



Our ref: SF-EH-0749-14

William Graham AM
Chair
Enterprise and Business Committee

11th April 2014

Dear William

Thank you for the opportunity to appear before the Committee on 26 March. I agreed to update you on a number of issues.

Please find attached a note on the work of the Ministerial Task Force on North Wales Transport, chaired by the Minister for Local Government and Government Business, Lesley Griffiths AM. This provides the latest position on the North Wales Mainline. I also attach the information you requested about the Valley Lines Electrification business case.

With regard to concessionary bus travel, legislation provides that it is an objective for local authorities to ensure that bus operators are “no better and no worse off” as a result of providing mandatory travel concessions. The amount payable to each operator is calculated according to the number of journeys undertaken, a Representative Concessionary Fare and a Modifying Factor.

In light of findings from a Transport for Scotland review of its concessionary bus travel scheme published in February 2013, we commissioned an independent review of the scheme in Wales. This was to establish if our local authorities’ reimbursement arrangements continued to meet the “no better and no worse off” principle.

Following the review, we met local authorities and the bus industry to negotiate reimbursement arrangements for 2014-15. In response to these discussions, a consultant appointed by the bus industry worked with our independent consultant to produce a combined report which presented both sets of findings.

I received this report earlier this year and announced my decision on 18 February 2014. My decision was transmitted to local authorities with the recommendation that they adopt reimbursement arrangements for 2014-15 based on a Modifying Factor of 64%. This took account of representations bus operators had made that any transition from the 2013-14 reimbursement arrangements should be phased-in to minimise any impacts on the bus network.

My officials undertook an Equality Impact Assessment alongside the negotiations that reflected the demographic and other data available to us at that time. No decisions have been taken on subsequent years' reimbursement arrangements, but indicative funding requirement figures have been calculated for the purposes of planning budgets.

Research into a potential discounted travel scheme for young people is underway. The integrated transport pilots in Ceredigion and the Vale of Glamorgan started on 1 April 2014 with an objective to identify potential benefits from, and barriers to, a future scheme. The pilots will run for 12 months and I will be considering the findings once the local authorities have completed and reported on their work.

I agreed to share with the Committee the recommendations of the Bus Policy Advisory Group and to consider whether the Community Transport Association should be involved in the Group. I will report back to you on both these items in June, once the Group has submitted its initial findings.

A handwritten signature in black ink, appearing to be 'L. J. ...', is located at the bottom left of the page.

Note on the Ministerial Task Force on North Wales Transport

The Ministerial Task Force, Chaired by Lesley Griffiths, has identified three work streams that will deliver the aims as set out in its Terms of Reference. These work streams are:

1. Promoting a shared understanding of the economic development opportunities that can be underpinned by improved transport connectivity in North Wales.
2. Effectiveness of current arrangements for planning transport services and infrastructure improvements and the most appropriate mechanism for co-ordinating transport in North Wales and across the border.
3. Overseeing the development of the business case for North Wales Rail Modernisation.

Work Stream 1 – Transport Connectivity

1. Following discussion in the Task Force meeting in December, focused engagement with the six north Wales local authorities, the Enterprise Zone Boards and representatives of the Business Sector was undertaken during February. The aim of the engagement was to seek views on the potential strategic high level transport interventions required to address transport issues in the region. Representatives of the Federation of Small Businesses, West Cheshire and North Wales Chamber of Commerce and of the Institute of Directors were invited to participate in addition to the CBI representatives from the Task Force. Input was also sought and received from Sustrans.
2. A range of transport issues were identified, which reflected six key themes:
 - The ability of the strategic trunk road and rail corridors to provide the necessary good connectivity, for people and freight, within north Wales, to the ports and to the rest of the UK to support the economy and jobs, including tourism.
 - The lack of resilience of the road and rail networks to planned and unplanned events including extreme weather.
 - The need for good access to and between the three Enterprise Zones in north Wales
 - The lack of viable and affordable alternatives to the car to access key employment sites and other services.
 - The need for good road links to / from the trunk road network into the rural areas to help retain the viability of local businesses and support the Welsh language and culture.
3. The engagement exercise also identified priorities for strategic interventions which included:
 - Transport network resilience improvements – improvements to the rail and road networks to increase resilience, particularly to the A55 corridor.
 - Capacity enhancements / pinchpoint improvements on the strategic highway network, in particular on the A55, A494, A483 and A487.
 - Rail modernisation including new stations and faster and more frequent rail services to key destinations.
 - Direct rail links from north Wales to Liverpool and to Manchester and Liverpool airports.
 - Improved links to and between Enterprise Zones, ports and other key employment sites, including those in rural areas.
 - Strategic integrated transport measures to improve access to employment and other services by non car modes, including regional and cross border bus routes, rail station multi modal hubs, active travel routes and car share sites.
 - Facilitating the provision of rail freight facilities subject to a viable business case.

