

Carl Sargeant AC / AM
Y Gweinidog Llywodraeth Leol a Chymunedau
Minister for Local Government and Communities



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref DC/CS/05947/12

Rt Hon Justine Greening MP
Secretary of State for Transport
Great Minster House
33 Horseferry Road
LONDON
SW1P 4DR


May 2012




Thank you for hosting our second meeting at Great Minster House on 26 April.

I am pleased that we were both able to recognise the work our departments have put into the development of the outline business cases for electrification in South Wales. Joint working has resulted in positive progress and should lead to decisions that are right for the rail network.

I was also glad of the opportunity to discuss the strategic importance of electrification for the region, beyond the significant benefit it offers in terms of reducing the burden on the taxpayer. Electrification of the Valley Lines offers the opportunity for a step change in mobility and connectivity to employment centres for our Valleys communities, as well as a larger employment catchment area for businesses looking to invest in the region. Electrification of the Great Western Main Line to Swansea would support regional growth by enhancing Swansea's role as an economic centre. Strengthening the strategic east-west economic corridor in South Wales is also a priority in terms of the Trans-European Network. I would be happy to provide you with an additional paper on these issues.

We discussed what needs to happen next to move us towards a positive outcome for your announcement of the HLOS at the end of July. I would like to see our officials continue to work together on the potential options for financing electrification. We agreed to meet again to discuss these options ahead of any decision.



Carl Sargeant AC / AM
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Minister for Local Government and Communities

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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MB/CS/2128/12
Constituency Members of
Parliament (SEWTA and
SWWITCH area)
Assembly Members (SEWTA and
SWWITCH area)

16th May 2012

Dear colleagues,

Electrification of the Great Western Main Line and the Valley Lines are two of a number of projects competing for limited funding in the next railway investment period, and we are now entering the critical decision making stage. The Secretary of State will announce her decision on which projects she wants to take forward in her High Level Output Statement in July.

I would like to take this opportunity to give you an update on the Welsh Government's position on electrification in South Wales, and offer to discuss in more detail how we can work together to secure this step-change investment in the rail infrastructure.

The Welsh Government took the lead on developing the business case for electrification in June 2011. Since then the Welsh Government, Department for Transport and Network Rail have worked together to produce outline business cases that both the Secretary of State and I have been able to recognise. Joint working has resulted in positive progress and should lead to decisions that are right for the rail network.

The economic case for electrification is compelling. An efficient rail network would help to ensure that South Wales has the infrastructure to underpin economic growth. Rail in South Wales plays an important role in the labour market, and delivers the connectivity that will ensure our key economic centres continue to grow.

The Welsh Government's plan is to facilitate the wider economic region in South Wales to function as a more integrated whole, with a series of overlapping labour markets served by fast and frequent public transport. I have already taken steps toward achieving this through the prioritised National Transport Plan, in which I committed to improving journey times and delivering capacity for growth, recognising the importance of east-west connectivity. However, investment in rail infrastructure is reserved and we need the Secretary of State to commit to electrification of the railways.

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I am also aware of the need to achieve enhanced services at the same time as reducing the cost of the railway, leading to a fairer deal for passengers and taxpayers. There is no doubt that the cost of providing diesel train services will continue to grow over the coming decades, particularly as more and more of the UK railway network is electrified and the rail industry adapts to a greater need for electric trains. This means the burden on the taxpayer is likely to increase, and without electrification there are few options for reducing cost whilst meeting our objectives. We also have an aging fleet of inefficient diesel trains and these will need to be replaced within the next franchise. We could continue to use diesel, or make the most of the opportunity to introduce more efficient trains.

Electrification offers the potential for a step-change in South Wales. Electrifying the railways would significantly reduce the cost of running services, which in turn reduces the burden on the taxpayer. It would also improve connectivity and capacity for growth in one investment. We can also achieve greater surety on the supply and cost of energy needed to power trains, and give substantial environmental benefits by reducing CO₂ and particulate emissions.

