



Llywodraeth Cymru  
Welsh Government

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### **Welsh Government response to Periodic Review 2013 Network Rail consultation on the capacity charge**

The Welsh Government welcomes the opportunity to comment on Network Rail's consultation on the capacity charge. Welsh Ministers are considering taking greater responsibilities for the operation and management of the railway and services in Wales. The outcome may affect the future relationship between Welsh Ministers and the rail industry and the following comments should be taken in that spirit.

We were grateful for the discussions and correspondence we have had establishing the Welsh Government's position and the potential impact of your proposals to recalibrate the capacity charge. We were also grateful for your agreement to accepting a late consultation response in order that we could undertake and conclude this helpful dialogue.

As we have explained, under Clause 18.1 of the Wales and Borders Franchise Agreement and the Joint Parties Agreement (JPA) between the Welsh Government and the DfT, both ATW and the Welsh Government are held harmless from any changes in the level of track and usage charges. The DfT bears the risk of, or takes the benefit from any changes in the level of charges to ATW. Since the JPA and the transfer of resources to the Welsh Government by the DfT following the Railways Act 2005, the level of charges overall has fallen, and ATW currently repays the balance to the DfT.

Therefore, the proposed recalibration of the capacity charge will have no impact on charges paid by the Welsh Government or the Wales and Borders franchisee during the duration of the current franchise, and there will be no incentivisation effect on us.

This is because the Welsh Government's current devolved rail responsibilities do not put us in the same position as the 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. Therefore we do not benefit or lose from any changes in the relationship between the amounts of track usage charges levied and Network Grant.

Should Welsh Ministers in the future have greater responsibility for the operation and management of the railway and services in Wales, and with it a different position in terms of rail industry funding flows, then the Welsh Government would wish to discuss and agree a position on the balance between the amounts of track usage charges levied and Network Grant with all industry parties and their impact upon the Welsh Government.

Our current concern, which we discussed, was that as both a capital funder of rail infrastructure enhancements and then a subsidy provider for enhanced services , the Welsh Government would not want to be in a position whereby as well as meeting these enhancement costs, it also would be affected by increased capacity charges as a result of enhanced services. We agreed that this would not happen in reality because the Welsh Government-funded enhancements would tend to increase capacity and reduce congestion, therefore there ought to be a reduction in charging. We agreed to consider some examples of this once your consultants have obtained their baseline information for the recalibration exercise.

Finally, we also agreed that you would maintain contact with us when the baseline information is to hand and you consider the proposal to include in the recalibration exercise the migration from charges being based on service groups to the more detailed service codes. We wish to consider this carefully to ensure that in practice there is a balanced and proportionate distribution between Wales and Borders franchise services.

Yours sincerely,

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