

House of Commons
Welsh Affairs Committee

**TRANSPORT IN WALES: RESPONSE
OF THE GOVERNMENT
to the Second Report of the Committee of
Session 2002–03**

Second Special Report of Session 2002–03

Ordered by The House of Commons to be printed 26 March 2003

HC 580
Published on 2nd April 2003 by authority of the House of Commons
London : The Stationery Office Limited
£4.00

The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

Current Membership

Mr Martyn Jones MP (*Labour, Clwyd South*) (Chairman)
Mr Martin Caton MP (*Labour, Gower*)
Mr Huw Edwards MP (*Labour, Monmouth*)
Dr Hywel Francis, MP (*Labour, Aberavon*)
Ms Julie Morgan MP (*Labour, Cardiff North*)
Mr Albert Owen MP (*Labour, Ynys Môn*)
Mr Adam Price MP (*Plaid Cymru, Carmarthen East and Dinefwr*)
Mr Mark Prisk MP (*Conservative, Hertford and Stortford*)
Mr Bill Wiggin MP (*Conservative, Leominster*)
Mrs Betty Williams MP (*Labour, Conwy*)
Mr Roger Williams MP (*Liberal Democrat, Brecon and Radnorshire*)

The following member was also a member of the Committee during the Parliament:
Mr Chris Ruane MP (*Labour, Vale of Clwyd*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/welsh_affairs_committee.cfm. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Contacts

All correspondence should be addressed to The Clerk of the Welsh Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6189; the Committee's e-mail address is: welshcom@parliament.uk

SECOND SPECIAL REPORT

The Welsh Affairs Committee has agreed to the following Special Report:

TRANSPORT IN WALES: RESPONSE OF THE GOVERNMENT TO THE SECOND REPORT OF THE COMMITTEE OF SESSION 2002–03

The Welsh Affairs Committee published its Second Report of Session 2002–03, on Transport in Wales (HC 205), on 13th February 2003. The Government's response was received on 18 March 2003, and is published as an Appendix to this Special Report.

APPENDIX

THE GOVERNMENT'S RESPONSE TO THE WELSH AFFAIRS SELECT COMMITTEE REPORT ON TRANSPORT IN WALES

Memorandum received from the Department for Transport

Introduction

Since the Department gave evidence to the Committee on 22 May 2002 there have inevitably been a number of developments.

In December 2002 the Department published its progress report on the 10 Year Plan - *Delivering Better Transport: Progress Report*. On the railways this set out our key objectives of bringing about real and sustained improvements to railway services, to provide the travelling public with a safe and reliable railway. It identified our immediate priorities as being to:

- deliver better performance to meet the Plan's targets for improving the quality and reliability of service provided;
- bring costs firmly under control; and
- secure improved use of existing capacity.

The aim is to deliver:

- better quality services, with improved punctuality and reliability, and a strong customer focus;
- increased capacity, enabling faster, more frequent services and less overcrowding;
- a growth in freight use, increasing rail's share of the freight market; and
- safety improvements.

Our focus is on bringing performance back up to acceptable standards, and on restoring stability and confidence in the industry. We must also secure a more cost-effective rail industry. The Government and the SRA are working with the industry to drive down costs and establish what can realistically be delivered by 2010 and in the longer term. These goals were reinforced by the SRA's 2003 Strategic Plan, published in January.

Whilst difficult decisions about what is affordable and deliverable are having to be made, rail investment continues to be at a higher level than for any other comparable period over the last 100 years. The Government has set aside £33bn of public monies for the railways over the life of the 10-Year Plan. We expect to raise a similar level of private investment and to see over £64bn going into our rail network in the Plan period. Spending in the next few years will rise from £2.1bn in 2001/02 to £4.3bn in 2005/06. This is the first time such long term planning has been undertaken.

As regards aviation policy, in the summer of 2002, the Department for Transport launched a national consultation *The Future Development of Air Transport in the United Kingdom*. Seven documents were published which between them cover all areas of the UK, with the documents for Wales and Scotland being published jointly with the Welsh Assembly Government and the Scottish Executive respectively.