Importantly, our work on the business cases for electrification shows that the cost savings against diesel services are sufficient to cover the cost of the investment within 30 years. By investing in electrification now, the UK Government would be securing lower costs for the future.

In my discussions with the Secretary of State I have emphasised that a decision to electrify across South Wales would enable the co-ordination of reserved and devolved funding. Local and regional investment could focus on increasing demand, through more park and ride at rail stations, and by co-ordinating investment in the bus network.

We also have a one-off opportunity to take advantage of the synergies between electrification of the Valley Lines network and the Great Western Main Line to Swansea. A significant section of the route is used by both Main Line and Valley Line services (from Cardiff to Bridgend). Electrifying in the forthcoming control period means we can look at the case for electrification as a whole, not as a set of separate schemes.

I hope that you will find this letter helpful in updating you on the electrification Business Case. Should you require any further information, I would welcome the opportunity to meet with you.



Carl Sargeant AC / AM

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Minister for Local Government and Communities

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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref SF/CS/1911/12
Rt Hon Justine Greening MP
Secretary of State for Transport
Great Minster House
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12th June 2012

Further to our meeting on 26 April and my subsequent letter of 9 May, we agreed that our officials should continue to work together on the analysis of options for financing electrification.

Our officials have now completed a detailed financial analysis of the Valley Lines outline business case, comparing the forecast operating cost savings and higher revenue requirement resulting from electrification with the capital costs of the required infrastructure, against the forecast cost of continued diesel services. The analysis indicates that, over a 30 year period, the financial benefits of electrification will repay the capital cost of investment. This is based on the assumption that the capital cost of electrification would be added to Network Rail's Regulatory Asset Base with repayments met through the Wales and Borders franchise through the fixed Track Access Charge.

Electrification of the Great Western Main Line from Cardiff to Swansea would provide a strengthened east-west economic corridor in south Wales and would enhance Swansea's role as an economic hub. Electrification to Swansea presents the opportunity to review the franchise arrangements for rail services west of Swansea. Those services currently provided through the Great Western franchise could, in principle, become part of the Wales and Borders franchise from 2018.

Clearly, any decision to progress these electrification proposals will alter the funding requirement for the next Wales and Border franchise. On this basis, our officials should continue to discuss these issues and report to us when more detail is available.

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I am happy to meet again to further discuss this ahead of any decision. It would also be useful if our offices could co-ordinate an approach to the announcement of HLOS in relation to the impact in Wales.

A handwritten signature in black ink, appearing to read 'CS', written in a cursive style.

Carl Sargeant AC / AM

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



From the Secretary of State

Carl Sargeant AM
Minister for Local Government & Communities
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13th July 2012

Dear Carl,

WALES RAIL ELECTRIFICATION AND THE HIGH LEVEL OUTPUT SPECIFICATION FOR 2014-19

I was delighted we were able to agree a way forward on electrification for Wales today, recognising the transformational nature of this project, and its importance for the long term to the Welsh economy.

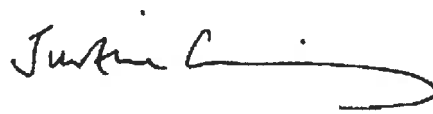
The electrification of the Valley Lines will be a key enabler of economic growth. It will help commuters into Cardiff with the potential for faster journeys and more capacity. It will help more people access new jobs in the city and allows firms to recruit from a wider pool of workers. In the shorter term, this investment will create jobs in the manufacturing and construction sectors.

I believe a willingness on both sides to work to reach a positive conclusion has led to a deal which will be perhaps the most significant infrastructure announcement for Wales for many years. Specifically we agreed:

- the next Wales and Borders franchise specification should include electric services on the Valley lines, with a specific access charge on the franchise to repay the infrastructure investment by Network Rail. On that basis, I will include electrification of the full Valley lines including Ebbw Vale, Maesteg and the Vale of Glamorgan within my High Level Output Specification (HLOS) for the period 2014-19. This will include electrification of the main line between Cardiff and Bridgend; and

- I will allow bidders for the next Great Western franchise the opportunity to consider whether they would wish to continue the operation of through services west of Swansea or to operate alternative connecting services. On that basis, I will include electrification between Bridgend and Swansea in HLOS.

