

# Agenda – Economy, Infrastructure and Skills Committee

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Meeting Venue:

**Committee Room 1 – Senedd**

Meeting date: Thursday, 6 April 2017

Meeting time: 09.00

For further information contact:

**Gareth Price**

Committee Clerk

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**Private pre-meeting (09:00–09:15)**

**1 Introductions, apologies, substitutions and declarations of interest**

**2 Network Rail – Inquiry into rail franchise and Metro delivery**

(09:15–10:15)

(Pages 1 – 24)

Alexia Course, Programme Director (Route Commercial & Change), Network Rail

James Jackson, Principal Programme Sponsor Refranchising & Metro, Network Rail

Tim James, Head of Strategy and Planning, Network Rail

Attached Documents:

Research brief

EIS(5)–11–17 (p1) Network Rail

**Break (10:15–10:30)**



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

### **3 Department for Transport (DfT) – Inquiry into rail franchise and Metro delivery**

(10:30–11:15)

(Page 25)

Eddie Muraszko, Deputy Director, Midlands, North & Wales Market, DfT

Stuart White, Programme Director, Network Services London and South East, DfT

Attached Documents:

EIS(5)–11–17 (p2) Department for Transport

### **4 Engineering sector panel – Inquiry into rail franchise and Metro delivery**

(11:15–12:00)

(Pages 26 – 32)

Ed Evans, Director, Civil Engineering Contractors Association (CECA) Wales

Neil Sadler

Keith Jones, Director, Institution of Civil Engineers Wales Cymru

Attached Documents:

EIS(5)–11–17 (p3) Civil Engineering Contractors Association (CECA) Wales

EIS(5)–11–17 (p4) Neil Sadler

### **5 Paper(s) to note**

#### **5.1 Correspondence from the Cabinet Secretary for Finance and Local Government regarding the Horizon 2020 Annual report 2016**

(Pages 33 – 34)

Attached Documents:

EIS(5)–11–17 (p5) Correspondence from the Cabinet Secretary for Finance and Local Government regarding the Horizon 2020 Annual report 2016

**6 Motion under Standing Order 17.42 to resolve to exclude the public from items 7 and 8**

**7 Scoping paper – Impacts of congestion on the bus industry in Wales**

(12:00–12:10)

(Pages 35 – 38)

Attached Documents:

EIS(5)–11–17 (p6) Scoping paper

**8 Forward Work Programme**

(12:10–12:20)

(Page 39)

Attached Documents:

EIS(5)–11–17 (p7) Forward Work Programme

**Break (12:20–14:00)**

**9 Cabinet Secretary for Economy and Infrastructure – Inquiry into rail franchise and Metro delivery**

(14:00–15:00)

(Pages 40 – 44)

Ken Skates AM, Cabinet Secretary for Economy and Infrastructure

Simon Jones, Director Transport and ICT Infrastructure, Welsh Government

Attached Documents:

EIS(5)–11–17 (p8) Cabinet Secretary for Economy and Infrastructure

**Private de-brief (15:00–15:15)**

# Agenda Item 2

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## **Response to the National Assembly for Wales' Economy, Infrastructure and Skills Committee Inquiry: Rail franchise and Metro**

### **Network Rail: the national System Operator**

Great Britain relies on railways for economic growth, creating jobs and building sustainable communities. Across Wales and the English Borders the railway is the economic and social lifeblood of many towns, cities and rural communities.

Network Rail operates, maintains, renews and enhances Britain's railway infrastructure. Following the reclassification of Network Rail as an arm's-length public sector body in 2014, we continue to manage Britain's railway infrastructure within our regulatory frameworks. As a public sector body, we are committed to delivering value to customers and taxpayers.

We have one of the safest and fastest-growing railways in Europe. The number of passenger journeys in Wales is at the highest point in modern times with over 30m journeys in 2015/16 - double the number travelling less than 20 years ago.

At the same time, over a half of Europe's most congested infrastructure is found in Britain and Network Rail is responding by delivering our railway upgrade plan. Some recent examples include the £300 million Cardiff Area Signalling Renewal project, the upgrade of the Severn Tunnel as part of the electrification of the South Wales mainline, and the resignalling of the North Wales coast line currently underway.

Network Rail is a national business with devolved Routes running the railway day to day for the benefit of passengers and communities. The Wales Route was established in 2011 and is accountable for the safety, punctuality, operation, maintenance, renewal and improvement of the network. The devolved structure of the business in Wales means that Network Rail is prepared for further devolution of rail powers from Westminster to Cardiff, and we indicated our readiness in our evidence to the Silk Commission.

Our principal stakeholders are the Department for Transport, the Welsh Government and Transport for Wales, and our key customers are the Train and Freight Operators and the passengers and industries they serve. The Wales Route employs over 1,500 staff directly with thousands more skilled people employed through our local, regional and national supply chain. Across the Wales Route there are 246 stations, 1,545 track miles, 1150 level crossings and over 2,920 bridges.

Network Rail recognises the clear link between improving railway services for passengers and growing the economy. The railway will need further investment in order to modernise services and stations so that it is fit for the future. We welcome the Welsh Government's ambitious proposals to invest in better services for passengers and the economy.

The Welsh Government owns the business case for the new rail service and the Metro. As custodian of the national rail network, Network Rail is supporting Welsh Government to understand the impact of the proposed rail service, as passengers and markets cross geographic and political boundaries.