As a consequence of a High Court ruling on the exclusion of Gatwick Airport from the original consultation, the consultation period has been extended from 30 November 2002 to 30 June this year so is on-going at the time of this response. This response cannot, and does not, therefore, prejudice the outcome of the consultation. Decisions will be made in the light of the responses we receive to the consultation. We intend to publish our policy decisions in our Air Transport White Paper which we aim to produce before the end of this year.

In the following paragraphs we set out the Government's response to each of the Committee's specific recommendations.

(a) We recommend that the Government initiate a consultation exercise on the transfer of further transport powers to the National Assembly for Wales. The consultation should include other interested parties, such as the local authority transport consortia, private sector transport providers and passengers' organisations, as well as the Assembly itself (paragraph 11).

The Government believes that the wide range of powers and responsibilities devolved to the National Assembly for Wales allow it considerable scope to develop an effective transport strategy for Wales. The response to recommendation (k) below sets out why economic efficiency and the need for a coherent national rail network makes it important to retain and not devolve the core strategic network run by the Strategic Rail Authority.

The Government will keep under review the transport functions and responsibilities devolved to the NAW

(b) We recommend that consideration be given to the complete redevelopment of Cardiff bus and rail stations—including improved access for taxis—to provide a high-quality public transport interchange which is suitable for a capital city and seat of government (paragraph 14).

This is a matter for the Welsh Assembly, and they will be submitting a written response in due course.

(c) We recommend that the Government issue, in consultation with the Welsh Assembly Government, guidance to all the relevant bodies on working together to improve the environment of major interchanges (paragraph 15).

Local authorities in England have not so far sought general guidance from the Department for Transport on this matter, nor has there been any request from the Welsh Assembly Government for joint guidance to be prepared. The nature of existing and proposed transport interchanges, and the modes involved in them, varies substantially from case to case. This makes any useful guidance of general application difficult to frame. However, where a local authority without recent experience in this area seeks funding approval for a new interchange or the modification of an existing interchange, the Department will help them contact an authority which has been successful in obtaining funding for a similar project. This will help ensure that any relevant lessons are learned and applied.

(d) We recommend that the Government bring forward legislation to grant the Assembly the power to establish, modify and wind-up by secondary legislation one or more Passenger Transport Authorities or Passenger Transport Executives covering all or part of Wales. Whether to establish one or more PTAs or PTEs will then remain a decision for the Assembly. (Paragraph 21).

The Government has no plans to introduce legislation to enable the establishment of new Passenger Transport Authorities. As the Committee's Report acknowledges, there is scope for improving public transport under existing legislation, through authorities working closely together in partnership with transport operators.

(e) We recommend that the Government review, in consultation with the National Assembly for Wales, the prohibition on the payment of drivers operating vehicles under a community bus permit (paragraph 22).

The report refers to the restrictions on paying drivers contained in the 1985 Transport Act, but this does not take account of the provisions of the 2nd EC Driving Licence Directive (Council Directive 91/439/EEC).

This Directive requires drivers of this type of vehicle (9–16 passenger seats) to hold a category D (bus) or D1 (minibus) licence, requiring higher standards of theory and practical test than for category B (car) drivers. However, a derogation applies to allow category B drivers to drive such vehicles for non-commercial bodies for social purposes, providing their services on a voluntary basis. It is clear from the context that "voluntary basis" implies that drivers may not be paid for providing those services. This derogation was obtained as a result of extensive lobbying by the UK Government at the time the Directive was being drafted, and the prospect of any further derogation is exceedingly remote.

It follows that removing the restriction in the 1985 Act would still not allow payment to drivers who hold only car licences and rely on the EU derogation, and would therefore benefit relatively few community bus drivers. Payment would only be possible for those with a Category D or D1 entitlement on their driving licence.

The Department for Transport's Bus Partnership Forum, comprising representatives from bus operators, local authorities and other interested parties, is committed to setting up a task group to look at "social inclusion and innovative transport", including community transport, the problems and legislative or institutional barriers and the case for any changes. This task group is likely to start work in the latter part of 2003. The Bus Partnership Forum relates to England, but the National Assembly for Wales would be kept informed of the work of this task group.

