

Rail Infrastructure and Improved Passenger Service Committee

Date: 15 February 2006
Time: 9.00 to 12.30
Venue: National Assembly for Wales, Cardiff Bay
Title: Transport Wales

WELSH ASSEMBLY GOVERNMENT PAPER – PRODUCED AT REQUEST OF RAIL INFRASTRUCTURE AND IMPROVED PASSENGER SERVICES COMMITTEE

1. POWERS UNDER THE RAILWAYS ACT 2005

The Railways Act 2005

1.1 Under the Railways Act 2005 the Strategic Rail Authority is being wound up and the majority of its functions, including all its financial obligations, have now transferred to the Secretary of State for Transport. The Department has been restructured to reflect its new responsibilities and is now responsible for awarding train operating company franchises (except in Scotland).

1.2 The Railways Act 2005 gave the Assembly the right to be a joint signatory with the Secretary of State to any franchise that provides services wholly within Wales. The Assembly became a joint signatory to the current ATW franchise by means of a Transfer Scheme made on 16 October 2005.

1.3 Transitional arrangements apply under that Scheme until 1 April 2006, when the Assembly will receive a resource transfer from the Department of Transport (circa £140mpa), become an active party to the franchise, and be responsible for funding all ATW services except those few services that operate in England-only. Until 1 April the Secretary of State exercises all rights and liabilities under the franchise agreement. From 1 April 2006 a side agreement is to be made between the Secretary of State and the Assembly (under the Transfer Scheme) which will govern which party exercises which rights and liabilities under the franchise agreement. For example, the July 2004 White Paper "The Future of Rail" made it clear that the Assembly will specify the services and fares for local services within and bordering Wales. It will work closely with the Department for Transport in the development of services under the present 15-year franchise and in the procurement of the next Wales franchise.

Functions Delegated to the National Assembly for Wales – Railways Act 2005

1.4 The National Assembly for Wales, acting under section 62(1)(b) of the Government of Wales Act 1998, agreed to delegate most functions of the National Assembly contained in or under the Railways Act 2005 to the Assembly First Minister. The powers not so delegated were those under section 3(9), those under section 19(2)(c), those under Schedule 1, paragraph

15(5), those under Schedule 5, Part 4, paragraph 11(3)(c), those under section 10(1) and those which by law cannot be so delegated.

1.5 Functions under the Railways Act 2005 which were delegated to the First Minister by the Assembly were delegated in a Plenary session on 30 November 2005, under Section 62(1)(b) of the Government of Wales Act 1998. Under Section 62(5) the First Minister may delegate and has so delegated, those functions to the Assembly Minister:

1.6 Under the Act the Assembly Government can:

- Become a co-signatory to the Wales and Borders franchise and provide financial assistance to the franchisee (the current subsidy will transfer from the Department for Transport), specify services and set the fares. The Secretary of State will be responsible for the few services under the franchise but wholly in England and can not enter into any new franchises for Welsh services without the agreement of the Assembly;
- Give financial assistance to any organisation for the purpose of developing Welsh railways;
- Publish guidance jointly with the Secretary of State in relation to and make any proposals for closures of services or facilities that it funds (there is a current joint consultation over new closure procedures);
- Designate, where applicable, new services it funds as experimental for a trial period of up to five years;

1.7 Functions under the Railways Act 2005 not delegated to the First Minister by the Assembly in Plenary session on 30 November 2005, under Section 62(1)(b) of the Government of Wales Act 1998:

- The Secretary of State must consult the Assembly before giving guidance to the Office of Rail Regulation. This relates to amendments to Section 4 (5) of the Railways Act 1993 which require the Office of Rail Regulation, in exercising its functions, to take into account any guidance given to it from time to time by the Secretary of State. Section 3 (9) of the Railways Act 2005 requires the Secretary of State to consult the Assembly before giving such guidance.
- Appoint a member to the Rail Passenger Council (now, Passenger Focus).
- The Secretary of State is required to consult the Assembly before issuing a statement of policy on exercising his powers under Section 23 (1) of the Railways Act 2003 to provide for passenger services to be provided under franchise agreements.
- The Rail Passengers' Council must send a copy of every annual report to the Assembly.

