

Enterprise and Learning Committee

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Devolution of Rail Services in Scotland

Introduction

Transport Scotland is pleased to offer evidence to the National Assembly for Wales's Enterprise and Learning Committee Inquiry into the Future Railway Infrastructure in Wales.

Transport Scotland is an agency of the Scottish Government. Our purpose is to help deliver the Scottish Government's vision for transport, making a real difference for people and businesses using the national rail and road networks.

Transport Scotland is responsible for helping to deliver the Government's ambitious capital investment programme over the next decade, overseeing the safe and efficient running of Scotland's trunk roads and rail networks and establishing and running a national scheme for concessionary travel in Scotland. We will also:

Help to deliver a number of major infrastructure projects

Specify and fund the Scottish rail network on behalf of Scottish Ministers

Help to deliver transport improvements by building a centre of excellence with the right professional skills

The Scottish Government has set out its Purpose as focusing the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The Government's Economic Strategy sets out the strategic priorities and strategic objectives that are critical to our success. Investment in our railways is directed at these priorities.

Rail Devolution in Scotland

Rail devolution is the biggest transfer of power to Scotland from Westminster since 1999. The Railways Act 2005 gave powers to Scottish Ministers to specify what they want the rail industry to deliver in Scotland, as well as setting the public funds available to support this specification. In addition, Scottish Ministers are able to provide non-binding advice on the specification of cross border passenger services, particularly on the frequency and quality of services.

Scotland's first rail strategy, Scotland's Railways, was published as part of the National Transport Strategy in 2006. The key aims of the strategy are to contribute to economic growth through the following strategic outcomes:

Improving journey times and connections;

Reducing emissions; and

Improving quality, accessibility and affordability.

In developing the strategy, we took account of a broad range of evidence. In particular, we based our analysis on evidence from our public consultation 'Towards a Transport Strategy for Scotland: Rail Priorities', the Scottish Planning Assessment and Network Rail's Scotland Route Utilisation Strategy.

Scotland's Railways set out a range of interventions that might be taken in Scotland in the short, medium and long term. Medium and long term outputs were considered further through our Strategic Transport Projects Review (STPR) which will inform future High Level Output Specifications.

The STPR is the first nationwide, objective led and evidence based review of the existing performance and future requirements of Scotland's strategic surface transport networks. A wide range of options promoted by Regional Transport Partnerships and local authorities were appraised using Scottish Transport Appraisal Guidance (STAG) principles in reaching the recommended priorities for the next 20 years. The STPR recommends a total of 29 major packages of work that will be undertaken across the whole of Scotland, subject to future Spending Reviews and affordability.

The authorisation for constructing new railway lines included in the STPR is through the Transport and Works (Scotland) Act 2007 (TAWs). The TAWs Act applies only to Scotland and has replaced the Private Bill process, which was the previous means of authorising transport related developments in Scotland. The new Act enables orders such as, the compulsory acquisition of land or extinguishment of rights over land to be made for the construction or operation of guided transport. However, there are a number of issues to contemplate when developing new railway lines, since the TAWs order does not grant planning permission for any development provided in the order. Therefore, planning permission would need to be required either in conjunction with the order or separately, as such, the process can take between nine to twelve months to complete.

Funding

Approximately £358 million was transferred to Scottish Ministers from Westminster to cover the additional responsibilities devolved in April 2006. Decisions on funding those devolved rail issues now rest with Scottish Ministers.

The Barnett formula is a mechanism used by the UK Government to increase or decrease total public expenditure to devolved Governments in Scotland, Wales and Northern Ireland. Any funding resulting from additional Treasury resources is given to Scottish Ministers as a block grant. It is then at the discretion of Scottish Ministers, subject to Parliamentary approval, how this money is allocated and to which services. Any changes in the cost of franchise or of Network Rail's activity in Scotland would be for Ministers to agree.

