

Maureen Watt MSP  
Convener  
Infrastructure and Capital Investment Committee  
Room T3.40  
The Scottish Parliament  
Edinburgh  
EH99 1SP

13 February 2014

*Dear Maureen,*

Thank you for your letter of 17 January seeking further information on the decision taken by the Office of National Statistics (ONS) to reclassify Network Rail as a central government body from September this year.

The financing and structure of railways in Great Britain is generally a reserved matter, which means that any decision making powers with respect to Network Rail currently lie with the Secretary of State for Transport. Given this, I wrote to him recently to again raise the question of a further transfer of rail powers to the Scottish Parliament and to secure a range of assurances with respect to reclassification.

To summarise the response from the Secretary of State:

- The UK Government is not at this stage willing to consider a further transfer of powers to the Scottish Parliament;
- The ONS decision represents a statistical change driven by changes in European accounting rules, and it will have no detrimental effect on the executive devolved powers of the Scottish Ministers under the current domestic railways legislation;
- Reclassification will not present any additional funding risks to the delivery of the Scottish Government's transformative £5 billion package of investment in Scotland's Railways in the period up to 2019; and
- The obligations on the Scottish Government to meet rail financing costs for Scotland – including the servicing of regulatory debt – will remain in line with the recent Determination made by the Office of Rail Regulation for the period 2014 to 2019.

I also made very clear to the Secretary of State my expectation that the Scottish Government will be fully involved in any decision making processes around the future structure and governance of Network Rail. In this context, Transport Scotland officials had initial discussions with their counterparts at the UK Department for Transport on the 29 December. This was primarily about agreeing a framework for future, more detailed work which will focus on:

- Ensuring rail industry stability in the immediate term. Given the scale of the events in Scotland in 2014, and the critical role that rail services will play in their success, it is in my view of great importance that the industry is able to focus its attention and efforts on the delivery of efficient rail services. In addition to this, we have new franchise arrangements for the ScotRail and Caledonian Sleeper services coming into effect in 2015 and I would want any transition to be as seamless as possible;
- Embedding the assurances given by the Secretary of State into the arrangements in place for Network Rail in Scotland post their reclassification in September; and
- Considering the longer term implications and opportunities for the structure and financing of rail services in Scotland. In particular, I have a very clear expectation that there will be no artificial barriers to continued investment and growth. I would also like to see a greater role for the Scottish Parliament in the scrutiny of rail performance and expenditure.

At a practical level, and similar to the UK Government, I will be looking to enter into a Framework Agreement with Network Rail which will govern their relationship with the Scottish Government post reclassification. I will ensure that the Committee are kept advised on progress with this work.

This whole issue once again raises significant questions in my mind around the structure of railways in Great Britain and in particular whether the current legislation is fit for purpose. This Government has a long held view that the current Railways Acts have served to constrain the range of options that we can consider for the efficient delivery of rail services in Scotland, such as a public sector model, which was clearly illustrated in the public response to our Rail 2014 consultation in 2012. As set out in the recent White Paper, independence will present an opportunity to decide the best way to structure and support Scotland's railways, including the best ownership model for rail and track for the benefit of the people of Scotland.

I hope this letter addresses the issues that you have raised.

Kind regards



**KEITH BROWN**