- The Secretary of State must consult the Assembly before issuing an invitation to tender for, or before entering into, a franchise agreement that includes Welsh services. Welsh services are those that run within or to/from Wales.

Power for Freight Under the Railways Act 2005

1.8 Section 10(4) of the Railways Act 2005 enables the National Assembly for Wales to provide financial assistance otherwise than under a franchise agreement wholly or primarily for Welsh purposes. It enables the National Assembly for Wales to provide funding to develop the railway serving Wales to a wide range of parties such as Network Rail, freight operators and other third parties. This power has been delegated to the Minister for Economic Development and Transport.

The Wales and Borders Franchise

1.9 The franchise agreement was made between the Strategic Rail Authority (SRA) and Arriva following a competitive tendering process. Network Rail is not a party to the agreement. Arriva Trains Wales (ATW) has responsibility for operating local and regional train services in Wales and the border counties. The creation of this unified railway under a single operational management structure was achieved through partnership between the SRA and the Welsh Assembly Government. The ATW franchise started on 7th December 2003 and is for fifteen years, subject to five-year Performance Review assessments.

Rail Network

1.10 Responsibility for the rail network rests with Network Rail, funded by Department for Transport in England and Wales. In Scotland, Scottish Ministers have taken responsibility for the network, with a funding transfer.

2. OUTLINE OF THE FRANCHISE ARRANGEMENTS WITH THE TRAIN OPERATING COMPANIES

Arriva Trains Wales - Franchise Agreement

- The Franchise Agreement (FA) is the contract between a Franchisee/ Operator and the Secretary of State (and co-signatories as appropriate), which sets out the obligations of all parties in respect to the operation of passenger services in a particular area. The principal performance measure is the Public Performance Measure (PPM). The Office of Rail Regulation's definition of PPM is at Annex 3.
- The Assembly is also a party to the Arriva Trains Wales (ATW) FA which covers:

Parts I-VI	Set out the general provisions of the FA, which are common to all FA's of the same generation, e.g. timetable planning, provision of information.
Schedule 1	Conditions Precedent of the franchise
Schedule 2	Franchise Services i.e. routes, stations, maintenance services and ancillary services
Schedule 3	Also known as the Passenger Service Requirement (PSR) sets out the minimum services the Franchisee/Operator is required to provide. It also sets out thresholds of Cancellations, Capacity and Public Performance Measure (PPM)
Schedule 4	Minimum standards at each station
Schedule 5	Regulated fares in detail
Schedule 6	Franchise payments
Schedule 7	Incentive regime
Schedule 8	Franchise records and timing of reports to the Secretary of State/ASSEMBLY
Schedule 9	Change assessment procedure and accounting, setting out how any necessary change to the franchise shall be accounted and paid for
Schedule 10	Financial covenants – how the Franchisee/Operator will ensure that the TOC is adequately financed
Schedule 11	Franchise assets and key contracts – lists those assets and contracts which are deemed to be essential to the

franchise e.g. rolling stock leases, access agreements, property leases.

- Schedule 12 Handover package – information (held by a third party) which the Secretary of State would use if the need arose to step in as Operator of Last Resort.
- Schedule 13 Franchise Plan – obligations unique to the particular TOC which the Franchisee/Operator have agreed to provide at no additional cost to the Secretary of State. There is one major obligation in the ATW Franchise Plan (Schedule 13) – the introduction of the Standard Pattern Timetable in December 2005. There are also commitments to integrated transport schemes, increased usage of bilingual signage and publications, car park improvements at 18 stations, station adopters scheme, replacement of loco hauled rolling stock, and services for Millennium Stadium events.
- Schedule 14 Aspirations for enhancements, setting out the mechanism for progress of any enhancement proposal and a list of high level projects, which have not been costed nor do they have a business case.
- Schedule 15 Proficient operator – setting out the benchmarks and thresholds for the 2 franchise review dates (31 March 2008 & 31 March 2013).
- Copies of the Arriva Trains Wales Franchise Agreement can be obtained from: Ms S Proberts, Public Register Manager, Department for Transport, 3/31 Great Minster House, 76 Marsham Street, London SW1P 4DR

