

# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Core Valley Lines asset transfer – updated ‘no deal’ Brexit risk assessment** |
| **DATE**  | **18 March 2019** |
| **BY** | **Ken Skates AM, Minister for Economy and Transport** |

I am writing to update Members on the assessment of the risk of a ‘no deal’ Brexit on the deliverability of the South Wales Metro.

The Welsh Government has been working closely with the UK Government over the last two years on the complex programme of agreements that are changing the delivery of rail services in Wales. Last year part of this work drew to a close with the transfer of franchising authority to the Welsh Ministers and the agreement on the funding arrangements. Since then there has been a considerable amount of work undertaken to progress the transfer of the Core Valleys Lines (CVL) rail asset so that both infrastructure investment and services can be controlled by the Welsh Government.

The critical importance of this work should not be underestimated. The CVL asset is an intensively used part of the railway in Wales. Whilst in size it accounts for just over 15 per cent of train miles in the Wales Route, it carries around 56 per cent of all Wales and Borders passenger services each day.

The asset transfer relies on close working by both the Welsh and UK Governments and officials from both sides have been working hard over recent months to achieve the agreed timeframe. The transfer is due to complete by 20th September 2019 and subject to a satisfactory business case, appropriate funding terms for the transfer and agreement by the Secretary of State for Transport in June 2019 we remain on course to meet this schedule.

However, I have been made aware in recent days that the increased prospects of a ‘no deal’ Brexit now threaten this asset transfer process, with potentially far reaching impacts for the wider delivery of the South Wales Metro project. As a result of the need to handle a ‘no deal’ Brexit in Whitehall, it is likely that resources within the Department for Transport will be moved from ongoing business within the department and on to other duties.

Whilst I can take steps to ensure that resources continue to be allocated to this work within the Welsh Government, any reduction in the resources and capacity available within the UK Government to support the asset transfer puts not only the transfer programme at risk, but also jeopardises the deliverability of the South Wales Metro as contractually programmed. Furthermore, if a ‘no deal’ Brexit leads to a delay in the asset transfer and subsequently a requirement to re-programme the South Wales Metro infrastructure works, there is potentially a risk to the availability of the associated £159m European Regional Development Funding (ERDF), although I expect the UK Government Guarantee to stand.

I have written to the Secretary of State for Transport seeking his urgent guarantee that, this close to the end of the process, the CVL asset transfer will continue to be a priority for the UK Government. Furthermore, I have offered to discuss directly with him any practical steps that we could take to expedite the asset transfer, without compromising the due diligence, so as to allow our Governments to focus on the other issues facing the UK over the coming months.