

Edwina Hart AM
Minister for Economy, Science and Transport
Welsh Government
Cardiff Bay
CF99 1NA

30 September 2015

Dear Edwina,

Request for information on the funding of rail services in Wales

As you may be aware, the Enterprise and Business Committee took evidence from Department for Transport (DfT) officials on 17 September 2015 and discussed a range of issues, including devolution of rail franchising powers. Following this session we agreed to write to you to request some information on the funding of rail services in Wales.

Funding for the current Wales and Borders Rail Franchise.

During budget scrutiny in October 2014 you and your official told us that the failure to index the funding transferred into the Block Grant from 2006–07, when the Welsh Government became responsible for funding and managing the franchise, will have added “about £60 million to £70 million to the cost” by 2018 so that the funding of the franchise was a long-term concern.

To help us understand the financial implications, I would be grateful if you could provide the following information on the funding of the current franchise:

- Details of the total annual payments made by the Welsh Government to Arriva Trains Wales for each year from 2006–07 until the end of the franchise in October 2018 (including forecast payments);



- Details of the element of each annual payment which is provided by the Department for Transport to meet its liabilities for services entirely in England;
- Details of the element of each annual payment which is met by the Welsh Government.

For those payments which are the responsibility of the Welsh Government (bullet point 3 above), we would be grateful if you could also break these down into the following items for each year:

- The element met from the original transfer into the Block Grant which is not index linked;
- The element which represents an additional cost to the Welsh Government in meeting its contractual obligations and which results from the failure to index the Block Grant transfer; and
- The element of the payments which are in addition to franchise contractual obligations (i.e. additional investment to meet Welsh Government priorities).

Funding for the next Welsh rail franchise.

DfT also outlined the key elements of the financial package which accompanied the November 2014 agreement on electrification and franchise devolution. We were told that: the block grant would be “unaffected”; that the Welsh Government would be no better and no worse off as a result of the planned remapping exercise; that “reasonable protection” would be offered against reviews of track and station access charges; that DfT would contribute £125m to Valleys electrification; and DfT would fund electrification between Bridgend and Cardiff.

In the light of your concerns about the impact of the failure to index the Block Grant transfer from 2006–07, I would be grateful if you could set out your views on the implications of this settlement for the funding of the next franchise particularly:

- How this settlement will support the investment necessary to improve the next franchise, given wider pressure on Welsh Government budgets; and



- The implications of the remapping exercise referred to in the St David's Day Command Paper for the next franchise, particularly any financial implications and its impact on passengers.

Your response will be extremely helpful to the Committee in its continuing work on preparations for the next franchise.

Kind regards,

A handwritten signature in black ink that reads "William Graham". The signature is fluid and cursive, with the first name "William" and the last name "Graham" clearly distinguishable.

William Graham AM

Chair of the Enterprise and Business Committee