As a public sector body, Network Rail wants to make sure the proposals are of value to all passengers and there is a benefit to taxpayers, as passengers elsewhere in the UK should be no worse off in terms of connectivity or cost of tickets. This is critically important because as System Operator for Britain's railway, Network Rail must make sure that all of the plans and proposals fit together in the context of planning a reliable timetable that allows for journeys across Great Britain. The System Operator function is the glue that bonds the national timetable together.

## **Wales Route Study: dealing with growth across the route**

Network Rail has a licence condition to forecast demand growth for the rail market (both passenger and freight), and present options to accommodate that growth for governments and other funders. Our Wales Route Study covers much of the geography of the new rail service, and was published in March 2016.

In that document, we showed that the route had experienced a 46% increase in passengers since 2003, and we predict an increase in rail commuting to the Cardiff city region of 68% by 2023 and 144% by 2043. In the long term market major growth is also expected from South Wales to London, from North Wales to the English Midlands and the English North West, and from the Cambrian routes into the West Midlands.

Network Rail has set out a number of solutions to meet this growing demand for rail travel and these are set out as Choices for Funders. We provided evidence to a previous Committee Enquiry about these and a summary of some of the Choices for Funders follows:

- To introduce longer trains or more frequent services on the Valley Lines;
- Upgrade the relief lines between Severn Tunnel Junction and Cardiff;
- Redevelop Cardiff Central station to improve capacity and experience;
- Lengthen selected trains on the Cardiff to Manchester route;
- Improve speeds and train intervals on the North Wales Coast line;
- Improve frequencies of trains from Wrexham;
- Continuation of hourly services on the Cambrian line.

Other recommendations were made for funders, and more detail can be found in the document which is available via the Network Rail website

## **Network Rail's aspirations for the new rail service**

Network Rail has a number of aspirations for the new rail service, both tactical and strategic. They include (but are not limited to):

- Deepening collaboration between Network Rail and the ODP so that both organisations are driven to put passengers first;
- Aligning performance and punctuality incentives of both Network Rail and the ODP;
- Bringing Network Rail and ODP teams together to improve communication;
- Commitment to reliable timetables and joined up planning processes;
- Provision digital railway capability across the system, including rolling stock;
- Fitment of on-train infrastructure monitoring equipment;
- Preventing the uncontrolled discharge of effluent onto the railway from the toilets on older trains, improving station environments and our workers' welfare.

Network Rail believes the new rail service provides a great opportunity for the infrastructure provider and the train operator to work more collaboratively in order to improve the public transport offer to passengers in Wales and the English borders. We have spoken with bidders about the potential for deepening our mutual incentives through the duration of the rail service grant to better align both partners in delivering for customers.

In the opportunities presented by Welsh Government's procurement approach we continue to work with both bidders and Transport for Wales to progress these aspirations, many of which require integration with a rolling stock strategy.

## **Network Rail's assistance in the procurement of an Operator & Development Partner (ODP)**

Welsh Government is procuring an ODP to provide passenger service throughout the Wales & Borders network, as well as propose infrastructure changes on the Core Valley Lines and potentially operate those routes as an Infrastructure Manager for Welsh Government.

Network Rail is assisting the procurement through the following activities:

- Providing information to bidders directly into the procurement data room and through the Clarification Question process managed by Transport for Wales;
- Meeting directly with bidders in Competitive Dialogue sessions overseen by Transport for Wales, helping bidders develop their proposals through meaningful exchanges;
- Assisting Transport for Wales in developing proposals to further devolve management of the Core Valley Lines (as below).

It should be noted that this is a live procurement exercise, and at the time of writing Network Rail has been given neither outline nor detail of what the bidders are proposing.

This is a novel procurement, both in terms of programme and award, which provides Welsh Government a vehicle to enable transformation of the Core Valley Lines. The procurement programme is driven by two determining factors: the expiry of the current franchise (October 2018) and the bringing into service of Core Valley Lines service enhancements to meet European Funding deadlines (2022/2023). Challenges also exist in the wider rail service geography, including the introduction of new rolling stock accessible to people of reduced mobility (2020 unless deferred).

Network Rail's view is that the procurement timeline is both understandable and very challenging, particularly in relation to the delivery of interventions in the Core Valley Lines. Wherever possible, Network Rail is planning its own activities to facilitate Welsh Government's programme.

### **Further devolution of the Core Valley Lines**

Since January 2016, Network Rail and Welsh Government have in place a Memorandum of Understanding regarding the parties' aspirations to further devolve parts of the Welsh rail network (the 'Core Valley Lines' from Cardiff Bay to Cardiff Queen Street and all points North thereof – see Figure 1 below). Our main relationship in delivering this further devolution has been with Transport for Wales.

Network Rail will support Welsh Government's aspirations provided there is no net adverse impact on Network Rail's business, and that the programme demonstrates a positive whole-industry business case. Network Rail has made further in-principle commitments for the comfort of Bidders in the procurement exercise, to the extent that it will facilitate a wide variety of outcomes including:

- the retention of the Core Valley Lines as part of Network Rail's infrastructure;
- the divestment of the Core Valley Lines to Welsh Government;
- the amendment of Network Rail infrastructure to facilitate interconnected services on a different pattern to present;
- the complete segregation of the Core Valley Lines and facilitation of the impact on Network Rail infrastructure.

Network Rail has an obligation to the Government to demonstrate the realisation of value from either transaction according to Treasury Green Book rules through the development of a Five Case Model business case. Any of the options above will need to satisfy a Network Rail business case which will be predicated on a commercial arrangement to hold Network Rail harmless from:

- inefficiencies incurred as a result of a changed geography for Wales Route;
- a reduction in our income which is not matched by a reduction in our costs;

- effects on our current or future Control Period settlements that cannot be renegotiated with the Office of Rail and Road;
- liabilities related to the Core Valley Lines, principally the value of the debt associated with the assets but also including obligations relating to the infrastructure.