(f) Accurate, up-to-date passenger information is not an optional extra, it is an essential part of any integrated transport network. Passengers need a variety of

information at each stage of their journey, from deciding which mode of transport to use, to planning a route to making the right connections successfully. This information must be provided in a variety of ways—real-time destination boards, websites, timetables, signposts and telephone lines—that are appropriate to different users at different stages of their journey. (Paragraph 29).

See response to recommendation (h) below.

(g) We recommend that the UK Government, in consultation with the Welsh Assembly Government, issue good practice guidance to local authorities, train and bus operators, highlighting the significant improvements to passenger information which can be made at very little cost (paragraph 30).

See response to recommendation (h) below.

(h) We welcome the establishment of Traveline Cymru, which has the potential to become a valuable one-stop-shop for transport information in Wales. We recommend that PTI Cymru be given clear new targets for the implementation of a multi-modal, total journey plan (door-to-door) service (paragraph 31).

The Government, together with the NAW, is working with the transport industry on a project which will allow people access and compare travel information easily. Transport Direct will be a national one stop shop for travel information for all transport modes. Transport Direct will provide travellers with all the information they need before and during a journey anywhere in England, Scotland and Wales, and will provide information on all modes including air, bus, car, coach, ferry, taxi, train, and tram.

Transport Direct will also allow travellers to select the best route for their journey with the best mix of transport options, to book and pay for their journey at the time they make the enquiry and it will advise them about how their chosen travel plan is performing in real time before they set off - and during their journey so that they can adapt to changing conditions.

Transport Direct will be available initially via the internet but, in the longer term we aim to provide information through other media such as high street kiosks, mobile phones and other hand-held devices and interactive digital TV. Traveline is a major building block of Transport Direct and we will be building on the work done by Public Transport Information (PTI) Cymru - a service funded by the NAW. The Transport Direct service will be available in Welsh.

(i) We recommend that Traveline Cymru and the National Rail Enquiry Service make information about local hackney carriage and licensed private hire vehicle companies available to callers, provided that it is made clear that this does not constitute an endorsement or recommendation of any particular company by them (paragraph 32).

Following the 1998 Transport White Paper, TrainTaxi Ltd set up a project aimed at frequent business travellers. TrainTaxi is available as a printed guide as well as on the internet at www.traintaxi.co.uk.

TrainTaxi lists all the train, metro, tram and underground stations in Britain, shows whether each station has a taxi rank or office and lists up to three local taxi or minicab firms serving each station.

The information contained within the TrainTaxi directory has been made freely available to the National Rail Enquiry Services as well as other rail operators. Transport Direct will also use the information contained within TrainTaxi as part of the one-stop shop for travel information.

(j) We recommend that the SRA include in the new Wales and Borders franchise and agree immediately with the existing operator requirements to provide the following at every station in Wales and Borders franchise area:

- **taxi telephone numbers for at least one licensee and preferably more where available;**
- **a local map for pedestrians showing a practical route to the nearest settlement, the nearest bus stop and the nearest hotel or other accommodation;**
- **a telephone box on the platform; and**
- **a real time rail information system, where appropriate. (Paragraph 33).**

Information posters at stations should contain a taxi telephone number. A map identifying local amenities is something the SRA may wish to pursue with either the current or new franchisee. The SRA generally expects the franchisee to ensure that there is a pay phone at or near the vicinity of each of their stations. However, the SRA would be prepared to make allowances where there is an alternative means of relaying messages in the event of an emergency. Real Time Information has already been provided at some stations through PTI Cymru but affordability remains a key issue when considering increasing this provision to more stations on the network.

