



ORR's annual assessment of Network Rail's Wales & Western region 2025 to 2026

Letter

14 July 2026

Dear Mark

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

I am writing to you separately to our 2025-26 Annual Assessment of Network Rail to summarise our assessment of Wales & Western's performance in the past year and to highlight priorities for the upcoming years. The region has taken further steps to deliver improvements for passengers and customers this year. Both punctuality and reliability have improved, and the region has substantially implemented its performance improvement plan. While mitigating asset sustainability decline will be a key challenge for the region in the remainder of the control period, its delivery of asset renewals this year was in line with its revised plan. The region also made strong progress in delivering its efficiency plans and managed its finances well.

Delivering a reliable and punctual service for passengers

Wales & Western has substantially delivered the performance improvement plan we mandated in our enforcement order. It acted on our recommendations and has established better processes and governance for managing train performance. The region has fully completed 56 out of 63 planned activities, including interventions targeted at key assets, changes to systems and

processes, additional training, and organisational and culture change. Several others are underway and planned for completion later in the control period. As a result, we assessed that it has complied with the order we issued in July 2024.

We appreciate the positive and open way in which the region has worked with us as we have monitored delivery of its plan. The drive and transformed culture that the region has demonstrated will be essential to its further development of a high performing and reliable network for its passengers and freight users. We will continue to monitor the delivery of the plan's longer term improvement activities.

Train punctuality and reliability have improved substantially since the start of the control period, and Wales & Western met the train performance targets we set for Year 2 of control period 7 (CP7). Time to 3 improved from 78.6% to 79.4% and passenger train cancellations improved significantly during the year, reducing from 4.7% to 3.8%, and achieving target. This improvement was driven by fewer train operating company traincrew cancellations.

Wales & Western successfully reduced the delay it causes, partly driven by a reduction in track failures and external incidents. However, while there were fewer incidents, each incident caused more delay. We expect Wales & Western to focus on the delay impact of incidents.

Delivering for freight

Freight cancellations improved, ending the year at 1.2% and surpassing the target of 1.6%. The impact of severe weather and autumn cancellations reduced, alongside improved performance of structures. New flood mitigation work at Chipping Sodbury has supported a reduction in freight cancellations.

Freight volumes in Wales & Western declined by 6.7% compared to the end of the last control period. Market conditions have continued to adversely impact freight volumes, particularly a lower demand for aggregates. We note the steps the region has taken to support freight with the embedding of a regional freight growth board and the preparations made through the Port Talbot Freight Growth Readiness Programme for a future uplift in scrap metal flows. The region will need to continue to look for opportunities to increase freight use.

Improving asset reliability

Delivery of asset renewals was broadly in line with the region's revised plan, achieving 104% of its effective volumes. However, it significantly underdelivered its structures renewals. The region

reduced its CP7 renewals plans due to cost pressures, impacting its forecasted asset sustainability, which is likely to fall short of target. It must better demonstrate how it will mitigate the effects of asset sustainability declining further than planned at the outset of CP7 and its impact on safety and performance outcomes in the short and long term.

The region has taken some action on structural asset assessments and eliminating visual and detailed examination backlogs for operational property but has not yet achieved compliance. We have commissioned an independent review to identify the root causes for non-compliance which will report in autumn 2026.

Enhancing the network

Wales & Western has made strong progress across its enhancements portfolio, with a more consistent focus on addressing delivery risks and stakeholder impacts. Botley Road Bridge in Oxford was successfully replaced, overcoming substantial engineering and logistical challenges. Network Rail worked proactively with the local community to manage disruption. Botley Road is set to reopen over the summer, a critical step to restoring local connectivity and rebuilding stakeholder confidence. Network Rail has navigated cost pressures to award key contracts for the Portishead Line and delivery is underway. Mid-Cornwall Metro is now complete. This infrastructure upgrade has enabled increased frequency of services between Newquay and Par.

The region has worked closely with Transport for Wales and the Welsh Government on schemes to support capacity, connectivity and future service growth in Wales. It is developing enhancements for passengers using Cardiff Central, including expanding gatelines and creating a new southern entrance. Network Rail is also progressing schemes to upgrade the South Wales Relief Lines, enhance Padeswood Junction and improve safety at level crossings.

We expect Network Rail to maintain this improved delivery momentum across its portfolio. Key priorities ahead include securing a final investment decision for Cowley Branch and supporting works associated with the new Old Oak Common station.

Delivering better environmental outcomes

Wales & Western reduced its scope 1 and 2 carbon emissions by 10.0 percentage points (pp), against a target of 8.0pp. Given changes to UK electricity conversion factors, we anticipate that a significant proportion of the reported emissions reductions are attributable to grid decarbonisation. We are awaiting further evidence from Network Rail to quantify this effect and

distinguish it from reductions resulting from operational changes. We also re-affirm our periodic review 2023 expectation that the region should develop a more ambitious forecast.

We are disappointed with the very limited progress made with transition to zero emission vehicles (ZEV) during the year, though note the development of plans to materially increase the rollout of ZEVs in the coming year. The proportion of fleet that is electric is 0.3%, the lowest of any region and its planned rollout of ZEVs is slower than other regions.

We expect the region to quickly incorporate whole life carbon reporting into its renewals and maintenance work bank, focussing on carbon intensive materials and priority asset areas. We expect the region to set itself an ambitious target for whole life infrastructure carbon and to develop more realistic forecasting for reuse of materials from capital projects.

The region needs to further develop and implement its habitat management plans. We expect it to adopt the recommendations from our targeted assurance review of its biodiversity and habitat management plans.

The region delivered 12 of its 13 air quality improvement (AQIP) milestones at its managed stations, with the remaining milestone (roof ventilation study at Bristol Temple Meads) shortly to be completed. We will want to see the region continue to prioritise the delivery of its AQIP milestones in year three.

Delivering efficiently

Wales & Western made good progress in its efficiency delivery in Year 2, achieving £95 million of savings. This was 23% above its revised delivery plan and 33% above the original Year 2 target of £72 million. It performed strongly by using innovations in technology, improved contract negotiation and more efficient use of access.

The region increased its overall CP7 efficiency target by £37 million to £531 million to address ongoing cost pressures. It has demonstrated that it is well placed to deliver this additional stretch and continue to overdeliver efficiencies.

The region managed its finances relatively well during the year but reported a £10 million underperformance. It benefited from the resolution of historic settlement claims and improved train performance. However, cost pressures, as a result of high inflation, remain across maintenance and renewals with careful decisions to be made to manage these pressures.

Leading indicators suggest the region is well prepared for delivery in Year 3. Efficiency plans are 100% developed, renewals remits issued and accepted by the supply chain are 98%, well above the national average, and 119% of required access has been secured to deliver planned work.

Looking ahead to Year 3 of CP7

Through delivery of its performance improvement plan and improved train performance, the region has created the conditions from which to provide stability and predictability to its customers. During Year 3, we expect the region to further build a high performing and resilient network. We recognise that it faces cost pressures, but it needs to better demonstrate how it will mitigate a decline in asset condition and minimise the impact on future network reliability and outcomes. Securing further efficiencies will be essential to Wales & Western maximising its delivery within its existing funding.

Over the coming year, it will be important that the region progresses its preparations for Great British Railways, including developing ever closer integration with train operations, building on the joint control function it has set up with Great Western Railway, shared leadership roles, local railway units and Network Rail's memorandum of understanding with Transport for Wales. This should help to inform the development of integrated plans for Funding Period 1. It will also be vital that the region retains its focus on safety during this period of change.

Yours sincerely,

[signed]

Richard Coates

Deputy Director, Railway Planning and Performance