ORR's annual assessment of Network Rail's Wales & Western region 2024 to 2025

Letter

17 July 2025

Dear Rob,

Subject: ORR's annual assessment of Network Rail's Wales & Western

With the first year of control period 7 (CP7) now complete, I am writing to you, separately to our 2024-25 Annual Assessment of Network Rail, to summarise our assessment of Wales & Western's performance in 2024-25 and also to look ahead to delivery in the remainder of the control period.

As set out in our final determination, due to constrained funding in CP7 Network Rail will be relying on life-extending repairs and maintenance over renewals over the course of CP7 as compared to CP6. We are therefore increasing our focus on these activities.

Delivering a reliable and punctual service for passengers

Following our investigation into poor train performance in Wales & Western, we issued an order requiring Network Rail to produce a plan identifying the further activities it would undertake to address the underlying causes of poor train reliability and punctuality in the region. Wales & Western developed a robust, evidenced and comprehensive plan for performance which we accepted.

The region has made good progress in implementing the plan to date, reporting the completion of 39 out of 63 plan activities in 2024-25, eight of which have delivered immediate benefits to fixed infrastructure, recovery and the impact of severe weather. The region has worked well with us as

we monitor the implementation of the plan. We will continue to monitor the plan's delivery during Year 2 to make sure it is fully implemented.

The focus on train performance and realisation of benefits of the plan has been evident in the continued improvement in train passenger outcomes in 2024-25, following on from almost three years of deteriorating performance. On Time performance improved from 58.6% at the end of March 2024 to 61.0% at the end of March 2025. The region did better than the target set for Year 1 of CP7 by 0.6 percentage points.

The region has benefited from a reduction in the impact in severe weather and it has reduced the delay caused by track and non-track assets. In particular, the Western route has reduced delay caused by axle counter failures and the Wales route has significantly reduced the impact of temporary speed restrictions.

Passenger train reliability has also improved, albeit slightly, with passenger cancellations going from 4.9% at the end of March 2024 to 4.7% at the end of March 2025. While passenger cancellations made some improvement during the year, it ended 0.9 percentage points adrift of the target set. We note the impact that traincrew shortages among train operators have had on passenger cancellations.

Wales & Western now needs to make sure that the train performance improvements achieved in 2024-25 are sustained and we would urge it to continue to build on them. The region must continue to implement the remaining improvement plan activities and identify the benefits realised from completed actions. It will be essential that improved performance is placed onto a longer-term sustainable footing.

Delivering for freight

Freight cancellations improved by 1.2 percentage points during the year, reducing to 1.7% in 2024-25 and the region came close to achieving the Year 1 target of 1.6%.

Freight growth in Wales & Western shrunk by 1.1% since the start of CP7, driven by poorer growth on the Western route: -3.8% year to date compared to growth of 5.1% year to date on the Wales route. Despite strong freight growth in Wales, we recognise that the decline in the aggregates and waste sector in Western has impeded growth across the region. You have identified and told us of opportunities for freight growth. Uplifts in freight are expected with the construction of Sizewell nuclear power station, with several quarries across the region cited as likely supply points. In

addition, when constructed, the electric arc furnace at Port Talbot is expected to lead to a significant uplift in scrap metal moved into South Wales by rail. The region will need to make sure that it continues with its preparations for this increase in freight.

Improving asset reliability

The region was successful in delivering its asset renewals plan for the year, achieving 121% of its effective volumes, partly aided by accelerated renewals funding into Year 1. It exceeded its target for all key asset areas with significant over delivery of earthworks (135%) and signalling (133%). Increased earthworks renewals were undertaken due to proactive acceleration of work in the Severn Estuary to maximise access opportunities, and as a result of responding to weather-related landslides that were not originally in the plan.

The region has not delivered structures and buildings examinations and assessments in line with Network Rail's standards and has built up a backlog of earthworks examinations. If not addressed, this risks undetected faults, safety hazards and operational disruptions, with the potential for significant effect on passengers, members of the public and Network Rail's workforce. We have received the proposed recovery plan to address non-compliance; we are currently reviewing this and engaging an independent reporter on the matter.

Key enhancements achievements include the commissioning of Reading Independent Feeder to enhance the network's power supply, and the completion of phase 4 of the South West Resilience Programme, improving resilience of the line adjacent to the sea between Dawlish and Teignmouth.

The Oxford Phase 2 project to enable an increase in train services has proved extremely challenging. Delays in utility diversions and the discovery of extensive subterranean Victorian infrastructure have led to cost increases and delays which have impacted local residents and businesses. Network Rail has closely engaged local stakeholders on its revised plan. It is critical that Network Rail completes the work on Botley Road bridge so that the road can reopen by August 2026.

Looking ahead, the Portishead Line has been approved for construction which is expected to enhance connectivity and drive economic growth in the region.

Delivering better environmental outcomes

Wales & Western fell significantly short in its reduction of scope 1 and 2 carbon emissions. It

achieved 1.9% against a plan of 4.0%. The region expects most of its reduction in scope 1 emissions to come from the transition to zero emissions vehicles, but it lags behind other regions, with the lowest share of electric vehicles in the fleet (under 1%). However, 22% of the required charging infrastructure is installed. We expect the region to significantly improve its carbon emissions reductions programme to meet its plan.

We have seen that the region is taking steps to meet its objective for net gain in biodiversity by the end of the control period, but has been slower than other regions in the development of detailed habitat management plans. We expect the region to accelerate its production of habitat management plans and to report their progress more clearly.

Delivering value for money

Wales & Western has done well to deliver £77 million of efficiencies in Year 1 of CP7 (based on draft financial information), which is £42 million higher than the target we set of £35 million. The region has achieved additional efficiencies from more efficient use of access and industry collaboration. Looking ahead to Year 2, 91% of efficiencies are reported as having well-developed plans, indicating a high-level of confidence in delivery. However, only 64% of renewal activities have been authorised for the year, which is four percentage points below the national average. While this is not cause for major concern, the region should take proactive steps to authorise Year 2 work to prevent delays which could negatively impact delivery.

The region under-performed financially by £43 million. A large portion of this was from scheme cost increases, particularly due to the Port Talbot re-signalling programme (where less work was delivered than planned during the available engineering access windows, leading to a longer programme of work and cost increases) and delays in renewals work on track and signalling. We understand that the region has taken steps to mitigate a number of delivery risks and recognise that the HS2 reset may lead to significant re-planning of work associated with Old Oak Common. Effective planning and programme management will be essential to minimise unplanned cost increases.

Looking ahead to Year 2 of CP7

In Year 2 of CP7, we expect the region to continue to deliver train performance improvement, implementing its agreed performance improvement plan which we will continue to monitor. Progress of key milestones on Oxford Phase 2 will be of great importance to local stakeholders in

Oxford. We expect the region to address compliance with structural examinations and assessments, and earthworks examinations. We also expect it to meet its plan for reducing scope 1 & 2 carbon emissions and to develop habitat management plans for its estate. Continued efficient delivery of asset renewals will be critical within a constrained funding environment.

Yours sincerely,

[signed]

Richard Coates

Deputy Director, Railway Planning and Performance