(k) We recommend that the National Assembly for Wales be given the following powers:

- **powers of guidance and direction over the Strategic Rail Authority in respect of the Wales and Borders franchise and other rail services within Wales provided that they are consistent with the guidance and direction of the Secretary of State; and**
- **power to appoint two members of the SRA using the open system for public body appointments;**
- **accompanied by a statutory duty to ensure that the interests of those in England who are served by the Wales and Borders franchise are properly represented (paragraph 38).**

The SRA already works closely with the Assembly on all matters that affect Wales, including the Wales & Borders and other franchises. Although Scottish Ministers have the power to give the SRA directions and guidance, this is because of the self-contained nature of the Scottish railway network and the ScotRail franchise, and because the Scottish Executive is responsible for funding the franchise. We are not persuaded that the Welsh Assembly should have a similar power, as the Welsh railway network has a much greater degree of inter-dependence with the English network. Whilst the Wales and Borders franchise has created a more geographically focussed business, it remains the case that there is a significant cross-border element.

It is the statutory role of the Secretary of State for Transport to appoint all members of the SRA Board. He is required to consult the Welsh Assembly about one member of the Board, and must have regard to the desirability of appointing a person who is familiar with the special requirements and circumstances of Wales. The obligation to consult the Assembly is intended to ensure that the Assembly has a role in the selection of a member who will be well placed to advise the Board about Welsh matters. However, Board members are chosen

because of their expertise in a number of different areas; they are not representatives of a particular interest. We do not see that the needs of Wales would necessarily be better served by giving the Assembly the direct power to appoint a member, or more than one member. It is the statutory duty of the SRA and its Board to ensure that the needs of every part of the GB network are properly addressed. There are further safeguards to ensure that this happens, including the SRA's statutory duty to consult the Assembly about its strategies and its obligation under the Directions and Guidance to take into account the Assembly's policies.

(l) We recommend that the Government replace the SRA's target of a 50% increase in overall passenger numbers with a series of regional targets, including one for Wales. This would discourage an approach in which the overall target might be met, but with growth spread unevenly across regions (paragraph 39).

The 10 Year Plan deals with the rail network for Great Britain as a whole and it is for the SRA, in meeting the overall targets set by the plan, to develop a strategy that addresses the specific needs of individual parts of the network.

The SRA is developing a new approach to build better links between national and regional planning. In their 2003 Strategic Plan the SRA refers to the role of regional and local stakeholders (page 68), and sets out its proposed approach to the regions and devolved administrations (pages 69–70).

(m) We believe that the establishment of the Wales and Borders franchise to replace the four local service franchises, as this Committee has previously recommended on several occasions over the last 20 years, will help to simplify the organisational structure of the railways in Wales (paragraph 40).

The Wales and Borders franchise has now been operating in interim form since September 2001. Having one franchise covering all local and regional services within Wales has meant that the management of the franchise can focus on the specific needs of rail travellers within Wales.

(n) We are concerned by the delays in awarding the Wales and Borders franchise. We recommend that the SRA examine the reasons for the delays with a view to streamlining the bidding process, if necessary (paragraph 42).

We agree that the delay in awarding the new Wales and Borders franchise has been unfortunate. However, the SRA is now approaching the final stages of re-letting the franchise. 'Best and final offers' are expected from bidders in March, and the SRA will choose a preferred bidder by May. The new franchise is likely to begin operating in late 2003.

(o) We urge the Government to make a clear statement that the SRA will be given sufficient financial resources to meet the railway needs of Wales and that the SRA ensure that at least the original annual level of funding remains available for the enhanced Wales and Borders Franchise. We also recommend that the SRA ensure that the wider impact of rail services in Wales—including social inclusion, the impact on congestion in smaller cities and provision of alternative transport links between towns in semi rural areas—is considered sufficiently when deciding on the business plans for the Wales and Borders franchise (paragraph 45).

The Government is providing significant funding for rail: £33bn over the 10-Year Plan period. This involves year-on-year increases and a doubling of funding between 2001 and

2005. Within this there is significant funding for regional services across the network including in Wales. In its last full year of operation (2000/1) the Wales and West franchise received 7 pence subsidy support per passenger km. From when it took over the franchise on 14 October 2001 and up to 31 March 2002, the Wales and Borders franchise has received 14.3 pence subsidy support per passenger km. Furthermore, in 2001/2 subsidy per passenger km for regional services was over four and thirteen times that for Intercity and London/South East services respectively.