I know that our officials have been in dialogue about what this would mean in practice for the specification of the next Wales and Borders franchise. Once again, I am very grateful for the way we have been able to work together on this to secure a strong and fair outcome for Wales within HLOS. I am sure you will be as pleased with this outcome as I am.

A handwritten signature in black ink, appearing to read 'Justin Greening', with a long, sweeping underline that extends to the right.

JUSTINE GREENING

Carl Sargeant AC / AM
Y Gweinidog Llywodraeth Leol a Chymunedau
Minister for Local Government and Communities



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref CS/06648/12

Rt Hon Justine Greening MP
Secretary of State for Transport
Great Minster House
33 Horseferry Road
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24 July 2012

Thank you for your letter of 13 July. I too am glad we were able to work together to agree a way of taking forward electrification, and I can confirm our agreement as set out in your letter.

It is important that we build on this joint working to ensure successful delivery of electrification. I know that my officials are already working with Network Rail on the next steps, such as timetable for delivering Valley Lines electrification. Clearly, our officials need to continue their dialogue on rail matters that affect Wales, and I will be keeping a close interest in how electrification of the Great Western Main Line progresses, from GRIP Stage 3 onwards.

Our agreement on taking forward electrification is a significant step forward for rail in Wales, and I look forward to working with you and your Ministerial colleagues on the next steps.

Carl Sargeant AC / AM
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Minister for Local Government and Communities

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Rt. Hon. Patrick McLoughlin MP
Secretary of State for Transport
Department for Transport

TransportSecretary@dft.gsi.gov.uk

07 August 2013

Dear Patrick,

I am writing to propose how we might make progress in agreeing the process to specify and procure the next Wales and orders franchise, ensure the efficient delivery of electrification of the Valley Lines network and the arrangements for the future of the Severn Crossings.

The current Wales and orders franchise ends in 201 . I am clear that the Welsh Government will want to play a key role in letting the next franchise. You are already progressing plans to devolve rail franchising to the regions in England. I want to open discussion about transferring those functions to the Welsh Ministers and the appropriate financial settlement to underpin such a change.

Good progress is being made on the next stages of Valley Lines electrification. It is in the interests of both our Governments and rail passengers in England and in Wales that we ensure that the funding and delivery mechanism is the most efficient one possible. I believe that we need to test the proposed approach that has been developed by our officials since our predecessors agreed the principles which enabled the project to be included in the HL S in July 2012. This will put us in a position to provide the absolute clarity that the office of the Rail Regulator and Network Rail require.

The future of the Severn Crossings has been subject to some discussion over the last year or so both in the context of the discussions with HM Treasury on the M4 around Newport and as a consequence of the Wales Affairs Select Committee s inquiry.

The First Minister has made our position very clear and that is that decisions on the tolls after the end of the current Concession should be made by the Welsh Ministers. Our priority, after securing the maintenance of the Crossings, would be to reduce the tolls.

I believe that it is time for us to open a direct discussion on this issue rather than allow speculation to persist.

I believe it would be appropriate for senior officials to meet over the summer to work through an approach to all of the above and produce proposals that you and I can discuss. I am keen to make progress and to have certainty about the way forward as early as possible, this will then allow us to concentrate on effective delivery.

I have asked my Director General, James Price, to contact his counterparts in your department to take this forward.

A handwritten signature in black ink, appearing to be 'JP', written in a cursive style.

Edwina Hart MBE CStJ AC / AM
Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth
Minister for Economy, Science and Transport



Llywodraeth Cymru
Welsh Government

Eich cyf Your ref
Ein cyf ur ref
The Rt Hon Patrick McLoughlin MP
Secretary of State for Transport
Westminster Government

TransportSecretary dft.gsi.gov.uk

12 November 2013

Dear Patrick

I am writing following the discussion at the Joint Ministerial Committee 16 October at which the Prime Minister provided confirmation to the First Minister that the Main Line electrification to Swansea and the Valley Lines electrification schemes will be funded by the UK Government.

