

FAO Stephen Crabb MP

Dear Mr Crabb,

17<sup>th</sup> February 2021

**House of Commons Welsh Affairs Select Committee**

**Inquiry : Rail Infrastructure in Wales**

**Response from the Civil Engineering Contractors Association (CECA) Wales**

Can I start by saying how we welcome this inquiry into Rail Infrastructure in Wales. This is an exciting time for the sector in Wales with the establishment of Transport for Wales offering greater opportunities to pursue integrated transport solutions involving rail and with the devolution of rail infrastructure on the Core Valley Lines (CVL) supporting greater integration between asset owner and rail operator. However, it still faces challenges particularly in terms of serious underfunding of rail improvement works compared to many regions of England and in the part devolved nature of its rail assets and the different priorities pursued by the Department for Transport.

In terms of background to our organisation, the Civil Engineering Contractors Association (CECA) is a confederation which represents companies who deliver, upgrade, and maintain Britain's infrastructure. With separate companies in each region and nation of Great Britain, CECA represents firms who together carry out an estimated 70-80 per cent of all civil engineering activity in the UK, in the key sectors of transport, energy, communications, waste and water. More specifically, the Civil Engineering Contractors Association (CECA) Wales Cymru represents 60 of Wales' largest and smallest civil engineering contracting businesses with a cumulative annual turnover in excess of £1bn and employing over 6,000 people. These businesses play a huge part in supporting communities across Wales and make a significant contribution to the economic prosperity of our nation. Our members are also major providers of training and apprenticeship opportunities. And, on a more fundamental level, it is our members who will build the infrastructure that our nation needs to prosper and rail is a significant sector of operations for our members.

CECA Wales is feeding into this inquiry in its role representing the civil engineering contractor companies building and maintaining Welsh rail infrastructure and the following responses to your questions are a result of a roundtable meeting with member firms and many of our partners who operate in the rail sector.

**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?**

The current status of funding for rail projects in Wales lies mostly with the Department for Transport rather than the Welsh Government - with the exception of the Core Valley Lines which have been devolved. Highway responsibilities and funding are already devolved to Wales and have been for many years but the vast majority of investment decisions on rail infrastructure in Wales, particularly for rail improvement projects, continue to be made by the Department of Transport alongside those in England.

The situation in Scotland, however, is very different and reflects a lack of consistency in the devolution settlement. In Scotland there is no Department for Transport involvement in funding allocation for rail. Instead, the Scottish Government is provided with funding from the Treasury through the Barnett

Formula to allocate according to its own policies and priorities. As a result, the Scottish Government's approach has differed to the UK Government by providing a more locally based approach to investment decisions, which has arguably resulted in more cost effective / efficient schemes being delivered. The ability of the Welsh Government to pursue different priorities to England, especially in terms of a more integrated, multi-modal solutions to transport challenges is severely constrained and this has implications for the quality of transport services to Welsh citizens as well as environmental considerations.

There is some optimism in the rail industry that the Treasury "Greenbook Review" recommendations published in November 2020 will lead to a different appraisal process that is less inclined to favour projects with already high passenger numbers in major population centres. Such a change should benefit Wales, as well as other parts of the UK with less dense populations, and the large cities that have not received continued investment. However, this remains a poorer arrangement for Wales when compared to arrangements in Scotland.

Within Wales the apportionment of funds in accordance with the Barnett Formula is generally understood. However, the fact that rail infrastructure is not significantly devolved to Wales, and is therefore not subject to the Barnett Formula as it is in Scotland, is less understood. Currently, 37% of overall transport spending is devolved to Wales, compared to 92% in Scotland. This difference is largely a result of an imbalanced devolution settlement with respect to rail which makes the overall investment available to improve rail assets and hence services in Wales significantly diminished in comparison to Scotland.

A real example of the glaring unfairness of the current funding settlement for rail infrastructure in Wales is how expenditure on HS2 is being considered across the UK. This has placed the matter of funding straight in the spotlight. The HS2 business case explicitly disadvantages the south of Wales (with only potential and minimal gains in the north and middle via Crewe and Birmingham). Arguably there are far more benefits to Scotland from HS2 despite Scotland receiving significant Barnett "consequentials" and Wales gaining none. This, as you would expect, is of concern to our members as it will result in less investment.