The Secretary of State for Transport's Directions and Guidance to the SRA requires it to consider supporting schemes that secure "significant wider, economic, social or environmental benefits" and which support the Government's integrated transport policy and broader sustainable development objectives. Support for major rail projects is looked at on merit and on a case by case basis using an assessment process that is common to all modes of transport. The SRA is also required to implement a 'New Approach to Appraisal' policy that is consistent with that of the Department for Transport when considering all rail projects. This draws together a wide range of information collected as part of the appraisal process and assesses it against the following five key criteria: environment, safety, economy, accessibility and integration. Stakeholders need to work closely with the SRA and DfT to identify and facilitate projects that will address an area's transport needs by the most appropriate mode—of which rail is only one—whilst delivering value for money.

(p) There is in our view a wide gap between local aspirations built up with the promise of the new franchise for Wales and the Borders and the reality of investment and service quality to be delivered (paragraph 50).

The SRA and the Government regret any false expectations that may have been raised about the nature of the Wales and Borders franchise in the past. However, much has changed in the rail industry since the Shadow SRA announced its intention to create an all-Wales franchise in June 2000. Industry costs have continued to spiral to ever higher levels, and this has meant that train operators and the SRA have been able to buy less than originally planned with the funds they have available. The Government continues to invest more in rail than ever before, but must be sure that rail spending provides value for money.

(q) If the SRA cuts its funding, the service on the North Wales line will only get worse. It is vital that the North Wales line receives all of its new trains as soon as possible and we recommend that the SRA ensure that the full funding is provided for this service. (Paragraph 54).

The Strategic Rail Authority is keen to see an improvement to services throughout Great Britain, where those services represent value for money and are affordable. Members will be aware that the number of Virgin services to North Wales remains under review as part of the planning for future services using the West Coast Main Line. The SRA has confirmed that the present level of 3 trains a day (with faster journey times and new rolling stock) will be retained, and the opportunities for expansion from 2004 are being examined.

(r) We welcome the extensive use that is being made of Rail Passenger Partnership funding in Wales. We are pleased to learn of the speed with which the SRA is now able to process these applications. However, we remain concerned that the level of funding available for railway investment in Wales is not sufficient to produce the significant improvements in the level and quality of service if a substantial modal shift from car to rail is to be achieved (paragraph 55).

Wales has benefited significantly from the Rail Passenger Partnership (RPP) fund since it was launched in 1999. Whilst the Committee will be aware that the SRA has had to impose a moratorium on new applications to the fund for budgetary reasons, fully developed schemes in Wales are expected to go ahead. The SRA is meeting all contractual RPP commitments. The Welsh Assembly has been proactive in working with the SRA to seek to secure other, non-contractualised projects to provide new passenger services for Aberdare, Vale of Glamorgan and the Ebbw Valley.

It is not intended to terminate the RPP, but the SRA is not exempt from budget pressures, and the cost of franchises, network operation and major projects are all increasing.

Investment in the railway remains at an unprecedented level, but there are many demands on this funding. Our response to recommendation (l) above indicated that the SRA has reviewed its approach to working with the devolved administrations. It will work closely with the Assembly to identify priorities for Wales, and the constraints to delivery, including affordability.

(s) We recommend that the European Commission and the Department for Transport, in consultation with the National Assembly for Wales, ensure that due weight is given to the overriding objectives of European regional policy in the way in which applications are determined for slots at German and other continental European airports for flights to and from Wales (paragraph 62).

The process of allocating slots at EU airports is governed by the relevant European Regulation, 95/93. This sets out the rules by which an airport co-ordinator abides when determining applications for slots at a co-ordinated airport. Under EC Reg 95/93, limited priority is given to new carriers who intend to start operations on previously unserved intra-Community routes. However, the decision to start providing such a service is a commercial one for the airline concerned.

Under European Commission proposals which are the subject of ongoing discussions by Member States and by the European Parliament, increased priority would be given to potential services on new routes between a co-ordinated airport and a regional airport by granting higher status to requests from already well-established airlines who wish to operate such a route. Officials from both the Department for Transport and the National Assembly for Wales are represented on the UK's Slot Policy Working Party at which the UK's position on the Commission's proposals are discussed.