Thresholds in the ATW Franchise Agreement

Schedule 3
Valley Lines

Measure
Value from the Franchise Commencement
Date
With effect from 1 April 2007

Total Cancellations

- Call-in
 - 3.0%
 - 2.0%
- Breach
 - 4.5%
 - 3.5%
- Default
 - 10.0%
 - 10.0%

Cancellations

- Call-in
 - 5.5%
 - 4.5%
- Breach
 - 8.0%
 - 7.0%
- Default
 - 15.0%
 - 15.0%

Capacity

- Call-in
 - 97.5%

- 97.5%
- Breach
 - 95.0%
 - 95.0%
- Default
 - 85.0%
 - 85.0%

Public Performance Measure (measured at
31 March in each Reporting Year)

Year
Breach

31 March 2004
N/A

31 March 2005
85.0%

31 March 2006
85.0%

31 March 2007
85.0%

31 March 2008
88.0%

31 March 2009
88.0%

31 March 2010
88.0%

31 March 2011
88.0%

31 March 2012
88.0%

31 March 2013

88.0%

31 March 2014
88.0%

31 March 2015
88.0%

31 March 2016
88.0%

31 March 2017
88.0%

31 March 2018
88.0%

Schedule 3
Rural &
Interurban

Measure
Value from the Franchise Commencement
Date
With effect from 1 April 2007

Total Cancellations

- Call-in
 - 3.0%
 - 2.0%
- Breach
 - 4.5%
 - 3.5%
- Default
 - 10.0%
 - 10.0%

Cancellations

- Call-in

- 5.5%
 - 4.5%
- Breach
 - 8.0%
 - 7.0%
- Default
 - 15.0%
 - 15.0%

Public Performance Measure (measured at
31 March in each Reporting Year)

Year

Breach

31 March 2004

N/A

31 March 2005

71.9%

31 March 2006

71.9%

31 March 2007

71.9%

31 March 2008

84.0%

31 March 2009

84.0%

31 March 2010

84.0%

31 March 2011

84.0%

31 March 2012

84.0%

31 March 2013
84.0%

31 March 2014
84.0%

31 March 2015
84.0%

31 March 2016
84.0%

31 March 2017
84.0%

31 March 2018
84.0%

Schedule 15

Operational Performance Targets and Operational Performance Target

Milestones

Valley Lines Business Unit

	APPM	TDM	TCR
Milestone – Reporting Year 2004/5	86.6%	137,200	1.36
Milestone – Reporting Year 2005/6	87.4%	140,000	1.30
Milestone – Reporting Year 2006/7	87.8%	136,500	1.11
Target – First Performance Review Date	89.0%	123,600	0.99
Milestone – Reporting Year 2008/9	90.1%	111,900	0.84
Milestone – Reporting Year 2009/10	90.5%	106,900	0.77
Milestone – Reporting Year 2010/11	90.6%	106,900	0.77
Milestone – Reporting Year 2011/12	90.6%	106,900	0.77
Target – Second Performance Review Date	90.8%	106,900	0.77
Milestone – Reporting Year 2013/14	90.8%	106,900	0.77

Milestone – Reporting Year 2014/15	90.8%	106,900	0.77
Milestone – Reporting Year 2015/16	90.8%	106,900	0.77
Milestone – Reporting Year 2016/17	90.8%	106,900	0.77
Milestone – Reporting Year 2017/18	90.8%	106,900	0.77
Milestone – Reporting Year 2018/19	90.8%	57,697	0.77

