

# Tough financial outlook for rail sector and Transport for Wales

It is likely that 2023 will be another challenging year, in economic and financial terms, for transport users, transport companies, Welsh Government and Transport for Wales (TfW).

The rail dispute is an ironic challenge for rail users in Wales. Welsh Government ministers approved a pay increase of 6.6% to 9.5% (depending on grades) and some changes in employment conditions for TfW Rail employees. However, TfW Rail services can only operate on days when RMT union members at Network Rail take no action as the latter maintain the track and operate the signals. Scotrail (also government owned) has agreed a 7% – 9% pay increase.

The revenue and costs risks of England's train operating contractors (in Wales, Avanti, Cross Country and GWR) and state-owned Network Rail are taken by the UK Department for Transport and HM Treasury. Consequently they have to agree any major cost increases such as higher wages for railway staff.

The TfW board therefore faces a financial challenge not of its making. Its report for mid-July to mid-August 2022 showed a bottom-line reduction of £950,000 which if extrapolated to mid-January 2023 could be £6m. Revenue has been lost during 2022 while staff have been paid. This financial shortfall challenge for TfW is likely to continue in 2023 unless the negotiating position between the trade unions and England's government improves.

More welcoming for Wales' rail passengers are the brand-new diesel and electric trains (with their usual operational challenges) arriving during 2 2024 They provide more passenger capacity, shorter journey times and higher frequencies to

encourage a shift from the motor car to rail transport. Bimodal or trimodal electric powered trains on the Core Valley Lines network north of Cardiff parallel new trains on Dublin city and Scotland's urban rail networks.

They, as in Wales, replace 40-year-old diesel stock. This project also has the capital cost of CVL electrification as a further challenge – to keep within the £800m budget which unlike Scotland is entirely at the Welsh Government's risk as there is no rail capital Barnett consequential in Wales.

Diesel-only trains on the remainder of the network will face the additional challenge of achieving the UK Government zero greenhouse gases target by 2050. Refitting diesel trains is a difficult engineering and high-cost process which TfW will face during the forty-year design life of these trains.

Again positively, electric buses are being successfully operated in Newport and Cardiff providing for reduced urban pollution and are to be introduced shortly on the TrawsCymru service between Carmarthen and Aberystwyth.

Electric bus technology is new and production is at a lower level than is the case for diesel buses. Consequently there is a financial challenge. Discussions with bus manufacturers at the NEC Bus Expo event last November indicated that electric buses cost around £400,000 compared with £150,000 for Euro 6 diesel buses with similar emission levels.

However, as production levels increase, economies of scale will reduce the cost per electric bus. Comparative prices of diesel and electricity will also be a consideration for bus companies though the expected preferential taxation rates are expected to continue for both power sources.

Ahead of most European countries Wales will see a 20mph national default speed limit this September on selected roads, which the Government claims will reduce accidents and urban pollution. The challenge bus companies say they face is

capital expenditure for more buses to maintain frequencies (as journey times increase) possibly leading to higher fares or more subsidy; a position worsened by steep-sided inappropriate speed humps on bus routes resulting in maintenance cost and journey time increases.

A better solution helping make the urban bus more attractive for car users (and so reduce urban pollution) is separating buses from other traffic (which this column has encouraged), successfully introduced in Dublin in the 1980s to reduce journey times, operating costs and fares.

Courier and parcel distribution companies have also suggested that the 20mph limit will increase cost levels to maintain delivery times.

The government's 2022 White Paper One network, One timetable, One ticket proposes an operational contract structure. This would replace the much-derided deregulated bus market which has not met the easy-travel criterion for passengers. However as the transport minister, Lee Waters, has said there is a financial challenge. Perhaps an interim One ticket system could be a partial solution indicated by the success of the senior citizen's bus pass to make inter bus company and bus/train travel easier.

On that note may I wish you Blwyddyn Newydd Dda/ Happy New Year, in a challenging year for transport users and providers.

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