Network Rail manages assets by class rather than on a line-of-route basis. Nevertheless it has tried to estimate the likely costs and benefits arising from the Core Valley Lines infrastructure (as part of the national rail network) to inform both Welsh Government and the Bidders of the scale of Network Rail's business in the Core Valley Lines.

Network Rail will assist Welsh Government in identifying the obligations currently met by Network Rail which may need to be undertaken either by the future owner of the asset, or the future Infrastructure Manager. It is helpful to think about the further devolution of the Core Valley Lines as being formed of two distinct elements:

- 1) Transfer of the Core Valley Lines' assets from the ownership and control of Network Rail to Welsh Government; and
- 2) The relinquishing of Network Rail's Infrastructure Manager role over the Core Valley Lines routes, to be assumed by the ODP.

These two elements need not occur at the same time. The infrastructure can continue to be managed by Network Rail as an agent of the new owner, Welsh Government, until such a time as the ODP is in a position to assume the responsibility of Infrastructure Manager. This might even be done on a line-by-line basis, if appropriate. Network Rail continues to offer a flexible approach to Welsh Government to mitigate risks that might arise from the challenging programme.

### **Wales & Cross Border services: the wider network**

Among the principal challenges relating to the wider network is the delivery of the Cabinet Secretary's priority of new rolling stock within the legal timescales related to provision of access for people with reduced mobility. Unless derogations are successfully obtained, rolling stock must be compliant with statutory obligations in 2020. A rolling stock strategy within an existing franchise would normally provide for this but as the rail service commencement falls close to the compliance deadline, Welsh Government have chosen to include new (or retrofitted) stock as a condition of the grant award. Different bidders will have different proposals to meet this need, and therefore industry process relating to the introduction of new rolling stock may come under significant pressure.

Other deliverables across the rest of the network may include bidders' proposals for new infrastructure including platforms, passenger facilities and potentially system enhancements. Network Rail is open to a range of appropriate delivery routes for new infrastructure, notwithstanding its need to protect its own infrastructure and the integrity of the wider network. When we are informed of bidders' proposals we will happily give advice about possible delivery routes for such work.

### **Programme and risk**

Network Rail anticipates two challenges in Welsh Government's procurement programme, particularly in relation to the Core Valley Lines elements:

- 1) Scale of commercial transactions

The accurate description of the Core Valley Lines and their conveyance from Network Rail to Welsh Government, as well as the transfer of the Infrastructure Manager business to the successful ODP, is a large and complex transaction. Due diligence and final terms for both will not be complete prior to the award of the rail service grant.



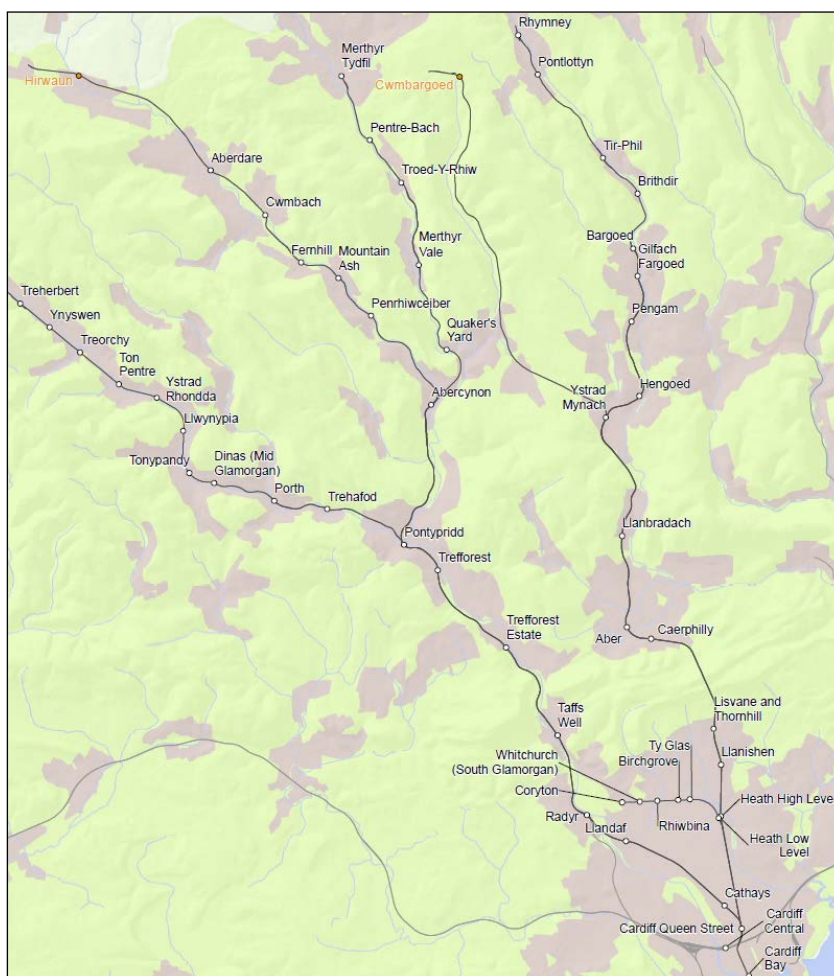
## 2) Technological outcomes

The potential creation of a separate network with interconnecting services – if this is procured by Welsh Government – will introduce novel interfaces to the Cardiff area, potentially with new technologies and new rail vehicles. Network Rail will facilitate this to the greatest extent possible while maintaining the integrity of our infrastructure and the safety of the network.