(t) We recommend the Government consult the National Assembly for Wales on a strategy to improve access to Cardiff International Airport, in particular in the short term, through removing roundabouts on the A4050 and A4226, and provision of a 30 minute or even 15 minute frequency bus service; and in the longer term, the provision of good rail links (paragraph 64).

The Government policy for surface access to airports is set out in the 1998 White Paper 'A New Deal for Transport'. In this document, the Government strongly promotes the concept of improving public transport to airports and its share of airport-related journeys, and encourages alternatives to the car for both airport employees and passengers.

In the consultation document *The Future Development of Air Transport in the United Kingdom: Wales*, referred to in the Introduction above, we recognise the importance of improved surface access to Cardiff International Airport. For example, our RASCO Reference Case forecast, the base case for much of our analysis, assumes significant capacity in the South East of England of up to 300 million passengers per annum (mppa). Even with this significant South East capacity, growth in passenger numbers at Cardiff

Airport approaches 5 mppa by 2030, compared to 1.5 mppa in 2000. This level of growth would place heavy demands on the existing transport infrastructure. As such, the Government and the Welsh Assembly Government jointly recognise that improvements would be required to minimise congestion and improve accessibility to the airport, with proper regard paid to the associated environmental implications.

At the same time, we recognise that there are already surface access issues around Cardiff airport. The Committee will recognise that road access matters are devolved to the National Assembly for Wales and, therefore, responsibility lies with the Welsh Assembly Government. What follows is an explanation of the work currently being carried out by the Welsh Assembly Government in relation to surface access to the airport.

Road Access

In terms of access by road, the Welsh Assembly Government has commissioned a study on congestion at A48/A4232 Culverhouse Cross. The draft report has been received and discussed with the relevant local authorities, namely the Vale of Glamorgan and Cardiff Councils. The Assembly Government is currently considering the report and determining its policy on the way forward for the short and medium term. Options being considered for inclusion in a package of improvements are, in the short term, local road improvements, improved public transport provision, improved direction signing, variable message signing and consideration of 'park and ride' sites. For the medium and longer term, options for larger scale road improvements are also being considered.

Rail Access

On the provision of good rail links, the reopening of the Vale of Glamorgan line for passenger services, between Barry and Bridgend, is a key transport objective for the Welsh Assembly. The provision of a new station at Rhoose will facilitate a dedicated bus link to the airport.

As the Committee notes, delays have been experienced in the delivery of passenger train services on this line. This was caused by the placing of Railtrack in administration, doubts over funding for the service and the need to satisfy European Union funding rules. These issues have now been resolved.

To ensure that the Vale of Glamorgan project proceeds, the Welsh Assembly Government's Minister for Environment, Ms Sue Essex AM, announced on 4 February 2003 that the Welsh Assembly has secured an agreement with the Strategic Rail Authority. This agreement ensures that the Strategic Rail Authority will provide the revenue funding required for the services. The Assembly itself will meet the full capital costs of reopening the line, including the provision of new stations at Rhoose and Llantwit Major. The Committee will wish to note that these rail services are expected to be operational from May 2005.

(u) The current delay to the rail reinvestment programme in South Wales is due to Railtrack's recent financial problems, and this is likely to continue until early 2004 (paragraph 64).

Britain's railway network is now under the new ownership and strengthened management of Network Rail. The company will concentrate on the core business of operating, maintaining and renewing the railways to demanding performance targets, aligned to the SRA's Strategic Plan and the obligations under its network licence.

The SRA will determine the national investment priorities and take forward the enhancement programme in its role as strategic specifier, working closely with Network Rail as its delivery agent. As the Committee has acknowledged, the SRA assesses proposed improvement projects for affordability and value for money on a Great Britain-wide basis.

(v) In our view the establishment of a fast and reliable air link between North and South Wales should be a priority objective for all concerned (paragraph 66).

In the process of developing the current consultation document, the Department for Transport considered the provision of air links from the remoter parts of Wales to Cardiff. As part of this work, we commissioned route development specialists to examine the viability of an intra-Wales service, either as a direct North-South link or a 'Round Wales' service. In the consultation paper we have also considered the potential of existing airport sites to be utilised for such services.