4. The next stage is to identify potential priority strategic projects that would deliver the high level transport interventions.

Work Stream 2 – Transport Coordination

5. This work stream is focused on the planning and delivery of strategic transport improvements. The following considerations are within scope:

- Collaboration between local authorities at regional and sub regional level.
- Collaboration with business and Third sector.
- Cross border collaboration with north west of England, Mid Wales and Ireland.
- Role of existing organisational arrangements such as Mersey Dee Alliance and Taith.
- Links with other service areas such as land use planning and economic development
- Relationship with other public sector bodies such as Health Boards, Police and Local Service Boards.
- Review of models adopted elsewhere.

6. Dr Elizabeth Haywood presented to the Task Force on her findings from the Dee Region Cross Border Economy Report at its meeting in March. That report, along with evidence from other reports, will inform the Task Force in its consideration of how transport coordination could be improved.

Work Stream 3 – Rail Modernisation

7. Building the case for rail electrification has been the clear focus for the Task Force in its first few meetings.
8. Network Rail presented their interim report on electrification of the North Wales Mainline in December 2013 and will submit their final report in April 2014. The conclusions of this report will inform the scope of further work.
9. Dr Elizabeth Haywood is providing to support to the Task Force in mobilising support for rail modernisation in North Wales.
10. I have written to the Secretary of State for Transport to ensure that consideration of any additional electrification projects in the North of England considers the North Wales Mainline and connections into England as a whole, rather than picking off smaller, individual projects. In response, the Secretary of State for Transport has invited us to present the work on North Wales rail modernisation to the North of England Task Force when it is established.
11. I have also jointly commissioned two demand studies with Merseytravel to examine the potential reinstatement of the Halton Curve, allowing direct services between North Wales and Liverpool, and improvements to services on the Borderlands line between Wrexham and Merseyside. I expect to receive these reports in the summer.
12. Separately, the North Wales Economic Ambition Board has commissioned work to investigate the economic and social justification for rail modernisation.
13. The Task Force has made the link to the opportunities from HS2 following a presentation by Pete Waterman from the UK Government's HS2 Growth Task Force. The presentation highlighted the importance of developing a business case around the opportunities to unlock the benefits of HS2. The opportunities of connectivity into North Wales were reflected in the HS2 Growth Task Force's recent report.

Note on the approach to financing south Wales electrification set out in the Welsh Government's final outline business case for Valleys electrification, including section 6 of the May 2012 Outline Business Case, including the redacted figures.

As I explained to the Committee, the business case to support Valley Lines electrification was prepared and submitted prior to my taking on responsibility for the transport portfolio. I have therefore asked my officials to confirm the process that led to the production of the business case for submission to the UK Government. They have confirmed the following:

- Following the announcement in 2011 by the UK Government to stop electrification of the Great Western Main Line at Cardiff, the Welsh Government took the lead and funded work, with direct support from the Department for Transport, to review the case for investment in the Valley Lines and the Great Western Main Line from Cardiff to Swansea.
- This work included Network Rail and support from technical experts Arup (on modelling and timetables) and Ernst & Young (financial analysis), and the output was consistent with HM Treasury's guidance.
- The outline business cases were submitted to the Department for Transport in May 2012, to be included as part of the Secretary of State's HLOS decision making process.
- Affordability was assessed by comparing the forecast growth in cost, over 30 years, of providing diesel services (the do minimum scenario) with providing electric services, against the capital investment required.
- The redacted figures in the outline business case demonstrated that electrification was cost effective. It is not possible to publish these figures because putting them in the public domain will damage the ability to hold commercial negotiations with the current or future franchise operators.