



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref
Richard Fitter
Office of Rail Regulation
One Kemble Street
WC2B

8 November 2012

Dear Richard

**Welsh Government response to consultation on
financial issues for Network Rail in CP5**

Thank you for your consultation document. I am replying on behalf of the Welsh Government.

The Welsh Government's current devolved rail responsibilities do not put us in the same position as the Department for Transport (DfT) and Transport Scotland in terms of rail industry funding flows. We are a funding authority, under the Railways Act 2005, but our current funding responsibilities are solely to provide the subsidy required for Welsh Services under the Wales and Borders Franchise and to provide capital funding for Network Rail infrastructure enhancements that are nationally important to us, but are outside and additional to the HLOS, as "third party funders". We have no responsibility for funding for Network Rail's day-to-day operations, do not pay Network Grant, and there is no Wales RAB or HLOS.

Consequently, the proposed changes to the financial issues outlined in the consultation will have limited impact on charges paid by the Welsh Government or the Wales and Borders franchisee during the duration of the current franchise. In turn, this means there will be little incentivisation effect on us for such changes to be implemented during CP5.

The above notwithstanding, the Welsh Government supports the ORR's stated aims of improving transparency and access to information and recognise that enhancements to Network Rail financing can play a role in this. Similarly, the Welsh Government supports moves to increase the efficiency and value for money of Network Rail's operations and again recognises the role that changes to financing may offer in this regard.

Welsh Ministers are considering the balance of responsibility with the Secretary of State for Transport for the operation and management of the railway and services in Wales. In this regard, we welcome the consultation's recognition of the prospect of industry reforms in future years and the need to identify mechanisms that will allow changes to industry structure to be accommodated.

Should Welsh Ministers in the future have different responsibility for Network Rail operations in Wales, and with it a different position in terms of rail industry funding flows, we would welcome the opportunity to discuss these issues with you in more detail. Additionally, we should be grateful if you would undertake to keep us briefed on the ORR view of any experience of alternative structures such as the current trials of deep alliances.

Yours sincerely,

Simon Pickering
Rail Team
Transport
Local Government and Communities
Welsh Government