There are currently several funding routes available to Transport Scotland when considering capital investment projects through Direct Capital Grant; Private Finance through Non Profit Distribution (NPD); Leasing and Network Rail's Regulatory Asset Base.

The Government is investing heavily in rail infrastructure across the whole of Scotland. Over £600m is spent on services through the ScotRail franchise and on rail infrastructure across the whole of Scotland. In addition, we are also supporting over £1 billion worth of new rail investment within the next five to ten years through Network Rail's own financial borrowing powers (i.e. their Regulatory Asset Base) as specified by the Office of Rail Regulation (ORR) during the Periodic Review process.

To deliver enhancements to rail infrastructure, for example projects identified in the STPR, Scottish Ministers are required by the Railways Act 2005 to specify the outputs that they wish to fund during the period of each access charges review to the Office of Rail Regulation (ORR). They submit these through the issue of a High Level Output Specification (HLOS) and Statement of Public Funds Available (SoFA).

This process established following the devolution of rail powers provides Scottish Ministers the opportunity to clearly specify to the rail industry their high level requirements for the future in a way that challenges the industry to respond positively. As part of the periodic access charge review the ORR determines whether the HLOS and SoFA proposals are consistent and whether they are reasonable given the level of public funding available. Thereafter the HLOS informs both Network Rail's Strategic Business Plan, Delivery Plan and specific regulatory targets and funding.

The Scottish HLOS was developed assuming background growth of around 3% per annum in passenger kilometres plus additional specific route-based growth generated by new routes and services. These were identified in Scotland's Railways, the Scotland Route Utilisation Strategy and the Freight Route Utilisation Strategy.

Control Period 4 (2009-2014) provides for a prioritised, sustainable and affordable programme of improvement, and brings financial certainty for Scottish Ministers on the level of Network Rail's revenue requirement for the next five years. For the first time, the Scottish Government had direct responsibility for strategic spend on the rail network in Scotland, which has been built into the economic regulation process.

The Periodic Review is a good example of partnership working as the Scottish Government engaged openly with ORR, Network Rail and the Department for Transport through the HLOS development process. It is also the first control period since devolution and has provided a programme of maintenance and improvement in Scotland that is prioritised, sustainable and affordable.

Control Period 4 came into effect on 1 April 2009, which means that we have moved from the planning phase into delivery. A key function of ORR will be to monitor the delivery of Network Rail's regulatory outputs in Scotland, and enforce delivery where necessary.

To support this, the Scottish Government has issued revised guidance to ORR in September 2009 on how it should look to discharge its responsibilities in Scotland.

Planning for Control Period 5 (2014-2019) is at an early stage and there have been no firm decisions taken on timescales or processes. Transport Scotland has undertaken an internal review of the Control Period 4 process and this has informed early work on planning Control Period 5. This will help as we assess which projects within the STPR can be taken forward in Control Period 5.

Conclusion

Rail devolution has allowed the Scottish Government to make investment decisions for the benefit of Scotland. Rail services in Scotland have been developed and improved under the scrutiny of the Scottish Parliament. Since 2006, the Scottish Government has invested substantially in a range of projects that may not have been taken forward if they had been competing for funds against projects in larger UK cities. These major projects include a new railway between Airdrie and Bathgate linking Edinburgh and Glasgow; the construction of the Borders Railway, route enhancement between Glasgow and Kilmarnock, the procurement of new rolling stock and support for the delivery of the Edinburgh Tram Project. Policies, approaches and solutions specific to Scotland, identified to meet our needs and challenges, and maximise our potential, have been developed and implemented.

While the current devolution settlement has brought significant benefits to the rail network in Scotland, there are areas which remain reserved to the UK Government. Scottish Ministers can provide non-binding advice to the Department for Transport (DfT) on the development of cross border franchise and the needs of Scottish passengers. However, responsibility for the franchise specification rests with DfT. By seeking greater autonomy, Scottish Ministers would agree in partnership with DfT the development of cross border franchises.

Transport Scotland
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