Rural & Inter-Urban

	APPM	TDM	TCR
Milestone – Reporting Year 2004/5	76.2%	363,600	1.41
Milestone – Reporting Year 2005/6	79.6%	300,700	1.35
Milestone – Reporting Year 2006/7	82.6%	243,200	1.16
Target – First Performance Review Date	85.0%	199,900	1.03
Milestone – Reporting Year 2008/9	86.3%	184,300	0.88
Milestone – Reporting Year 2009/10	86.7%	174,600	0.81
Milestone – Reporting Year 2010/11	86.8%	174,600	0.81
Milestone – Reporting Year 2011/12	86.8%	174,600	0.81
Target – Second Performance Review Date	86.8%	174,600	0.81
Milestone – Reporting Year 2013/14	86.8%	174,600	0.81
Milestone – Reporting Year 2014/15	86.8%	174,600	0.81
Milestone – Reporting Year 2015/16	86.8%	174,600	0.81
Milestone – Reporting Year 2016/17	86.8%	174,600	0.81
Milestone – Reporting Year 2017/18	86.8%	174,600	0.81
Milestone – Reporting Year 2018/19	86.8%	94,236	0.81

Where APPM is the average Public Performance Measure, TDM is TOC Delay Minutes and TCR is the TOC Cancellation Rate.

Outline of the Franchise Arrangements with the Train Operating Companies

Franchise Operator	Franchisee	Franchise Start Date	Franchise End Date
West Coast Trains Limited	Virgin Rail Group Ltd	19 February 1997	31 March 2012
CrossCountry Trains Limited	Virgin Rail Group Ltd	5 January 1997	11 November 2007
Chiltern	M40 Trains Ltd	3 March 2002 (with a shrink-back provision if future enhancements are not met. At present the minimum franchise term is confirmed at 12 years)	31 December 2021
Central Trains Limited	National Express Group plc	2 March 1997	31 March 2006*
Silverlink Train Services Limited	National Express Group plc	6 February 1997	15 October 2006
Southern	Govia Ltd	12 May 2003	31 December 2009 (or an earlier date if notice served on franchisee)
Gatwick Express	National Express Group plc	28 April 1996	29 April 2011
First Great Western Link	Great Western Holdings Ltd(First Group plc)	1 April 2004	1 April 2006
First Great Western Trains	Great Western Holdings Ltd (First Group plc)	5 February 1996	1 April 2006
Arriva Trains Wales	Arriva Trains Ltd	8 December 2003	14 October 2018
c2c Rail Limited	National Express Group plc	26 May 1996	25 May 2011
Wessex (Interim franchise agreement)	National Express Group plc	14 October 2001	31 March 2006
Midland Mainline	National Express Group plc	28 April 1996	26 April 2008
WAGN	National Express Group plc	Original Franchise Agreement made on 5 December 1996 extended on 1 April 2004	Original termination date 1 April 2004 extended to 1 April 2006
Thameslink	Govia Ltd	Original Franchise Agreement made on 10 February 1997 extended on 1 April 2004	Original termination date 1 April 2004 extended to 1 April 2006
Trans Pennine Express	First/Keolis TransPennine Holdings Ltd	1 February 2004	1 February 2012 (with a possible five years extension of not more than 65 reporting periods)
ONE	National Express Group plc	1 April 2004	1 April 2014
South West Trains	Stagecoach Group plc	2 February 2004	2 February 2007
South Eastern Trains	SET (Holdings) Ltd	9 November 2003	1 April 2006
Northern	Northern rail Ltd	12 December 2004	18 September 2011
GNER	Great North Eastern Rail Ltd	1 May 2005	1 May 2012 (with an automatic further 3 years if targets are met)
Island Line	Stagecoach Group plc	4 February 2004	4 February 2007

* but to be further extended to 11 November 2007

3. ASSEMBLY GOVERNMENT INTERACTION WITH THE DEPARTMENT FOR TRANSPORT

3.1 There is a close working relationship at official level between the Welsh Assembly Government and the Department for Transport.

3.2 DfT administers two revenue grant schemes for freight movements – Track Access Grant (TAG) and Company Neutral Revenue Scheme (CNRS) – in England and Wales. Discussions have been held at official level to discuss the options for the Welsh Assembly Government to take responsibility for these grants in Wales from April 2007.

4. ASSEMBLY GOVERNMENT INTERACTION WITH OFFICE OF RAIL REGULATION

4.1 The Welsh Assembly Government has no principal statutory relationship with the Office of the Rail Regulator although there is a statutory duty (Section 51 (3) for the ORR to comply with reasonable requirements of the Assembly to provide information or advice. The Railways Act 1993 defines the relationship between the ORR and the freight operating companies.

