

**ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE
WRITTEN EVIDENCE – Rail Franchise Scrutiny**

Purpose

1. The purpose of this paper is to provide written evidence to the Economy, Infrastructure and Skills Committee for its Rail Franchise Scrutiny

Background

2. Since the Economy, Infrastructure and Skills Committee conducted scrutiny of the Wales and Borders rail services and South Wales Metro in 2017 we have successfully completed the innovative procurement process. Transport for Wales (TfW) our not-for-profit arm's length company, have partnered with KeolisAmey to launch the new Wales and Borders rail contract on a 15-year contract running from 14 October, 2018 until 16 October, 2033.
3. This is the very first 'made in Wales' rail service, designed and delivered by the Welsh Government. The opportunity to re-design and re-purpose our railway network in Wales is a once in a generation opportunity. In the coming months and years we will deliver groundbreaking transformation of transport across the country and in the borders region.
4. With investment totalling almost £5bn over the next decade and a half, our network will be transformed. We have committed £800m to deliver new trains across the network, which by 2023 will see 95% of rail journeys made on new trains. A further £194m will be put to improving the passenger experiences at our stations across the Wales and Borders network.
5. The new rail contract will put passengers' key priorities at the centre, with a focus on alleviating concerns around seat capacity, journey times and service frequency and ensure fair, affordable fares and quality, clean trains. Passengers will enjoy the benefits of the introduction of smart ticketing across the network, and through the extension of free travel to under-11s with half-price fares for 16 to 18 year olds, they will see economic improvements also.
6. There is £738m earmarked to modernise the central metro lines, support the next phase of Metro and run more trains every hour. Transport for Wales rail services will offer 600 new jobs and 450 apprenticeships over the 15 year lifespan of the contract.
7. It is important to understand that our bold ambitions will take time to bring this to fruition and won't be achieved overnight but I am confident that by 2033 it can be the best passenger rail service in the UK.

Relationship between the Welsh Government and Transport for Wales

8. The Welsh Government has ultimate responsibility for transport matters, and is able to ask TfW to deliver its functions on its behalf.
9. The Welsh Government retains sufficient power to protect the public interest and hold TfW to account without the need to intervene directly in the daily activities of the company.

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10. TfW was set up to discharge certain transport functions on behalf of the Welsh Ministers, to:
- act in a professional advisory and consultancy capacity in connection with transport projects in Wales by providing support and expertise to the Welsh Government;
 - provide compliance with the Welsh Government's requirements for projects in respect of the statutory administrative stages of preparation, engineering standards, construction, propriety and financial and contractual control by providing support and expertise to the Welsh Government;
 - provide project management services in connection with transport projects in Wales by providing support and expertise to the Welsh Government.
11. TfW was remitted, in the first instance, to design and undertake the procurement process for the next Wales and Borders rail services and the South Wales Metro, and to develop options for the North Wales Metro.
12. TfW's remit has been extended to include the management of the rail services contract, and delivery of the South Wales Metro and the North East Wales Metro.
13. TfW Rail Services (KeolisAmey Cymru) will operate the Wales and Borders rail service contract from 14 October 2018, for 15 years until 16 October 2033.
14. The Welsh Government's Economic Action Plan states that the public transport network will be increasingly directly owned or operated by TfW. As an expert delivery body, separate to the Welsh Government, TfW has a clear and specialised dedication to a single ambition: to support the delivery of transformational integrated transport system in Wales.
15. To the Economic Action Plan commitment, consideration is being given to what day-to-day management elements of the Wales' transport network can be transferred to TfW.
16. This is not privatisation nor is it out-sourcing. As a wholly owned subsidiary of the Welsh Ministers, TfW is part of the public sector in Wales. Both risk and opportunity is retained in the public sector, but within a specialised dedicated delivery organisation.
17. There are a number of different delivery models across the UK, including Transport for London, Transport Scotland, MerseyTravel and Transport for Greater Manchester. How these organisations operate – their constitution, structure, legislative framework and funding – vary, but they all have a consistent and clear remit: to coordinate the transport system across their respective region.

Procurement process

18. In line with best practice, assurance reviews were undertaken at key decision points throughout the procurement of the ODP. A Lessons Learnt report on the procurement process is in progress and will be published in the new year.