More specifically, the "benefits" of HS2 for North Wales rests solely with connectivity at the new HS2 hub at Crewe. Only improved frequency and speed from Crewe will realise its slated benefits to North Wales. For instance, journey times between London and Holyhead will improve if the speed and frequency of services on the North Wales Coast improve through enhanced connectivity at Crewe. However, many English regions will be "competing" for this increased capacity and it is by no means certain that HS2 will provide benefits to the north and middle of Wales.

As well as the issues mentioned above, under the current largely non-devolved settlement, there is a specific issue about disparity in funding that CECA Wales wishes to raise with the Committee. While the latest ONS data indicates Wales being home to 4.7% of the entire UK population, it has 10% of all track in Great Britain, but it receives only 2% of the total budget for "enhancement" funding for infrastructure improvements and 5% of the total budget for "renewal" funding for maintaining rail assets. This disparity between population, quantity of assets and relative budget allocations makes it very difficult to raise standards of service in Wales making it less attractive for Welsh citizens to use the service and, under the current system of allocating funds, less likely to attract further funding. This perpetuates a historic "running down" of rail services in Wales.

In summary, the inadequacies and unfairness of the current funding models for rail infrastructure across the whole UK need to be addressed as a matter of urgency.

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

Since the Senedd assembled in 1999, the Welsh and UK governments' relationship has varied depending on their respective leaderships. Political (not partisan) challenges arising from this relationship have influenced policy outcomes. This variance started before the UK's Coalition Government formed in 2010.

However, for our members it is important that both governments are committed to working together to deliver better services for Welsh people, communities and businesses. A current example of this need is the proposals for addressing transportation challenges in southeast Wales as set out by Southeast Wales Transportation Commission led by Lord Burns. Whilst the proposals involve a range of transportation solutions improvements to rail infrastructure form a large part of this with the Welsh Government, via Transport for Wales, responsible for rail infrastructure along the Core Valley Lines under the Metro concept and the UK Government via the Department for Transport and Network Rail responsible for infrastructure improvements/modifications along the South Wales Mainline. The success (or not) of this collaborative approach will set the scene for future relationships and whether or not the DfT and Network Rail are supportive and responsive to Welsh aspirations.

**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 the industry, the unprecedented drop in passenger numbers and cuts to service frequency resulting from the 'stay at home' policy provides a window of opportunity for asset owners to close railway lines for more extended periods to conduct essential work and upgrades. Longer work has already happened in Wales since March 2020, with the Welsh Government closing parts of the Valley Lines for a number of weeks.

CECA Wales would support adopting this approach on the rest of the network. More extended closures enable more work to finish at pace and a lower cost than consecutive night works spanning months for as little as three hours at a time. This approach would need to be linked to an effective communications plan with rail users and stakeholders to ensure they are fully aware of the benefits that the engineering work will deliver.

Passenger behaviour and service expectations before the pandemic meant that extended periods of closure were prohibitively unpopular. However, a reconfiguration of network ownership and management in Wales and a projection of gradual rises to pre-pandemic passenger could provide an opportunity to approach track closures differently.

Other factors to consider, on the mainline railway, in changing the approach to closures is the long-existing silo mentality between asset stakeholders and Train Operating Companies with their commercial pressures. This is in contrast to the more joined up approach being delivered on the Cardiff Valley Lines. Again, these factors could change due to policy decisions in Westminster and Cardiff over the coming months.

Until the pandemic becomes less intrusive on daily life, we are cautious about drawing immediate conclusions on long-term changes to passenger behaviour due to Covid-19 and how this could influence investment. However, it is worth noting that before March 2020, only 2% of commuters into Cardiff travelled by public transport ie a very small percentage. With this in mind, the ambitions for post-Covid public travel will be different in Wales compared to other parts of the UK such as London, with higher public transport usage.

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

We recognise that rail infrastructure in Wales does not stand independently from the rest of the United Kingdom. To travel by rail from Cardiff to Holyhead involves entering and leaving England on a slow diesel service on the Welsh Marches Line via Shrewsbury. There are no other means of travelling from North to South by rail in Wales. Consequentially, we do need to consider benefits in their wider sense as well as rail investment within different parts of Wales but the “Connectivity Review” also needs to reflect the disparities over investment levels, an uneven devolution settlement and the need to address Wales specific priorities as well as broader UK issues.