4.2 The UK Government is putting into place new processes for both long term and medium term planning. This will take account of wider changes to the national and regional economies as well as meeting the requirements of the railway in accommodating the future needs of its passenger and freight customers.

4.3 The Department for Transport sets the wider strategy for the railway. It will do this through both a High Level Output Specification (HLOS) and Regional Planning Assessments (RPAs).

4.4 RPAs will set out a longer term (20-year) view of how the railway might develop in each region or nation given the market for travel, and the objectives and plans set out in wider housing, economic and spatial strategies. The Rail Planning Assessment for Wales is being produced jointly between the Assembly (which is funding the consultancy work) and DfT and in consultation with the Wales regional consortia of local authorities.

4.5 Work on the HLOS is currently in the early stages but DfT proposes that the outputs will be expressed as a series of measurements relating to safety, performance and capacity. The specification will be set at a high level and not at the detailed level used in Network Rail's Route Utilisation Strategies (RUSs) and the DfT/Assembly franchise specifications (see below). The HLOS will specify the level and standard of service that the UK Government expects from the railway from 2008/09 to 2013/14. It will be matched by DfT information about the public funds available and will be developed against the background of a longer-term strategic view of the railway. RPAs will help to inform the HLOS. The HLOS process will identify the outputs to be delivered within the available funding but will not set out how they should be delivered.

It will be for Network Rail in conjunction with the rail industry to determine the most efficient inputs to provide the sought outputs.

4.6 The HLOS will be submitted to the Office of Rail Regulation (ORR) in June 2007 as part of an iterative process. The ORR will then determine the amount of income Network Rail needs in order to deliver these outputs. If the level of income NR needs is higher than the available public funding, the Secretary of State will be able to reconsider the levels set in the HLOS. Stakeholders including the Assembly Government will be consulted on the HLOS but this is not a joint document.

4.7 In its business plan in March 2008, Network Rail will set out how it will deliver the HLOS outputs. This will be updated and given more detail in the March 2009 business plan.

4.8 As part of its leadership of railway industry planning Network Rail is producing short to medium term Route Utilisation Strategies. These will focus on formally appraising changes which might be contemplated on the railway in the short to medium term. Network Rail is consulting the Assembly and local authorities in this work. RUSs will both inform the HLOS and be developed in the knowledge of the amount of funding currently available for investment.

5. WELSH ASSEMBLY GOVERNMENT STRATEGIC PLANNING FOR RAIL SERVICE

5.1 As noted above, the Welsh Assembly Government is working with Network Rail on Route Utilisation Strategies (RUSs) for the whole rail network in Wales. We are working with DfT on the Wales Rail Planning Assessment (WRPA).

6. WELSH ASSEMBLY GOVERNMENT PROGRAMME FOR ENHANCEMENTS TO THE NETWORK WITHIN THE £30 MILLION ANNUAL BUDGET

6.1 The total budget for rail and air services (including a potential £12 million carry-forward under the End Year Flexibility mechanism of funds for the Ebbw Vale Railway from 2005-06 to 2006-07) for the rest of the three years is

2006-07	2007-08	2008-09
£m	£m	£
35.9	37.5	37.5

6.2 Formal spending decisions are taken annually by Ministers in the light of the Final Budget, although revenue commitments can be, and usually are, recurrent in nature (eg the £3.5m pa for the Valleys rolling stock initiative).

6.3 2006-07 commitments are:

	£m
ATW capital – on-train CCTV and North Wales stations improvements.	1.8
ATW revenue - North – South train service; Valleys rolling stock; Heart of Wales Sunday service.	4.5
Sewta rail improvement capital programme – Rhymney Valley platform extension; Maesteg platform extension; Treherbert platform extension; Pontypridd – Merthyr Frequency enhancements; Llanharan Station.	9.2
Ebbw Valley Railway	12.8*
Total commitments	28.3

**Ebbw Valley Railway project also receives Corus regeneration and Objective 1 funding.*

6.4 The remainder is earmarked against the rail improvements discussed and agreed prior to the Final Budget and for projects which will be progressed under direct investment with Network Rail, such as the improvement of platforms and passenger at Queen Street and a proposed major redevelopment of Newport Station.