### **Summary of Network Rail's support for Welsh Government**

- 1) Provision of options for funders in the 2016 Wales Route Study, creating the case for investment and change;
- 2) Clear statements of intent to government and the rail industry with our Memorandum of Understanding and In-Principle Commitment;
- 3) Support for bidders at both Outline Solutions and Competitive Dialogue phases of procurement, including direct meetings and provision of information;
- 4) Provision of novel and detailed information far in excess of classic refranchising;
- 5) Preparing with Transport for Wales a joint programme for procurement and delivery;
- 6) Drafting and agreement of a joint commercial plan relating to regulatory, financial and commercial changes related to the Core Valley Lines;
- 7) Preparation of Network Rail's business for future changes, and the recruitment of staff to facilitate the transition.

Figure 1: Core Valley Lines





## Department for Transport

### **National Assembly for Wales EIS Committee inquiry - Rail Franchise and Metro**

#### **Submission from the Department for Transport**

The UK Government agreed in principle to devolve the Wales and Borders franchise in November 2014 so that the Welsh Government could lead on procurement of its replacement from October 2018.

Through its agency, Transport for Wales (TfW), the Welsh Government is currently progressing a wider procurement of an operating and delivery partner for a combined Wales and Borders franchise operation and development of a South Wales Metro system (including enhancement and taking over the management of the core Valley Lines).

In October last year, agreement was reached with the Welsh Government on the geographical scope of their franchising powers and on the terms of an 'agency' agreement enabling the Welsh Ministers to exercise certain powers of the Secretary of State in order to announce their shortlist of bidders, in advance of the transfer of franchising powers.

It has been agreed that the Welsh Ministers should be provided with statutory franchising powers within Wales. In addition they should be provided, through a further agency agreement, with the necessary powers to specify and manage the English component of cross-border services and services wholly within England subject to certain requirements in relation, for example, to the franchise's specification and management in respect of England and future funding. This approach ensures the Secretary of State's democratic accountability for rail operations in England, while avoiding the need to remap any current Wales and Border services to other franchises.

The Department is working closely with the Welsh Government and TfW both to support their procurement exercise and to reach final agreement on the terms of devolution; and is expecting to have completed all necessary steps in time to enable an Order to effect a transfer of franchising powers to come into force before the end of this year.

In recognition of the fact that the Secretary of State has legal obligations to consult Passenger Transport Executives on new franchises, the current Welsh Government public consultation on the priorities for the next franchise is also being undertaken on behalf of the Department for Transport.

24 March 2017

# Agenda Item 4

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills Committee

Masnachfrait Rheilffyrdd a chyflwyno Metro / Rail Franchise and the Metro

Ymateb gan Gymdeithas Contractwyr Peirianeg Sifil Cymru / Evidence from Civil Engineering Contractors Association (CECA) Wales

Thank you for the opportunity to provide evidence to the Economy, Infrastructure and Skills Committee on the development of the Wales and Borders Rail Franchise and South Wales Metro.

As a Chartered Civil Engineer and Director for the Civil Engineering Contractors Association (CECA) Wales I feel that this represents a hugely exciting opportunity to develop rail services across Wales, improve the economic prospects of Wales and to further opportunities for our members. We represent 60 of Wales' largest and smallest civil engineering contracting businesses with a cumulative annual turnover in excess of £1bn and employing over 6,000 people. These businesses play a huge part in supporting communities across Wales and make a significant contribution to the economic prosperity of our nation. Our members are also major providers of training and apprenticeship opportunities and, on a more fundamental level, it is our members who will build the infrastructure that our nation needs to prosper - including, most probably, the infrastructure associated with the Rail Franchise.

To avoid straying into too broad a review of the franchise and the expected service benefits to rail users I have largely confined my comments to :

- the procurement processes associated with the letting of the franchise;
- the procurement of infrastructure partners;
- risks associated with the procurement process;
- the opportunities for Welsh SMEs;
- the broader community benefits which could/should accrue from the investment in infrastructure eg supply chains, skills and training, local communities.

## **The procurement processes associated with the letting of the franchise**

Transport for Wales, as the procurer of the franchise, has elected to pursue a procurement process for its Operational Development Partner (ODP) based on the competitive dialogue process. Given the complexities associated with this franchise this would appear to be a very sensible approach. It is a recommended process for contracts which are particularly complex and where a client or purchaser is unable to clearly define a technical solution (and/or financial/legal solutions) to meet their needs or objectives. The process is also helpful where greater market innovation is required as it allows the buyer and suppliers to share knowledge and expertise to deliver specific outcomes. Many would say it takes collaboration to a far more mature level where greater benefits can be achieved. Given the particular circumstances surrounding this franchise, the current pace of technological change, potential changes in customer/citizen expectations, continuing uncertainties over future responsibilities and the lessons learnt from the inflexibility of the previous franchise this approach, whilst open to certain risks, offers a practical and flexible way forward.

## **The procurement of infrastructure delivery partners (separate to the franchise)**

Whilst a competitive dialogue process is being followed to appoint an ODP (including a preferred infrastructure partner) this is unlikely to be appropriate for appointing other infrastructure partners to either support the “ODP infrastructure partner” to deliver the initial improvements or to be commissioned separately during the term of the franchise to deliver further improvements or maintenance work.