Our initial analysis suggests that the provision of Intra-Wales services would be likely to require subsidy, at least in the short to medium term. Further work looking into this issue, studying in more detail the feasibility of these routes, will be carried out to assess the potential levels of traffic, uncover the most appropriate routes and identify possible financial shortfalls in commercial operation.

The Department for Transport and the Welsh Assembly Government are supportive of effective transport links between North and South Wales. Dependent upon the outcome of this further study and the responses to the consultation, there are several options open to the Welsh Assembly Government in terms of sensible public resources allocation. For instance, it could decide to commit resources to finance any necessary infrastructure improvement required to develop intra-Wales services if this was considered to be an effective use of public funds to the benefit of both the local and national economy.

At the same time, the Assembly could consider providing a subsidy for the operation of air services by way of a Public Service Obligation (PSO). In accordance with European Regulation 2408/92, a PSO can be imposed on a route to a peripheral or development region, where the route is considered vital for the economic development of the area. Further work would need to be undertaken to assess if a particular route or routes complied fully with the PSO criteria. Please see the responses to recommendations (w) and (y) below for further consideration of the issues around imposing PSOs.

(w) We recommend that the Department for Transport clarify the circumstances in which subsidy can be provided for the operation of new air services on a route deemed vital for the economic development of a region and commit itself to authorising a PSO on any Welsh air route if asked to do so by the National Assembly for Wales (paragraph 67).

The Government's policy on regional air services through the imposition of a PSO is governed by European legislation. Under this legislation (Regulation 2408/92) the UK may impose a PSO in respect of scheduled air services on a route to a peripheral or development region where the route is considered vital for the economic development of that region. It may do so to the extent necessary to ensure 'the adequate provision of scheduled air services satisfying fixed standards of continuity, regularity, capacity and pricing which standard air carriers would not assume if they were solely considering their commercial interests.'

(x) We recommend that a general policy be adopted of publicly-funded airfield facilities charging rates based on marginal costs to public scheduled air services, and

that commercial airport operators take similar steps to ease the way for the establishment of domestic Welsh air services (paragraph 68).

In line with the Treasury's Wider Markets initiative the Ministry of Defence (MOD) is reviewing its current methods and considering ways to make best use of any irreducible spare capacity which may be available at its airfields. Under the terms of the Wider Markets initiative the MOD is required to charge the full cost, or the market rate, whichever is more appropriate.

With regard to the second part of the Committee's recommendation, it is the Department for Transport's view that this is, and should remain, a matter for commercial airport operators themselves. As such, it would be reasonable for the operators themselves to decide on their own rates based on their own assessment of costs and market conditions, and to apply their standard approach to, for example, introductory discounts for new services.

(y) We consider that the prospects of air links to London City from regional airports within Wales, not just from Cardiff, would merit further study (paragraph 69).

Section 7.4 of the Wales' airports consultation document considers the importance of access to London, in terms of both surface access routes and air service solutions. It is considered that an air link between Cardiff and London City is the most likely to be viable and the results of our initial analysis suggest that a Cardiff to London City route would begin to generate a profit by the fourth year of operation. Such a route would also complement the road and rail routes between the two capital cities. At the time of writing, we are aware that Air Wales is intending to operate a service shortly from Swansea to London City via Cardiff International Airport.

In advance of the consultation we did not consider direct air links between other parts of Wales with London, primarily because the potential catchment area in and around Cardiff is considerably larger than that in other parts of Wales.

Also, the Committee will recognise that, in making their decisions as to how best to utilise their slots at London airports, airlines do not generally take into account the economic and other benefits that regional air services to London may bring. However, there are options which may be open to the Government to intervene, for example, to help protect slots at the London airports for regional services from Wales.

The measures currently available for protecting slots for regional services are provided by European regulations (Regulation 95/93 and Regulation 2408/92) which govern Public Service Obligations and the criteria are tightly drawn. The Department for Transport is currently looking into the options available to Ministers with regard to these European regulations to ensure greater flexibility to protect regional air services into London airports. In this context we note, and take seriously, the recommendations of the Committee on access to London from Wales and the Air Transport White Paper will set out our conclusions.