6.5 From 2006-07, the remainder of the Sewta rail improvement programme and the £4.5m ATW revenue expenditure are effectively committed. The other local authority consortia are bringing forward their strategic rail improvement proposals shortly.

7. WHAT CHANGES OR ADDITIONS TO THIS PROGRAMME WOULD BE DESIRABLE, IF EXTRA FUNDING WAS AVAILABLE?

7.1 Additional capital funding could be used to accelerate the programming of infrastructure improvement projects or could fund the procurement of additional rolling stock. Additional rolling stock could also be leased, which would require revenue funding. Many capital rail improvement schemes require additional rolling stock to achieve their maximum impact and there are also revenue running costs associated with additional rolling stock.

Annex 1

PREVIOUS INVESTMENT IN RAIL FOR WALES

North Wales

PROJECT	DESCRIPTION	TIMESCALE	COST
Station Improvement Programme	11 railway stations across North Wales (Bangor, Conwy, Llandudno Junction, Llandudno Town, Colwyn Bay, Abergele and Pensarn, Rhyl Prestatyn, Flint, Shotton (High and Low Levels) and Wrexham General) – improved security: installation of CCTV, electronic help points and information displays.	Commenced 2005/06	Total cost £1.75m including ATW investment of £0.25m
Bangor Railway Station	Multi-Modal Interchange	Completion: 2008/09	£2.769 million
North South Rail	Daily direct services	2000 ongoing	Circa £0.75m per annum
Holyhead Station	Creation of a link through platform 2 from the bridge to the port and also the nearby housing estate.	Completion 2006/07	£550k

Mid Wales

PROJECT	DESCRIPTION	TIMESCALE	COST
Heart of Wales line	Additional Sunday service	2004/05-2007/08	£22k per annum
Cambrian Line Improvement	Elimination of unsafe crossings.	2004-06	£1.9 million
Station Improvement Programme	Programme to modernise stations facilities and enhance safety (upgraded toilets, refurbished waiting rooms, new shelters, ticket booths, CCTV, improved lighting and car parking). The stations were Barmouth, Builth Road Llanwyrtyd Wells, Welshpool	2003/04	Part of a £2.5m investment

South West Wales

PROJECT	DESCRIPTION	TIMESCALE	COST
Station Improvement Programme	Programme to modernise stations facilities and enhance safety (upgraded toilets, refurbished waiting rooms, new shelters, ticket booths, CCTV, improved lighting and car parking)- The stations were Carmarthen, Clarbeston Road, Gowerton, Neath, Pontarddulais, Port Talbot Parkway, Swansea.	2003-2004	Part of a £2.5m investment

South East Wales

PROJECT	DESCRIPTION	TIMESCALE	COST
Valleys rolling stock initiative	Additional rolling stock to relieve Valleys peak overcrowding.	2004-2005 onwards	Circa £3.5m per annum
Station Improvement Programme	Programme to modernise stations facilities and enhance safety (upgraded toilets, refurbished waiting rooms, new shelters, ticket booths, CCTV, improved lighting and car parking)- The stations were Aber, Abercynon South, Aberdare, Abergavenny, Barry Dock, Barry Island, Bridgend, Cadoxton, Caerphilly, Caldicot, Cardiff Central, Cathays, Chepstow, Cogan, Coryton, Cwmbran, Dinas Powys, Eastbrook, Grangetown, Heath (High and Low Level), Hengoed, Lisvane and Thornhill, Llanishen, Merthyr Tydfil, Newport, Pengam, Pontypool and New Inn, Pontypridd, Radyr, Rhiwbina, Rhymney, Taffs Well, Treforest and Treforest Estate.	2003-2004	Part of a £2.5m investment

