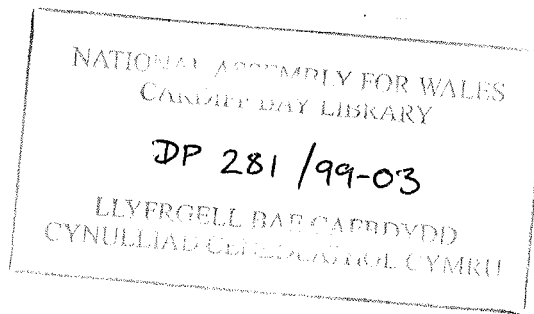


Sue Essex AM

Gweinidog dros yr Amgylchedd
Minister for Environment



Our Ref: SF/SE/0820/02

Mr Dafydd Wigley AM
National Assembly for Wales
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December 2002

In Plenary on 10 December you referred to reports that the only rail franchise that must cut 20% of its cost is the Wales and Borders franchise. The Strategic Rail Authority (SRA) who are responsible for rail franchising have not taken this decision.

The position is that as part of the franchising exercise the four bidders have been asked to set out a range of proposals including maintaining broadly current level of services, allowing for improvements which may not require additional subsidy and a range of enhancements that the SRA may wish to be implemented during the course of the franchise. In order to allow the best value for money to be achieved they have asked bidders to make two proposals to achieve a 10% reduction in costs compared with their baseline proposition and the second to achieve a 20% reduction. No decisions on the outcome have been taken and the SRA have make it clear that they will not consider any proposals which suggest closure of routes in response to these scenarios. All franchises will be subject to the same test as they are reviewed.

As you are aware the Chair of the SRA, Richard Bowker has made it clear that it is essential for the rail industry to control costs and I understand that he will be publishing a revision of the Authority's Strategic Plan in the New Year which will set out how this will be handled.

I made it clear in the short debate on 11 December that I will argue strongly that no reduction should be made in the subsidy. The Assembly Government has set out its

aspirations for the franchise which I have discussed with Richard Bowker and the four bidders. We have also committed significant resources to support rail infrastructure and North-South services and we have succeeded in gaining a 15-year franchise which will provide an opportunity for incremental improvement.

The SRA is addressing the problems of the rail industry and clearly will be faced with difficult decisions. It is essential that all bidders can demonstrate value for money and I am sure that all Assembly Members with an interest in developing the rail network within Wales will put forward a constructive case for improvements to bidders and the SRA. As you are aware bidders have to tender by the end of February 2003 and a decision is likely to be made in April with implementation in October 2003.

I am copying this letter to all Members and placing a copy in the Library.