The proposal by TfW is that separate framework agreements (also referred to as “call off” contracts) be established with other infrastructure delivery partners for a range of services. These frameworks would also be open to those infrastructure partners bidding as part of the ODP process. This provides an opportunity for contractors based in Wales to directly engage with TfW to undertake works across Wales over the 15-year period. For these arrangements to be successful they need to be procured and managed in a collaborative manner following industry good practice and compliant with the Welsh Government’s Procurement Policy Statements. Forms of contract should be collaborative with the NEC form of contract providing a well-established template.

## **The risks associated with the procurement process for the ODP?**

Whilst the process of competitive dialogue would be considered appropriate in these circumstances the approach would not be considered “routine” and, as far as I am aware, has not been pursued previously in the UK rail sector. The obvious risk arising from this is that there is no previous experience to learn from. However, the approach has been used in other sectors and the process is relatively well understood.

In addition to the risk of being a “trailblazer” in this sector the following risks also need further consideration :

1. The availability of skilled personnel within the public sector to manage the process, particularly in the rail environment;
2. The ongoing uncertainty in areas such as :
  - a. the devolution of powers for the rail sector in Wales;
  - b. electrification of the mainline to Swansea;
  - c. the availability of suitable rolling stock;
3. Difficulties in estimating costs;
4. The relatively tight timescales.

### **1. Skilled personnel**

Given the significant demand for skilled personnel in the rail sector plus the specific procurement expertise needed in this area the resources available to TfW need to be carefully scrutinised to ensure that agreed timescales are maintained and value for public money is delivered. Their current establishment appears “light” although it is recognised that they have some experienced and competent individuals in place. However, serious consideration should be given to strengthening the TfW team with “contracting” expertise to support assessment of “buildability” of any proposals from the potential franchisees, to commercially assess risks and to quality assure/reality check cost proposals (to avoid unrealistic budgeting).

### **2. Ongoing uncertainty in a number of areas**

There are a number of fundamental ongoing uncertainties with this project which need to be brought to a conclusion quickly if the process is to continue. TfW is unlikely to be able to fully

control these uncertainties and is probably highly dependent on the cooperation of others to address them.

The potential impacts on Network Rail arising from the considerable changes which will arise from this project (loss of control, authority, influence, etc) could, if not sensitively managed, create a culture of non/limited cooperation which may impact timescales and costs.

Uncertainty over future investment in electrification of the main line to Swansea will make it difficult for potential franchisees and TfW to plan ahead/make effective decisions particularly in terms of rolling stock.

### 3. Difficulties in estimating costs

Projects of this scale and nature are often susceptible to cost differentials and the complexity and risk associated with this project will need careful management and constant scrutiny. As mentioned in point 1 I feel that consideration should be given to introduce a “contractor” presence within the TfW team to support assessments of “buildability” of any proposals from the potential franchisees, to commercially assess risks and to quality assure/reality check cost proposals (to avoid unrealistic budgeting).

### 4. Timescales

The process for competitive dialogue is essentially based on 4 key stages :

- Pre-qualification stage - to identify a “select list” of potential bidders
- Invitation to dialogue - to develop a shortlist of bidders
- Invitation to continue to dialogue - to refine the shortlist
- Final tender - to identify the preferred bidder

However, considerable resource is needed early in the programme, particularly during the dialogue stages, to ensure that bidders proposals are adequately scrutinised. This risk follows on from the availability of skilled personnel and ongoing uncertainties/indecision. Timescales are likely to be compromised unless both issues are addressed.

Note. There is less risk associated with the procurement process for other infrastructure delivery partners (outside the franchise arrangements) as the procurement proposals are well understood and practiced. However, as mentioned throughout this correspondence it is important that arrangements be progressed on a collaborative basis utilising good industry practices.

### **The opportunities for Welsh SMEs - through “sensitive” procurement**

As this project progresses we would hope to see significant opportunities for Welsh suppliers both in infrastructure and other sectors. We would hope to see the principles set out in the Welsh Government’s Procurement Policy Statements fully applied and would recommend that this be reviewed in the context of the construction sector.

CECA Wales and its partners across the UK recently produced its “CECA Procurement Report - Directions in Policy for the UK Construction Sector” which we have shared with a number of major infrastructure clients across Wales. The report contains recommendations for improving the procurement process which continues to be far too bureaucratic and costly across the UK.

We would be very happy to share this with the Committee and with TfW with a view to influencing better outcomes for Welsh SMEs from this process.

**What are the wider benefits we should expect to see?**

A range of broader community benefits could/should accrue from the investment in infrastructure eg growing supply chains, extending skills and training opportunities, direct benefits to local communities and employment opportunities for disadvantaged groups. Whilst the Welsh Government's Procurement Policy Statements and associated guidance set out how much of this can be achieved there is an opportunity, via this project, to develop a multi-agency approach to properly coordinate activities. This should be established in advance of any contract awards to proactively support those delivering infrastructure to maximise these wider benefits. It should not be seen by TfW or the successful ODP as a means of transferring these responsibilities down the supply chain - otherwise the full benefits will be lost.

We would like to see greater engagement of the civil engineering contracting sector by TfW in assessing the implications for the procurement process from the Wellbeing of Future Generations Act. This could take the form of a joint workshop involving Welsh Government officers, TfW, the civil engineering contracting sector and the Future Generations Commissioner to test opportunities via the procurement process.