Ebbw Valley Railway	Re-opening of the Ebbw Valley Line to passenger trains.	2004-2007	Transport Grant, Corus Regeneration Fund and Objective 1 = £28.198 million.
Lengthening of Cynon Valley stations	Lengthening of stations on the Aberdare line to accommodate four car trains from June 2005 under Valleys rolling stock initiative. The stations are Abercynon North, Penrhiwceiber, Fernhill, Cwmbach and Aberdare.	2004/05	Circa £2.5m
Vale of Glamorgan Railway Line	Re-opening of the existing line to passenger services.	2004/05	£17m
Vale of Glamorgan Line Interchanges	Interchanges at Llantwit Major and Rhoose Cardiff International stations.	2004/05	£2.5m
Barry Central Station	Upgrade platform, new canopy and station accommodation. Upgrade pedestrian links to the south of the station linking the Docks Office, Subway Road and Barry Waterfront. Station precinct from Thompson St to Subway Road.	2005/06	£1.6m

Annex 2

RAIL FREIGHT OPERATIONS

Rail freight operators pay for access to the rail network, broadly speaking, as incremental users. Where expansion of rail freight, including through ports, generates a demand for capital works that would not otherwise be commercially viable for the network provider (normally Network Rail), the freight users collectively will be expected to pay for such additional works 'up front'. This can, however, raise difficult questions for negotiation in view of the general requirements for subsequent open access to the network.

A particularly prominent rail funding issue over recent years relates to the upgrading of strategic parts of the network to satisfy at least the 'W10' loading gauge. This permits the increasingly common 9'6" high containers to be carried on conventional rail flats, avoiding the need for special vehicles and permitting longer formations. Rail capacity issues can take other forms and bulk, as well as unitised traffic, is affected.

FREIGHT FACILITIES GRANT

Freight Facilities Grant is available under Section 10(4) of the Railways Act 2005. It is a demand-led capital grant scheme that encourages the transfer of freight from road to rail. Grant is offered in recognition of the environmental benefits that are derived from removing heavy lorry traffic from roads. In the last three financial years seven applications for grant have been received. Three of these schemes have been offered grant:

F/Y 2002/03

Swansea Container Terminal PLC/EWS Railway Ltd (joint application): Estimated cost £89,431; grant offer 50% - £44,715.50. The project involved reinstating the dockside rail link at Swansea Container Terminal PLC's site at Port of Swansea to receive containerised coal from Onllwyn and was based on removing 5,791 lorry journeys over its 7-year lifetime.

F/Y 2003/04

Associated British Ports/Sims Group (joint application): Estimated cost £3,566,864; grant offer 50% - £1,783,432. The project involved reinstating the dockside rail link into Sims' site at Port of Newport and providing rail loading/unloading equipment. The project was based on removing 52,174 lorry journeys over its 10-year lifetime.

F/Y 2005/06

Celsa Manufacturing UK Ltd: Estimated cost £6,234,465; grant offer 36% - £2,225,128. This project concerns relaying track and providing unloading/loading facilities at Celsa's Cardiff sites and it is currently under

construction. The project was based on removing 300,000 lorry movements over its 10-year lifetime.

Of the remaining four schemes, two were rejected, one is on hold at the request of the applicant and one is under consideration:

Rejected schemes

Celtic Energy: Application for funding towards emergency refurbishment of track at Onllwyn rejected as not eligible for grant.

Alfred McAlpine Slate Ltd: See details below.

On hold

Bride Parks Infrastructure Ltd: Rail terminal at Bridgend to serve Ford. Further details requested but not yet provided.

Under consideration

M & G Haulage Container Services Ltd: The company submitted an application in March 2005 for funding towards the cost of developing a rail-served container terminal on land owned by ABP at Barry. Estimated costs were put at £4,153,108 with grant of 50% sought. Planning consent is required and is currently being considered by Vale of Glamorgan Council. The grant application was held in abeyance at the request of the applicant but assessment has now recommenced. Further supporting details have been requested, including evidence of traffic to be committed to the project over its lifetime.

Potential future grant projects are:

Proposal to carry slate waste from Blaenau Ffestiniog via the Conwy Valley Line

In November 2002, the Welsh Assembly Government received an application from grant from Alfred McAlpine Slate Ltd for grant towards the cost of developing a rail freight terminal at Blaenau Ffestiniog to carry slate waste to receiving terminals in North West England and the Midlands. However, no decision could be reached on the application until the cost of bringing the Conwy Valley Line up to the standard required to carry the slate waste trains had been established. The estimated cost of the upgrade was over £44 million. This was additional to the terminal and wagon costs of £18.64 million. While McAlpine applied for funding for the terminal and wagons, no-one came forward to apply for funding for the upgrade.

