and environmental benefit. The initial options appraisal concluded that a new train would best deliver these objectives.

In March 2011 the UK Government confirmed Agility Trains, a consortium of Hitachi Rail

⁴¹ More information can be found in the [Rail Freight Facilities Grant Guidance](#). [Accessed 13 April 2011]

⁴² More information can be found at [Concessionary and discounted rail fares](#). [Accessed 13 April 2011]

⁴³ More information can be found in the [Welsh Transport Planning Guidance](#). [Accessed 13 April 2011]

⁴⁴ Network Rail, [Network RUS Electrification](#), October 2009, p3

⁴⁵ Right Honourable Phillip Hammond MP, Secretary of State for Transport, [Oral Statement: Intercity Express and Rail Electrification](#), Department for Transport Website, 1 March 2011 [Accessed 4 May 2011] ?

(Europe) Ltd and John Laing PLC, as preferred bidder. The Secretary of State for Transport indicated that he had approved the proposal put forward by Agility for a fleet which included bi-modal trains, operating on a combination of electric and diesel power.⁴⁶ While electric only trains are cheaper, the decision to electrify to Cardiff only means that bi-modal trains would be required on the GWML to facilitate a switch to diesel power for the remainder of the journey to Swansea. This will require GWML trains to carry diesel for the whole of the journey from London.⁴⁷

High Speed Rail.

High Speed 2 (HS2) is the company incorporated to deliver the UK Government's proposed high speed rail network linking London to Birmingham and Leeds. If successful, the network would dramatically reduce journey times and increase rail capacity.⁴⁸

The last Welsh Government accepted the recommendation by the Enterprise and Learning Committee of the Third Assembly to lobby for the construction of a new High Speed Line from London to South Wales, and for the North Wales Mail Line to be connected directly to the HS2 Line from London to the North West. Further, the **Great Western Partnership**, comprising local authorities and regional development agencies in south Wales and south western England, was formed in spring 2010 to lobby both for electrification and for a third high speed rail line along the Great Western Corridor.

Powers and Funding.

The 2005 Act gave the Scottish Government power to specify what they want the rail franchise and infrastructure to deliver in Scotland, and transferred the funds necessary to support this specification. The last Welsh Government indicated that they would consider the possibility of seeking equivalent powers to those in Scotland.

Network Rail plan to create a devolved business unit in the Wales and Marches region by October 2011 with a range of responsibilities, including the delivery of some renewals and enhancements. However, while this will signal a closer relationship with the Welsh Government it will not itself bring further powers to the Welsh Government or alter the HLOS process.⁴⁹

The Future of The Wales and Borders Franchise.

The current Wales and Borders Franchise is due for renewal in 2018. In advance of this date, the Department for Transport must consider the basis on which it will be awarded, with input from the Welsh Government as co-signatory to the franchise. This has been a subject of debate and the options discussed include: continuation of the status quo, where the franchise is operated at a profit by a private company in receipt of a subsidy; operation on a not for dividend basis on a basis similar to Glas Cymru / Welsh Water; and state

⁴⁶ Right Honourable Phillip Hammond MP, Secretary of State for Transport, [Oral Statement: Intercity Express and Rail Electrification](#), Department for Transport Website, 1 March 2011 [Accessed 4 May 2011]

⁴⁷ [RoP \[46-47\]](#), 20 January 2011, Enterprise and Learning Committee

⁴⁸ More information can be found in the [Department for Transport Website](#). [Accessed 13 April 2011]

⁴⁹ More information can be found in the [Network Rail website](#). [Accessed 13 April 2011]

operation on a wholly owned basis similar to the model used by Irish Rail (although Irish Rail operations include ownership of the rail infrastructure). Changes to UK legislation may be required to facilitate such changes to the franchise process.

8. Further information

For further information on aspects of the operation of the railways in Wales, please contact Andrew Minnis (andrew.minnis@wales.gov.uk), Research Service.

For further information on the topics below, double click on the links.

Welsh Assembly Government Website:

<http://wales.gov.uk/topics/transport/?lang=en>

Arriva Trains Wales:

<http://www.arrivatrainswales.co.uk/Home.aspx>

Network Rail:

<http://www.networkrail.co.uk/>

Office of Rail Regulation:

<http://www.rail-reg.gov.uk/>

Passenger Focus:

<http://www.passengerfocus.org.uk/>

South East Wales Transport Alliance (SEWTA):

<http://sewta.net/>

South West Wales Integrated Transport Consortium:

<http://www.swwitch.net/>

TraCC (Mid-Wales)

<http://www.tracc.gov.uk/>

Taith (North Wales)

<http://www.taith.gov.uk/>

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