**Wider concerns**

A further concern which needs to be considered relates to the longer-term liabilities associated with the existing infrastructure assets, particularly if TfW adopt the Infrastructure Manager role from Network Rail. The rail network in Wales, and the Valley Lines in particular, are very old and it is probable that maintenance expenditure on many assets in Wales will have been reduced in anticipation of potential capital improvements to these assets. To avoid acceptance of unintended liabilities recent levels of rail funding in Wales should be examined to see if this is the case and appropriate budgetary adjustments should be made/sought to compensate.

I trust that these views and observations are helpful to you and your Committee but please contact me should you wish to discuss these matters in greater detail.

Yours sincerely

**Ed Evans**  
Director, CECA Wales/Cymru

This contribution is in response to the invitation from the Committee to comment on the issues being considered by the enquiry and provides the observations of the writer as professional engineer with over 40 years' experience in UK infrastructure. It is based on a limited knowledge of the current procurement process obtained via the media and public notices. It does not necessarily represent the views of ACE members as no local consultation has been undertaken. This is because many of our active members currently have direct interest in the procurement process.

Before addressing the noted issues directly an observation is made on the timing of this particular Committee Enquiry. It is understood that the procurement process is underway and it is assumed that the rules for tendering are established with the bidding teams through documentation issued by Transport for Wales (TfW). It is also recognized that the EIS Committee will wish to be well-informed when scrutinising Welsh Government proposals for award of the Contract. It is suggested therefore that care is needed in the timing of any negative or specification-changing recommendations that might jeopardise the award process. The costs of tendering by the four teams will be substantial such that the appraisal process will itself be under close scrutiny by them. The East Coast Main Line franchise experience might be noted in this regard.

Issue 1: The effectiveness of the Welsh Government's approach to the development, procurement and delivery of the rail franchise and South Wales Metro, including key risks and how they can be mitigated;

- a) The initiative has been described as an "ambitious and creative not for profit model". The procurement strategy is agreed as bold and ambitious and is possibly, in its £5bn value, of unprecedented scale in Wales. The apparent objective to pursue an integrated transport agenda is welcomed but it is suggested that highly effective project management will be vital to the successful delivery of the development objectives. This will require appointment of an exceptionally well-skilled team with extensive experience of projects of the largest scale but with the adaptability and local knowledge to deal with the plethora of stakeholder issues that will inevitably arise when working in the urban environment with 100+ year old infrastructure. A clear plan with no invisible obstacles and continual funding stream will be vital. Lessons learned from the Great Western Electrification projects will be important.
- b) Without knowledge of any tender specification, stipulated or anticipated requirements for passenger movements in the Metro are not clear. It seems important that the over-arching objectives are established – for example – are commuter movements in and out of Cardiff to be prioritised (68% growth recently predicted). Or, given restrictions on land and the desire to create employment in the Valleys should the motivation be to transport people out of the city areas? Movements of not just passengers needs proper planning – freight is also important.

- c) It is noted that three of the four tendering teams have a high level of representation of companies from mainland Europe. Is the (possibly unknown) effect of Brexit on these companies manageable within the tender process given the proposed award early in 2018?
- d) Information on proposed coordination and, hopefully, collaboration with Network Rail has not been seen. The project management referred to above will need to fully embrace all the interfaces with Network Rail and other Train Operating Companies (including freight operators) active in Wales. Clearly defined objectives and responsibilities will be needed and the necessary resources committed in the interests of timely involvement and delivery.

#### *Issue 1(continued)*

- e) Not all of the rail routes are contained wholly within Wales – it is assumed that an appropriate arrangement exists with UK government to avoid an imbalance of investment through cross border interests.
- f) It appears that the procurement process includes for separate opportunities for (other) infrastructure contractors to undertake the detailed design and construction some of the development works under Early Contractor Involvement principles. Indications are that framework contracts will be established under 3 Lots — Electrification, General Civils and Track Works. A key strategy for the project will be in the way that these contracts are procured – how the workload is divided into manageable packages and how the appropriate capabilities and skills are procured efficiently. As Client TfW will wish to be assured that the Lead Contractor has proposals and demonstrable experience to do this effectively and the in-house resource to oversee this. Critical to this will be cross disciplinary coordination.
- g) Currently there is evidence of significant concern with other framework contracts in Wales – particularly with SME's who, at a recent conference, made strong assertions that it was easier to win work in England. This is likely to create challenges to the project in delivering the economic return to Wales and associated community benefits.
- h) As stated, this is an ambitious and possibly complex high value procurement such that identification of the favoured provider is likely to be a significant challenge. Without details of any scoring system or other means of judging proposals it is difficult to offer an opinion on the strategy for this but it seems likely that there is a prescribed process in place. The robustness to scrutiny of this process could be important.

Issue 2: Priorities for the franchise specification and Metro delivery to ensure rail services meet the needs of current and future travellers throughout the franchise area, and deliver value for money for both passengers and the taxpayer.

- i) Press reports have focussed quite heavily on the possible use of light railway and trams and the tendering teams apparently have significant experience of this type of project. It seems important to make sure that proper consideration is given to the movement of freight and that a “heavy rail”



facility remains as required and is developed as appropriate to aspirations for industrialisation. This is relevant to the plan for rail movements referred to in (b) above.

- j) The route plan for the Metro seems to focus largely on the routes in and out of the centre of Cardiff. East-West radial routes in the city are currently not well served and there would appear to be opportunity, presumably with interconnected bus routes, to improve this?
- k) There appears to be considerable focus on the involvement of the Metro scheme in the new Wales and the Borders franchise. It is hoped that emphasis on investment in some of the more outlying routes is not distracted by this and that the whole picture is given proper consideration in the assessment of tenders and agreement of the strategy going forward. The Heart of Wales Line and the Cambrian Lines are examples of valuable facilities in the promotion of Wales as a tourist destination and are significant in our cultural heritage. The legacy of the Beeching era is not a comfortable one and opportunities should be sought to maximise the benefit from these facilities.