You will wish to know that the Prime Minister reiterated this position in his C Wales interview on 31 October and again, more formally, in the Wales Office Written Statement on 1 November. It would seem that the most sensible way for the scheme to be delivered would be to add it to the SFA and be delivered as part of Network Rail's HLS enhancements programme.

It is now timely for our respective officials to continue the work they have been doing to deliver a formal transfer of rail powers to Wales as soon as possible. I will therefore ask my officials to expedite this work, based solely on the operational costs of the next franchise, but excluding the costs of infrastructure electrification which will fall to the UK Government.

I look forward to continuing to work with you to ensure Wales is benefitting directly and indirectly from the investment to modernise the UK's rail network.

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Our Ref: MC90452

19 DEC 2013

Edwina

Thank you for your letter of 12 November explaining your view that the Prime Minister has decided the Main Line electrification to Swansea and the Valley Lines electrification schemes will now be funded by the UK Government. I apologise for the delay in responding to you.

I am sorry to say that I fear a misunderstanding must have arisen. The UK Government has no intention to change the electrification funding arrangements agreed between our predecessors in July 2012. The Wales Office Written Statement of 1 November did not indicate any such change.

I am therefore continuing to work on the basis that the Welsh Government still requires the electrification of the Valley Lines, including the railway between Bridgend and Swansea, and the UK Government still requires the electrification of the Great Western Main Line between London and Cardiff and between Bridgend and Swansea, the latter dependent on the continuing commitment to electrification of Cardiff to Bridgend by the Welsh Government. The work will be undertaken by Network Rail using funding attained through the Periodic Review mechanism. The repayment costs for the capital works will be borne by the train operating companies through the franchises managed by each government.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Wales.

Patrick

THE RT. HON. PATRICK McLOUGHLIN



Rt Hon David Cameron MP
Prime Minister
10 Downing Street
London
SW1A 2AA

23rd January 2014

Dear David

I am writing to follow up a letter (attached) from your Secretary of State for Transport to the Economy Minister here about rail electrification, which you were copied into. The letter has caused us some concern because, as you can see, it seems to cast doubt on your commitment to deliver the projects in Wales.

You were clear in advance of your announcement on Silk part 1 in November 2013 that the UK Government is putting up the money for the electrification of the rail lines up to Swansea, and the Valley Lines. You made this commitment very clear at our last meeting of the Joint Ministerial Committee at No. 10 in October 2013 and again in your public comments to the media when you last visited Cardiff.

In December, your Government announced that Wales is to benefit by almost £2bn from the programme to modernise the rail network in its National Investment Plan. In your Plan the electrification of the Great Western and the Valley Lines comprise one of your Top 40 priority investments which, together, make up the £180bn that you have committed the UK Government to invest across the whole of the United Kingdom.

If you are unable to commit the capital funding required to deliver the Valley Lines project as part of your £180bn pipeline, then an alternative model would be to fund it via a revenue arrangement with repayment to Network Rail for the capital borrowing. This could be through the conventional Network Grant / Access Charge arrangements, as is the case for the other railway investments you have announced. Alternatively, as suggested in the Secretary of State's letter, it could be through a special charge on the operators that use the Valley Lines. This approach would require a solid agreement from the UK Government that it would meet that cost as part of the future franchise subsidy transfer to the Welsh Government. If you agree, I would be very content for my officials here to discuss operational practicalities with officials at DfT.

I hope that we can reach common ground on this. Enhancement of rail capacity is essential for improving competitiveness across all parts of the UK and it would be very regrettable if the UK Government were seen to be treating rail capacity in Wales less favourably than other parts of the UK. I look forward to your response.

Copies of this letter go to the Secretaries of State for Transport and Wales in Whitehall, and the Minister for Economy, Science and Transport here.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carwyn Jones', written in a cursive style.

CARWYN JONES



Rt Hon David Cameron MP
Prime Minister
10 Downing Street
London
SW1A 2AA

6th March 2014

Dear David

I am writing following my letter of 23 January regarding the funding of Valleys Line Electrification, to which I have not received a response.