We believe that the Union Connectivity Review should make a specific effort to engage Welsh stakeholders due to their lack of representation on its panel. The low level of Welsh representation differs from the ongoing Williams Review, which has appropriate representation on its board. This could be a serious impediment to delivering a “fit for purpose” rail service in Wales. This is compounded by the glaring unfairness of how expenditure on HS2 is being considered across the UK. We have mentioned this in previous responses but will restate it here for completeness. This review should take into account the unacceptable current settlement especially when the HS2 business case explicitly disadvantage the south of Wales (with only potential and minimal gains in the north and middle via Crewe and Birmingham) and ensure that investment is fairly distributed. Arguably there are far more benefits to Scotland from HS2 despite Scotland receiving significant Barnett “consequentials” and Wales gaining none. This, as you would expect, is of concern to our members as it will result in less investment.

More specifically, the “benefits” of HS2 for the north of Wales rests solely with connectivity at the new HS2 hub at Crewe. Only improved frequency and speed from Crewe will realise its slated benefits to North Wales. For instance, journey times between London and Holyhead will improve if the speed and frequency of services on the North Wales Coast improve through enhanced connectivity at Crewe. However, many English regions will be “competing” for this increased capacity and it is by no means certain that HS2 will provide benefits to the north and middle of Wales. A further consideration to avoid Wales losing out even more in terms of connectivity is that, with some better planning and infrastructure connectivity around Birmingham, rail journey times could be improved between the south and middle of Wales and English regions including Yorkshire, Derbyshire and Nottinghamshire. However, these are small considerations compared to a fairer funding settlement.

Finally, rail freight is an overlooked element of connectivity within the UK and is underutilised, especially in the middle of Wales. Any outcome of the review should seek to improve freight capacity on these lines to Shrewsbury. Better provision for freight could facilitate the expected investment in Welsh ports due to market development and government investment in the renewable energy sector.

## **Should responsibility for railway infrastructure in Wales be fully devolved?**

CECA Wales believes that all the railway infrastructure in Wales should be fully devolved, similar to the arrangements in Scotland, based on management and funding through the Barnett Formula (or any future developments in this area). Full devolution would have many benefits with improved integration and planning of transportation modes a key issue.

With the current situation of the UK Government, via the Department for Transport, retaining control over all rail assets in Wales, with the exception of the Core Valley Lines, Wales has only limited control over how it’s assets should be managed and very little control over investment levels. This limits the ability of the Welsh Government to pursue its own priorities particularly in terms of developing integrated and multi-modal solutions to many of Wales’ connectivity challenges.

However, the case for devolution has strengthened since the Welsh Government, through Transport for Wales, has taken ownership and management of the Core Valley Lines. For CECA Wales members, the relationship with Transport for Wales (as a client) has been constructive and collaborative, with outcomes focused on improving passenger experience. The year-long Early Contractor Involvement (ECI) approach to development, ahead of the Valley Lines electrification project, demonstrates this change in direction.

The scope of Transport for Wales, outside of rail, means rail contractors can take a more holistic approach to long-standing connectivity problems. With its brief including roads, Transport for Wales could make real progress on improving connectivity along the M4 corridor through a multi-modal approach as is proposed by the Southeast Wales Transport Commission. With “mainline” solutions under the remit of Network Rail and the Department for Transport it is imperative that all work collaboratively to deliver the preferred solutions. Nevertheless, having a part developed arrangement builds in potentially unhelpful interfaces.

In terms of the role of Network Rail, they are pursuing their process of devolution to a more regional approach which is welcomed. Under current arrangements Network Rail combine Wales and West England as one Region but we feel that this arrangement is unhelpful in developing an all-Wales approach to integrated transport. It constrains our ability to better serve customers across Wales and the border with England and can build in unhelpful interfaces once again. However, to deal with the current “part devolved” nature of rail infrastructure in Wales we continue to work closely with both Transport for Wales and Network Rail.

Finally, I would like to thank you for this opportunity to respond. I trust that these views and observations are helpful to you and your Committee but please contact me should you wish to discuss these matters in greater detail.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Ed Evans', with a long horizontal line extending to the right.

**Ed Evans**  
**Director, Civil Engineering Contractors Association (CECA) Wales**