In October 2004, McAlpine was informed that the Welsh Assembly Government would not be able to offer grant for the project at the level sought as the total project exposed the Welsh Assembly Government to an

unacceptable level of risk. However, they were invited to resubmit the application if they were able to provide the major part of the funding.

McAlpine subsequently asked Network Rail to revisit the cost of upgrading the Conwy Valley Line. Following receipt of this revised cost estimate, the Welsh Assembly Government commissioned rail consultants, Atkins, to carry out an independent assessment to indicate the costs and environmental benefits of removing 12 million tonnes of slate waste a year by rail from Blaenau Ffestiniog via the Conwy Valley Line. The assessment will also help identify sources of funding, likely timescale and the risks involved in the project.

Atkins' assessment is now nearing completion. When it has been received, it will be considered, together with Network Rail's revised cost estimate, by the Blaenau Ffestiniog Rail Freight Group, to be chaired by TAITH. The Group comprises key stakeholders including McAlpine, Freightliner, Network Rail, WDA, Arriva Trains Wales, Gwynedd and Conwy Councils, local community councils, Snowdonia National Park and Welsh Assembly Government officials. The aim is for the group to identify all the options for funding the project and the most appropriate organisations to apply for that funding. It will then be for those organisations to apply.

Timber Traffic

Several meetings have been held with the promoters of a scheme to develop Freight Multiple Units to move timber traffic for the Forestry Commission. The grant criteria have been explained and a trial run over the Cambrian Line has been held successfully. The promoters have been advised to identify a suitable applicant to make the grant application. Likely costs are not known at this stage.

Cwmbargoed

Discussions have been held with Argent about a proposed terminal to handle stone, coal and bricks moving from Cwmbargoed. However, this proposal is dependent on planning consent for Ffos y Fran.

The National Assembly granted planning consent for Ffos y Fran in April 2005. This was challenged in the High Court and in December 2005 the Court quashed the planning consent and passed it back to the Assembly for redetermination. As the matter is now back before the Court, no action can be taken to redetermine the application. We do not know when a decision on the appeal will be made. We will return to the issue when planning matters have been resolved.

Annex 3

Office of Rail Regulation Definition of Public Performance Measure

2.1 Public Performance Measure (PPM)

Background

PPM was introduced on 6 June 2000 to give a better indication of actual performance of Britain's passenger railways. It replaced the Passenger's Charter as the main means of measuring passenger train performance. The Passenger's Charter is still used for season ticket refunds.

Methodology

The PPM combines figures for punctuality and reliability into a single performance measure. Unlike the Charter, it covers all scheduled services, seven days a week. The PPM measures the performance of individual trains against their planned timetable. This may differ from the published timetable (see below).

The PPM is therefore the percentage of trains 'on time' compared to the total number of trains planned.

A train is defined as 'on time' if it arrives within five minutes (i.e. 4 minutes 59 seconds or less) of the planned destination arrival time for London and South East or regional operators, or 10 minutes (i.e. 9 minutes 59 seconds or less) for long distance operators.

Where a train fails to run its entire planned route, calling at all timetabled stations, it will either be shown as Cancelled (if it runs less than half of its planned mileage) or will be added to the trains in the '20 minutes or more' lateness band.

Trains which complete their journey as planned are measured for punctuality at their final destination. A train's performance is generally recorded by the automated monitoring systems, which log performance using the signalling equipment.

As described above, the PPM compares the actual performance of the train service with the plans held in the computer systems. These plans, technically called 'Plan of the Day', are usually the same as the published timetable with amendments reflecting pre-published engineering amendments. However, after the Hatfield accident, there was a period when the plans were unstable – sometimes they reflected the normal timetable, sometimes a temporary timetable which was rendered inoperable by changes to the speed restrictions or flooding, and sometimes they reflected the actual service the operators were trying to run in response to unanticipated events.