The Welsh Government has recently received correspondence from Network Rail which indicates that the statements made by you confirming that the UK Government is paying for the project may not have been properly communicated to the DFT and Network Rail. We have received correspondence from Network Rail which states that unless they are given clarity on the funding position by 17 March the project will be put on hold and work will stop. Naturally, this is a matter of the highest concern since electrification of the Valleys Line is a key priority for developing prosperity in those communities.

When you visited Wales last November you made it very clear in your public, as well as private, comments that electrification is one of the primary ways in which the UK Government is assisting economic development in Wales. The rail network is also – I hope you will agree – part of the glue that binds together the Union into a common business community. In order to remove the doubts which are now seriously threatening to undermine rapid progress on electrification I would ask that you act very promptly to restate your position that the UK Government is paying for the project and - crucially – to make this clear to the DFT and Network Rail.

Significant work was undertaken between the Welsh Government and the DFT to provide a way for this project to be announced and go ahead and this timetable cannot be allowed to slip without damaging the economic prospects of the Valleys relative to other parts of the UK. I enclose copies of correspondence exchanged at the time the agreement was reached by way of background.

There are at least two ways in which the UK Government can fund this project: either through directly funding the capital or, alternatively, through the track access charges via a potential transfer to the Welsh Government over the next franchising period. I have no strong view as to which funding method is adopted and my officials stand ready to agree the detail of either – as a matter of urgency.

Since Network Rail has imposed a deadline of the 17 March it is essential that there is an early resolution to this matter. In order to avoid further difficulties I would, therefore, appreciate your urgent clarification by Friday the 14th March.

I am copying this letter to the Deputy Prime Minister, the Secretary of State for Wales and the Secretary of State for Transport.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carwyn Jones', written in a cursive style.

CARWYN JONES



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

14 March 2014

Dear Carolyn,

Thank you for your letters of 23 January and 6 March about the electrification of the Valleys Line. Please accept my apologies for the delay in my response.

I completely agree with you about the importance of the electrification projects in Wales and the benefit and economic growth they will bring to many communities. The UK Government has been consistent in demonstrating our support for electrification in Wales, both through direct and indirect funding.

As you are aware, we are directly funding the electrification of the Great Western Main Line through to Cardiff through Network Rail, and have committed to funding the electrification of the line from Bridgend to Swansea as part of the agreement made with the Welsh Government in 2012. The UK Government also provides indirect financial backing for Network Rail to enable them to undertake a wider programme of capital works, such as Crossrail and the electrification of the Valley Lines, including the main line between Cardiff and Bridgend. It appears that a misunderstanding has arisen that the Valley Lines electrification will be directly funded by the UK Government but that was never the case.

Under the funding mechanism agreed between the Department for Transport and the Welsh Government in the letters of July 2012, Network Rail will raise the capital to fund the works to electrify the Valley Lines and the line from Cardiff to Bridgend. As per the standard regulated approach for delivering rail enhancements, the costs of the enhanced infrastructure will be recovered from increased track access charges paid by the train operating companies who use that part of the network. Responsibility for the Wales and Borders franchise costs is devolved to the Welsh Government.

As you rightly say, electrification is an important factor in assisting the economic development of Wales. I hope that the commitments of the UK and Welsh Governments to electrification will play a major role in supporting economic growth in Wales. I am sure you agree it is now vital for our officials to work together to deliver these crucial projects.

I am copying this letter to the Deputy Prime Minister, the Secretary of State for Wales, the Secretary of State for Transport and the Chief Secretary to the Treasury.

Yours,
David

The Right Honourable Carwyn Jones AM



Assembly Members

1st April 2014

Dear Assembly Member

During my Assembly Questions on 18 March, I promised to share correspondence we have had with the UK Government on the electrification of the Valleys Lines.

Please find copies of correspondence attached.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carwyn Jones'. The signature is fluid and cursive, with a large initial 'C' and a long, sweeping tail.

CARWYN JONES