#### *Issue 2 (continued)*

- l) 19<sup>th</sup> and 20<sup>th</sup> century industrialisation in Wales was heavily served by railways and dis-used and under-used routes are likely to exist both in South and North Wales. Since the proposed development of railways within this project is largely focussed on the urban areas land availability is almost certain to be a challenge. In both England and Scotland old disused routes have, or are being, reinstated – for example the East-West Route Project between Oxford and Cambridge and the Borders Railway. Similar opportunities may exist in Wales but even if none are shown to be viable there will be many existing rail corridors with “spare” width – for example where bi-directional single tracks have replaced original double tracks or the original track bed served multiple tracks such as around Cardiff. The current project could look to exploit such corridors for enhancement of the transport systems with the aim of minimising other interventions, and also for improvement of communication systems such as for Broadband.

Mark Drakeford AM/AC  
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Russell George AM,  
Chair of the Economy, Infrastructure and Skills Committee  
National Assembly for Wales  
Cardiff  
CF99 1NA

27 March 2017

Dear Russell

I am writing to inform you of the publication of the Horizon 2020 in Wales Annual Report 2016.

At over €70 billion, Horizon 2020 is the largest ever European Union (EU) research and innovation programme and is providing real opportunities for Welsh organisations to be at the forefront of research and innovation. Our jointly launched White Paper 'Securing Wales' Future: Transition from the European Union to a new relationship with Europe' makes very clear the economic and collaborative benefits Horizon 2020 brings to Wales, and how important it will be for us to continue to participate in Horizon 2020 and its successor programme after the UK leaves the EU.

The report, which is now available at <http://gov.wales/docs/wefo/publications/170327-horizon-annual.pdf>, sets out how Welsh organisations have performed so far in accessing Horizon 2020 funds, the progress made on our key objectives to achieve greater success and a forward look of activities in 2017. The report also includes several examples of organisations which have benefited from this important EU funding source.

I am delighted with Wales' progress made in accessing funds from this very competitive programme. Last October I was pleased to announce we had achieved a significant milestone, with Welsh organisations benefiting from over €54m of Horizon 2020 funds. The annual report also highlights other significant achievements including participations among Welsh organisations having almost doubled since the last annual report, a high level of participation from Welsh businesses, examples of cross-organisational working and the effective use of Structural Funds to help build the capacity needed to access competitive funding sources such as Horizon 2020.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

These achievements will be celebrated at our annual Horizon 2020 event in Cardiff on 30 March and will provide opportunities for further discussion with our partners to help us maximise Horizon 2020 in the months and years ahead.

Yours sincerely

A handwritten signature in dark ink, reading 'Mark Drakeford'. The signature is written in a cursive, slightly stylized font.

**Mark Drakeford AM/AC**

Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government

# Agenda Item 7

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# Agenda Item 8

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# Agenda Item 9

## ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE WRITTEN EVIDENCE – RAIL SERVICES AND THE METRO

1. The purpose of this paper is to provide written evidence to the Economy, Infrastructure and Skills Committee on the Wales and Borders rail services and South Wales Metro.

### Background

2. In 2014 it was announced that the responsibility for the specification and procurement of the next Wales and Borders rail service would be transferred to the Welsh Government. We are progressing with this procurement on the basis of this agreement.
3. Delivering our ambition is dependent on the UK Government meeting our expectations on the following:
  - The UK Government transferring the powers on time and as agreed.
  - The UK Government and Network Rail agreeing our plans for the Valley Lines, which are currently being discussed.
  - The Department for Transport agreeing suitable financial arrangements for the Valley Lines infrastructure.
4. We continue to press the UK Government to deliver a change in legislation that would allow public sector bodies to act as franchisees, as they are permitted to do in Scotland, but as with other requests, this has been rejected.
5. Despite the UK Government not devolving the full range of powers we have developed an approach that delivers much of what we aspire to, and leaves room for further development when those powers are devolved
6. A quality and reliable railway service that is part of an integrated public transport system across Wales is central to our integrated transport vision.
7. This agenda brings with it undoubted challenges but also fantastic opportunities to deliver on our wider aspirations for a bigger and better multimodal integrated network serving the needs of public transport passengers, walkers and cyclists all over Wales.
8. By reinvesting funds into the services that need it most and delivering a fairer, improved transport system we can help support economic growth and build the stronger communities and stronger Wales that we all want to see.
9. In the first quarter of 2016, a public consultation was held which aimed to inform the Welsh Government's approach to procuring the next Wales and Borders rail services. Respondents to the consultation stressed the need for enhancing the experience for passengers and provided us with their views on a wide range of areas.
10. Priority areas suggested for consideration included reducing overall journey times, reducing costs, capacity improvements, enhanced accessibility, better connectivity and improved punctuality, reliability and quality.

