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Y Gweinidog Llywodraeth Leol a Chymunedau  
Minister for Local Government and Communities



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
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Andrew RT Davies  
Chair of the Enterprise and Business Committee  
National Assembly for Wales  
Ty Hywel  
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// August 2011

*Dear Andrew.*

Thank you for your letter dated 15 July outlining the action points that arose following my attendance at the Enterprise and Business Committee meeting.

The information relating to each of the action points is detailed in the attached document numbered 1 through to 8.

*Carl Sargeant*

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## **Follow Up Questions from the Enterprise and Business Committee**

### **1. Changes to the evaluation and monitoring of transport projects to control overspends**

#### **Sponsored Local Authority Schemes – Transport Grant**

Historically, Local Authorities (LA) bid on an annual basis for funding from the annual Transport Grant bidding round. Bids were then scrutinised by officers who presented recommendations on funding for Ministerial approval. Once Ministerial clearance was received a grant offer letter stating the amount of funding that would be provided was issued.

LA's are required to provide monthly reports detailing progress against allocated funding. Since 2009 the Welsh Government caps its contribution to the figure stated in the offer letter regardless of the scheme cost.

The funding process has now been changed to require bids to be made on a Regional basis. This revised process requires the Regional Transport Consortia (RTC) to submit bids which are assessed for clear evidence of deliverability and Value for Money.

The funding to the RTCs is subject to challenge and scrutiny at quarterly All Wales Programme Management Groups. These meetings discuss the individual RTC's performance and have the delegation to transfer funds between the RTCs. Each Transport Consortia also holds monthly meetings to discuss their individual performance. Welsh Government Transport officials attend these meetings and provide scrutiny and challenge to ensure that the RTCs are delivering the benefits outlined in their submissions and that these remain aligned with the Welsh Government's objectives.

#### **Internally Managed Major Construction Schemes**

The payments for these schemes adopt a "target cost" approach which has been competitively bid. This means that the Welsh Government shares the burden of cost overruns or the benefit of cost savings below the "target cost"; therefore the interests of both parties to the contract are aligned unlike in traditional adversarial contracts. The management of the contract ensures active risk management allowing early identification of risk this avoids or minimises the potential impact of any risks.

The Welsh Government monitors the projects ensuring that optimum value is being obtained for the investment being made. The schemes are also monitored using Construction Excellence Key Performance Indicators (KPI's) to ensure that the quality service offered at tender is delivered. These KPI's are then used in future selection processes.

All Internal Control Projects use the OCG approved NEC version 3 forms of contract which inherently build in good risk, project and financial management. The project management structures also follow "PRINCE 2" principles as well as utilising the new Welsh Government Gateway Review

process. Transport has also introduced a more comprehensive risk management process to ensure the cost and time consequences of risk are extensively analysed prior to Gateway Reviews or Key Stage Boundaries. Key Stage Boundaries and /or Gateway Reviews have been established between all key decision points in the project providing Senior Management with comprehensive information on "project health" and its value for money.

## **2. Availability of Convergence Funding for the electrification of the rail link of London to Swansea, and responsibility for funding this work**

I would like to once more stress my disappointment about the UK Government's announcement on 1 March to electrify the Great Western Main Line only as far as Cardiff – effectively ignoring the economic benefits and the economies of scale of electrifying the line between Cardiff and Swansea at the same time.

The UK Government stated that there was no business case to electrify the line between Cardiff and Swansea, identifying only modest benefits based on the current frequency of train service to Swansea. The Welsh Government believes that the business case for electrification between Cardiff and Swansea is stronger than that presented by the DfT and the Welsh Government is working to present a more positive business case.

Funding of UK rail infrastructure is non devolved and responsibility is retained by the UK Government on an England and Wales basis. It is therefore right and proper that the UK Government should fund the electrification to Swansea. I would not wish to see Convergence Funding used for this. Convergence Funding is money attributed to the most deprived areas of Wales, for projects which meet Welsh Government aims and complement our programmes. In addition, Convergence funding is only available until 2013 and as this work is not scheduled to be built until 2016/17 by then it would be too late to spend it.

## **3. The introduction of Bimodal trains, and the proposal to trial these on the Cardiff to Swansea route**

I understand that the UK Government intends to use bimodal trains on a wider network than the Great Western Main Line between Cardiff and Swansea. When the Welsh Government has established that there is a business case for electrifying the line to Swansea, I would expect the UK Government to fund electric trains and not bimodal trains to operate to Swansea.

## **4. The need for improved rail infrastructure links past Cardiff**

It is essential that there are strong rail links throughout Wales and improvements made to the infrastructure, where necessary, to support this.

I believe it is vital to the economy of South West Wales that the Great Western Main Line is also electrified between Cardiff and Swansea and we will make the case to the UK Government to state this, as I said previously.