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19. A redacted version of the ODP Grant Agreement will be published on Transport for Wales' website before the end of this calendar year.

Monitoring and Management of TfW

20. TfW is a wholly owned subsidiary of the Welsh Ministers. It has a clear, legal identity within a robust and well-established framework. There is a distinct separation between the Welsh Government and TfW, allowing TfW to make independent operational decisions.
21. Accountability is secured by a series of strategic levers including the Company's Articles of Association, the Framework Agreement (currently the Management Agreement) and the Remit Letters. Some elements, such as the Articles of Association, are required by law; others help to guide the interaction between TfW and the Welsh Government.
22. The day-to-day relationship with TfW is overseen by the TfW Sponsor Team and the TfW Client Team(s) within the Welsh Government's Department for Economy, Skills and Natural Resources.
23. The purpose of the TfW Sponsor Team is to support TfW in being an accountable, high-performing organisation, delivering value for money services as outlined in their business plan and supporting the Welsh Government in achieving its objectives.
24. The TfW Client Team(s) is responsible for setting the programme of works and is the single point of delegated authority, contract ownership and management for specific activities remitted to TfW.
25. The relationship between the sponsor and client team will ensure a good degree of challenge from having separate, yet overlapping, delegations with clear single point for accountability. Together the sponsor and client teams provide assurance on:
- TfW business plan development (sponsor team, supported by client team)
 - appropriate operational strategies to best implement policies set by Ministers (client team, supported by sponsor team)
 - governance of TfW (sponsor team)
 - working relationship on the delivery of investment projects (client team)
 - budget allocation (sponsor team, supported by client team)
 - progress against business plan milestones and metrics (sponsor team)
 - progress and status of projects (client team)
 - performance against efficiency metrics (sponsor team)
 - performance against delivery metrics (client team)
 - risk management (client team)
 - scrutiny of performance of TfW (sponsor team, supported by client team)
 - management of information relating to the use of resources compared to budgets (sponsor team, supported by client team)

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26. The Client team receives monitoring reports on a suite of delivery metrics that link back to the outcomes the Welsh Government set out to procure, which forms part of the process to provide assurance that TfW is delivering against its remitted activity. These delivery metrics cover both rail service and infrastructure delivery.

Funding

27. At present, TfW relies solely on the funding provision from the Welsh Government. The cumulative funding available to the Company to date to meet their current remit is:

Cumulative Revenue Funding	£48,917,000
Cumulative Capital Funding	£21,487,000

28. The Cumulative Revenue Funding includes the contractual payments due to the ODP under the Grant Agreement that are paid directly by TfW on behalf of the Welsh Government.

29. The balance of the revenue funding includes the Company's operating costs to manage the ODP on behalf of the Welsh Government, to deliver its wider remit and its corporate operating costs.

30. The Cumulative Capital Funding covers the delivery of rail infrastructure projects, including, but not limited to, projects to support the delivery of the South Wales and North East Wales metro, Bow Street Station and Llanwern Station and Major Events Stabling Line.

North Wales Metro

31. The North Wales and North East Wales Metro seeks to connect communities to jobs and services and encourage modal shift through an accessible and integrated transport system that includes modern rail, bus, active travel and park and ride facilities. We plan to identify and develop further initiatives that meet the needs of people in both Wales and England, enabling access to existing and planned employment opportunities.

32. A cross-border officer steering group has been established and is developing further the vision published in March 2017. The focus is on developing integrated transport hubs across the region, improving connectivity between the hubs and to /from the rural hinterland.

33. The initial work has concentrated on Deeside and Wrexham. The intention is to develop other hubs across the wider region focusing on the Abergele/Rhyl/St Asaph, the Colwyn Bay/Conwy/Llandudno and Bangor/Menai areas as well as key hubs in the Mersey Dee catchment. Work is currently underway to identify a programme of interventions to improve connectivity within the hubs, to the hubs and between hubs, including across the Wales – England border and to Liverpool.