## **ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE WRITTEN EVIDENCE – RAIL SERVICES AND THE METRO**

### **Transport for Wales**

11. We have established Transport for Wales (TfW) as a wholly-owned, not-for-profit company to provide support and expertise to the Welsh Government in connection to transport projects in Wales. The Welsh Ministers will make any decisions on the procurement and any future arrangements, although this relies on the timely transfer of functions from the Secretary of State for Transport.
12. Its structure has been designed to be agile and flexible with the ability to scale resources up or down to meet project need and variable requirements, and to improve the Welsh Government's ability to recruit skills from the market more quickly.
13. TfW are currently providing expert advice and opinion to help us develop our requirements for an Operator and Development Partner for rail services and Metro and you have recently received evidence on the procurement process underway.
14. The procurement process is under way. The nature of this process means that the detail of how we will deliver our priorities will be informed by advice provided by Transport for Wales and the arrangements proposed by the winning bidder.
15. Once the contract has been let the new organisation will be responsible for the management and joining up of services such as marketing and integrated ticketing.
16. Over time the aspiration is to secure the necessary powers to enable it to take on a wider range of transport functions similar in nature to the way Transport for London manage the public transport network in London.
17. I will make decisions on the detail of how this fits together at the appropriate time.
18. In advance of these decisions, I recently announced that the HQ for Transport for Wales and the Operator and Development Partner will be in Pontypridd

### **Wales and Borders and South Wales Metro Procurement**

19. It would be inappropriate for us to provide any further details on the procurement process however to note that the bidders were provided with the Welsh Government's priorities at the start of the procurement process. We will expect bids to be aligned to the below priorities subject to the competitive dialogue process.

#### ***General***

- Ensure that all activities support the Welsh Government's policies and strategies.
- Ensure alignment with the Secretary of State for Transport's statement of policy published in March 2013 in exercise of his power under section 26(1) of the Railways Act 1993.
- Maximise benefits to the economy of Wales and the Borders area.

## **ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE**

### **WRITTEN EVIDENCE – RAIL SERVICES AND THE METRO**

- Deliver no increase in the current subsidy level and a clear business case setting out the need for increase needs to be provided if this is not achievable.
- Transport for Wales should appropriately incentivise an operator and the associated supply chain to deliver value for money contract outcomes, taking a fair view of not for profit bids. Any contract should incentivise reinvestment in the network / service improvements.

#### ***Stakeholder / Passenger considerations***

- Actively consider the views expressed by stakeholders during the Welsh Government's recent public consultation exercise on quality outcomes.
- Continue stakeholder engagement activities, including at least one further twelve-week public consultation prior to any Invitation to Tender being published.

#### ***Employee relations***

- Put arrangements in place which ensure that employees are engaged in decision making effectively and constructively.

#### ***Improved financial and operating efficiency***

- Make every effort to deliver more from the new franchise so that value for money from government subsidy is improved.
- Put arrangements in place for assuring quality and reviewing the contract at appropriate point(s).

#### ***Embracing new technology***

- Encourage the utilisation of new technologies where they would be likely to deliver improvements for passengers, but not drive a reduction in overall staffing levels as a result.

#### ***Services***

- Deliver the best possible range of services, including appropriate Metro-type services in North Wales and the delivery of the South Wales Metro outcomes.
- Ensure that:
  - As a baseline, current service frequencies and connectivity are maintained, unless there is a clear case for change.
  - Options for efficiently utilising spare network capacity available now, or which is known to become available during the lifetime of the new franchise agreement, are considered.
  - Opportunities are considered for including new services subject to infrastructure constraints and business case assessments.



## **ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE WRITTEN EVIDENCE – RAIL SERVICES AND THE METRO**

- Capacity for freight traffic is protected.
- Flexibility is provided to deliver additional services efficiently as new capacity and infrastructure becomes available.
- Within the South Wales Metro:
  - Ability to operate at least 4 tph across the Core Valley Lines with increased frequencies south of Pontypridd and Caerphilly.
  - Aim to reduce journey times on Core Valley lines by 20% compared to present timetable.
  - The future Core Valley Lines system is expected to retain or modify freight operations including co-existing with other potential modes.
  - Operate direct services between major residential areas in the Metro area, including Cardiff City and Bay.
  - The potential to be extended to provide additional stations and extensions including future on street running.

### ***Rolling stock***

Rolling stock must:

- Deliver an increase in passenger capacity to cater for existing and forecasted growth in passenger numbers.
- Provide an improvement in quality to meet increasing passenger expectations, including Wi-Fi and charging points.
- Include adequate space to store luggage and bicycles.
- Comply with the Persons with Reduced Mobility Technical Specification of Interoperability
- Use Controlled-Emission Toilets on all railway vehicles where toilets are provided.
- Use electric traction on newly electrified Valley Lines routes in South Wales.

### ***Stations***

- Arrange for a priority action plan to be developed prior to the new franchise being awarded which identifies opportunities for improvements to stations, including in respect of accessibility and integration with other modes. This needs to set out how these can be achieved and funded working with the new franchisee, Network Rail and the UK Government.

### ***Depots***

- Consider the utilisation of depot facilities across the Wales and Borders area, including Landore depot.

## **ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE WRITTEN EVIDENCE – RAIL SERVICES AND THE METRO**

### ***Fares and Ticketing***

- Encourage increased patronage at off peak times on services where patronage is currently low.
- Include requirements for discounts to the cost of travel for people working irregular work patterns or part time hours.
- Support current ticketing options as well ensuring future iterations of electronic ticketing and smart ticketing.
- Make considerable progress to better integrate tickets with other public transport modes during the lifetime of the franchise.

### ***Community rail***

- Require the operator to work with Community Rail Partnerships and facilitate the emergence of new ones where there is value in doing so.

### ***Co-operation with other public transport providers***

- Ensure that relevant public transport providers, including local authorities, are consulted on proposals as and when appropriate.

### ***Environmental improvements***

- Put arrangements in place to improve environmental efficiency across the franchise.