Additionally, the main infrastructure problem west of Swansea is the single track bottleneck between Gowerton and Loughor. I am funding Network Rail to redouble this track, and this is linked to Network Rail's replacement of the Loughor Viaduct in spring 2013. This will improve the performance and reliability of existing train services and will enable future additional services to be provided west of Swansea at a later date.

I have also funded Network Rail to complete a detailed timetable and engineering feasibility study (Grip 3) to improve frequencies between Maesteg and Bridgend to half hourly. This is a pre-requisite to further extending these services between Bridgend and Cardiff, and the new Brackla Station. The initial report is expected by the end of summer 2011 and I will then be in a position to consider the business case, in prioritising the National Transport Plan (NTP) which I will publish in the autumn.

#### **5. The previous UK Government's business case for rail electrification to Swansea, and what changes have occurred since this was produced.**

I am enclosing the previous UK Government's electrification briefing of 13 May 2009 to electrify the Great Western Mainline to Swansea.

I am also enclosing the business case papers that the current Secretary of State for Transport, Philip Hammond, laid before the House of Commons Library this March which maintains that there is no business case to electrify the line between Cardiff and Swansea.

The business cases do not provide a like for like comparison, and, as you know, we are challenging the UK Government's position that there is not a business case to electrify the line between Cardiff and Swansea and we will present our findings to the UK Government by the end of this year.

## **6. The shift in balance of expenditure between road and rail projects, and plans for what this balance should be going forward.**

The split in years between road and rail funding is detailed in the table below:

Year	2007-08	2008-09	2009-10	2010-11	2011-12
Road (£m)	229.361	256.286	256.451	234.195	202.314*
Rail (£m)	179.979	182.137	198.967	207.188	202.703*

\* forecast figures

I am currently in the process of prioritising the National Transport Plan, which I intend to publish during the Autumn. This will provide further clarity of the split in funding between road and rail.

## **7. Progress on introducing an hourly service between Shrewsbury and Aberystwyth**

We funded a project to increase the capacity of the railway infrastructure in order to facilitate a more reliable service as well as an hourly service, and this work has been completed.

Network Rail has now fully commissioned and implemented its ERTMS resignalling project. This has allowed the new infrastructure that we funded to be commissioned and brought into live operation. Network Rail has experienced some initial technical issues with the ERTMS project which has caused train delays and cancellations. It needs to be proven to be fully operational and reliable before I would consider additional trains.

Work is ongoing to complete a viable timetable option.

I will consider the case for an hourly service as part of the NTP prioritisation.

## **8. The National Improvement to rail stations programme**

Nationally, responsibility and funding for improved accessibility are non-devolved and the Department for Transport (DfT) is responsible for the national improvement programme for England and Wales. This is known as "Access for All", and a number of stations are being improved by Network Rail with DfT funding. Welsh stations included in this programme are: Abergavenny, Bridgend, Neath, Prestatyn, Wrexham General and Severn Tunnel Junction.

I am also investing in improving station accessibility as I believe that it is the right thing to do. Any new stations funded by the Welsh Government are fully accessible for all passengers, including, for example, the new stations on the Ebbw Valley Line and the Vale of Glamorgan Line.

The Welsh Government is continuing its commitment to the Wales Station Improvement Programme (NSIP+). The £40 million programme - including £21 million of European Structural funds - seeks to provide exemplary accessibility for station improvement schemes. A scheme at Swansea Station scheme is well advanced and other projects are under preparation.

In addition, the Welsh Government has also funded a number of smaller schemes such as providing a lift to Platform Zero at Cardiff Central Station. Previous to this, Cardiff Central station had accessible lifts to all platforms except Platform Zero. Passengers with mobility problems had to either walk up a steep flight of stairs or else come out of the station concourse around to the elevated car park in order to access this platform. The lift was installed in December 2010.

I am also funding, together with NSIP+ grant, a series of Easier Access Scheme installations which will provide improvements to rural stations in Wales where there is a stepping heights issue between the station platform and the train. The programme will cover 29 platforms at 24 stations (some with 2 platforms) across both the Convergence Area and non-Convergence Areas along the North Wales mainline (including Anglesey), the Conwy Valley Line, Cambrian Coast Line, Heart of Wales Line and the south Wales mainline/Pembroke Dock line.

DfT and the railway industry need to do more to improve accessibility, and Arriva Trains Wales has recently bid for DfT funding for improvements for further stations in Wales.

I have also made it clear that improved station accessibility in Wales is a key priority for UK Government funding for the next Control Period (2014 – 2019). My officials have already held discussions with their counterparts in the DfT, and I will raise this matter when I meet with the Secretary of State for Transport. Network Rail is currently undertaking a feasibility study to determine the scope of works required at the most inaccessible stations in Wales and my officials are working with Network Rail as this develops.