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34. TfW's leadership role in delivering the South Wales Metro provides the route to build our capability to develop and deliver the Metro model elsewhere in Wales, accelerating our delivery of the North Wales Metro. TfW will be establishing a North Wales Business Unit. TfW will begin delivering the North Wales Metro by increasing the frequency on the Wrexham to Bidston Line to 2 trains per hour from 2021 with fully refurbished Metro style trains.
35. The North East Wales Metro transformation will benefit from the station investment programme, TfW will invest in an integrated Shotton Station and Wrexham General Station from April 2024, to enable North Wales Metro capability. TfW will also invest to co-fund new station buildings at Blaenau Ffestiniog.
36. Other planned train service improvements include introducing a new one train per hour service from Chester to Liverpool Lime Street in May 2019, revising timetables in December 2022 to introduce a new Liverpool to Llandudno and Shrewsbury service (one train per hour) and Liverpool to Cardiff (one train every two hours), plus direct services between Manchester Airport and Bangor.
37. As part of TfW's commitment to north Wales, they will:
- Introduce a new fleet of diesel multiple units (DMUs) to the North Wales Coast in 2022.
 - Reduce walk-up and season fares to, from and within North Wales by 10% to encourage travel.
 - Create a true intercity experience on the North-South long-distance services, bringing 12 newly refurbished Mark IV carriages to Wales.
 - Introduce two new Community Rail Partnerships on the North Wales Line and the Crewe to Hereford line. These will be supported by the recruitment of two new Community and Stakeholder Managers and 13 Community and Customer Ambassadors.
 - Provide ticket machines at more stations.
 - Introduce a pay-as-you-go facility for users of the TfW app from April 2021, finding the lowest available fares.

Swansea Bay Metro

38. The South West Wales region remains one of our priorities for improving the connectivity and transport links for the benefit of the public and the economy of the area.
39. £115,000 was allocated to Swansea Council in 2017-18 to develop their concept vision for the South West Wales Metro and Welsh Government have provided further funding of £700,000 this financial year for a more detailed business case for the South West Wales Metro via the Local Transport Fund. Swansea County Council is coordinating this work in partnership with the other local authorities in south west Wales.
40. The next phase of work will involve analysis of datasets to ensure that the current and planned trip generators, attractors and travel habits are well understood before any proposals are made with respect to how Metro principals might be applied.

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41. Swansea Council will continue to lead on the development of the concept in 2018-19, where works will be undertaken to apply a more thorough assessment and testing of the concept through a strategic outline business case. My officials have met Swansea Council to discuss governance arrangements necessary to co-ordinate the various projects being undertaken in the South West region and to agree the next steps for developing the transport model for the area. Further meetings have now been planned with the four local authorities and TfW to progress with these activities and to agree a programme of work.
42. Professor Mark Barry has led the development of the case for investment in rail infrastructure in Wales, including the south Wales mainline, which supports the transfer from road to rail. The summary of the case for investment was published in the summer and sets out an overarching vision and set of objectives for rail in the Swansea Bay area. These will inform the individual scheme strategic outline business case for enhancements currently being developed by the Department for Transport. Mark Barry is working closely with Swansea Council to ensure his work continues to help to inform the business case work for the South West Wales Metro.

Asset transfer process

43. Subject to the satisfactory outcome to the due diligence process, the Welsh Government will become responsible for the rail infrastructure that operates on the Valley lines north of Queen Street station. This vertical integration of track and train will give us greater flexibility to manage and control investment for the timely delivery of cost effective enhancements to the Metro that will meet the needs of communities in the valleys. The agreed intention is to transfer the rail asset by the end of 2019, alongside the transfer of the appropriate funding, from the UK Government, to operate, maintain and renew the rail infrastructure transferred. Discussions on the detail of the mechanism for transferring the asset, alongside the due diligence work, are ongoing. The Chief Secretary to the Treasury has already agreed to the principle that the transfer should be fiscally neutral.
44. Once the asset is transferred TfW will become responsible for managing the infrastructure and the trains that operate on it, bringing a closer synergy between track and train. TfW will be able to explore infrastructure enhancements and extensions to enable further services to be introduced along existing rail corridors.
45. Responsibility for the operation, maintenance and renewal of the rail asset resides with Network Rail, and will do so until its transfer.