(z) We urge all involved in discussions over creation of decent vehicle access to and from the port of Holyhead to set themselves a strict deadline for an agreement to be reached, and suggest that the issue is of sufficient moment to warrant Ministerial interest in the negotiating position being taken by Network Rail (paragraph 73).

The Government understands that discussions between the relevant parties, including Network Rail, to enable the depot change are ongoing; and that a further meeting took

place on 6 March. Following this meeting, the SRA advises that the preferred site for the proposed new depot has been agreed, although the detailed design is still under discussion. Further progress in the depot change process will be subject to the provisions relating to minor network closures set out in sections 37—49 of the Railways Act 1993, as amended, and statutory planning procedures.

(aa) We call on the Strategic Rail Authority, in partnership with the National Assembly for Wales and North Western Trains, to take urgent steps to improve passenger rail facilities at Holyhead to at least a standard acceptable level, and preferably beyond. They should also explore the possibility of EU funds being available to give some substance to grandiose phrases about “motorways of the sea” (paragraph 74).

The Strategic Rail Authority has participated in meetings with the local authorities, Railtrack/Network Rail and First North Western to consider enhancements to the facilities at Holyhead, and will continue to do so.

(bb) Given the potential for local spend by high spending visitors on cruise-ships, we are confident that further discussion between port operators, ferry companies and the WDA on financing jetties and terminals would be worthwhile (paragraph 75).

Like the Select Committee we await the outcome of such talks with interest.

(cc) It was evident to us that the number of police, immigration, customs and other law enforcement officials has a serious impact on the costs of running of at least some ports (and airports) in Wales, and we recommend that the Home Office takes account of impact of these costs when it examines this matter (paragraph 76).

The border controls provided at Britains ports and airports have to be effective. However, the Home Office has had lengthy discussions with the operators of ports and airports about the costs of the facilities they have to provide. As a result, from now on, there will be proper agreements about the facilities operators are required to provide for both immigration officials and Special Branch. Border agencies, including immigration, are also beginning to collaborate on streamlining their overall requirements and on issues like sharing facilities.

(dd) We commend the proposal made to us for a pilot project based on the river Neath, intended to shift some bulk freight carried from road (and rail) to sea through the revival of coastal shipping from small ports, and recommend that it be pursued by the Department for Transport in consultation with the relevant authorities in Wales (paragraph 78).

The Government actively encourages modal shift of heavy and bulky freight from road to water with the Freight Facilities Grant scheme (FFG). These grants are made under section 272 of the Transport Act 2000. They are available to encourage the carriage of freight by all forms of waterborne transport and are designed to equalise the cost of road and water transport modes where it would otherwise be more expensive by water.

FFG is available for new facilities as well as for the improvement of existing ones and the reopening of those that are dormant. FFG has in the past been given to pilot projects but only when the ultimate project would deliver impressive environmental benefit without the need for further grant.

Distributed by TSO (The Stationery Office)

and available from:

TSO

(Mail, telephone and fax orders only)

PO Box 29, Norwich NR3 1GN

General enquiries 0870 600 5522

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Fax orders 0870 600 5533

Email book.orders@tso.co.uk

Internet <http://www.tso.co.uk/bookshop>

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68–69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9–21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18–19 High Street, Cardiff CF1 2BZ

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders 020 7219 3890

General enquiries 020 7219 3890

Fax orders 020 7219 3866

Accredited Agents

(see Yellow Pages)

and through good booksellers

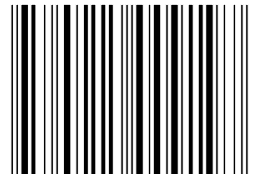
© Parliamentary Copyright House of Commons 2003

Applications for reproduction should be made in writing to The Licensing Division,

HMSO, St Clements House, 2–16 Colegate, Norwich NR3 1BQ

– Fax 01603 723000

ISBN 0-215-00919-3



9 780215 009197