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Russell George MS
Chair
Economy, Infrastructure and Skills Committee
Welsh Parliament
Cardiff Bay
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07 January 2021

Dear Russell

Thank you for inviting me to speak at the EIS Committee meeting on 18 November 2020, and providing me a further opportunity to answer questions that Members weren't able to reach.

During my appearance, I also said I would write to you with further details. Please see below for further information on these areas.

TfW Board agreement to proceed with a new rail arrangement

Discussions around the need to look at potential options for the future of rail services on the expiry of the Emergency Measure Agreement in November were raised in April 2020. Operator of Last Resort (OLR) was put forward as the favoured option at July's meeting. Formal approval to proceed with OLR was given in October 2020. It was discussed in detail in the intervening Board meetings between July and October, including one extraordinary interim Board meeting in July.

Potential changes to TfW's plans following the new rail agreement

We remain absolutely committed to delivering the Welsh Government's ambitious vision for rail in Wales. The delivery of key improvements, such as the creation of the South Wales Metro, the delivery of brand-new rolling stock for the Wales and Borders rail network and numerous other activities, remain an absolute focus for Transport for Wales and its partners. The reality is however that we will need to deliver this vision in different ways as a result of the Covid-19 pandemic. Our new delivery model allows us to be best placed to continue to deliver through a great period of uncertainty, whilst we review how best to deliver this ambitious vision.



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The cost of this change is being managed through existing Transport for Wales budgets in the context of the 'EMA'. All parties are committed to ensure the changes are managed in as cost effective a way as possible, ensuring safety, customers and colleagues are supported as much as possible throughout the change. It is expected that in the longer term, as a result of the reduction in passenger demand linked to Covid-19, there will need to be continual improvement in the way services and projects are developed and delivered, and the new contractual relationship is aimed to deliver this. Detailed costs are currently part of ongoing negotiations as part of final contract agreements.

We expect that almost all colleagues will transfer into the new franchise/contract model on existing terms and conditions. The grant agreement currently operated by KAO will come to an end on 7 February 2021 and the services will be operated by a public owned subsidiary of Transport for Wales, 'Transport for Wales Rail Limited'. As such, we expect the majority of roles to transfer under TUPE arrangements. It is anticipated that some key managerial and HQ clerical roles, that are deemed AKI roles, may transfer from KAO to AKI. We will through our consultation framework confirm how the roles that sit across both KAO and AKI will transfer.

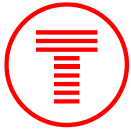
TfW operations without a formal remit letter

As you're aware, Welsh Government's last Remit Letter for TfW covered until March 2020. However, TfW has been able to continue to operate under Welsh Government instruction and with appropriate governance. Boards continue as normal and TfW has received a temporary letter of coverage from Welsh Government.

The significant majority of TfW's remitted activities are not aligned with the dates of the remit letters and therefore activities roll over across the remit letter timeframes. This includes major infrastructure works, such as the CVL Transformation, alongside our consultancy work, like active travel. 'Roll over' activities such as overseeing rail operations and CVL Transformation account for over 95% of our funding, for example our rail expenditure in October was £38.5m out of total £40m.

When Welsh Government instructs TfW to carry out new activity, we seek a formal request, either written or evidenced by meeting minutes, including funding confirmation. This process is unchanged regardless of the Remit Letter.

TfW has also been able to plan this year as draft remit letters have been shared since early summer. The final version, you'll find attached. A draft Business Plan, based on this remit letter has been submitted to the Welsh Government.



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Our accountability is underpinned via a number of mechanisms and arrangements, which include Welsh Government:

- TfW Steering Board – Monthly meeting where Welsh Government holds me and TfW's Chair to account. Membership includes Permanent Secretary twice a year, Andrew Slade, a Welsh Government Non-Executive Director, and the Minister for Economy and Transport four times per year. TfW Board meets a week before Steering Board to allow any items from TfW board to be escalated.
 - Ops Board – monthly meetings between TfW Senior Leadership Team and Welsh Government Senior team to discuss progress against remit, based on content of a detailed report tabled at each meeting setting out progress in each area of the business.
 - Delegations Matrix – sets out decisions that require Welsh Government approval – either through Ops Board, Steering Board and, if necessary, through a Ministerial Approval.
 - Management Agreement and Articles of Association with reserved items
- 1. The Committee has previously indicated that reporting on investment should be at least as transparent as previous Network Rail reporting, and that the transfer provides an opportunity to provide greater transparency. With this in mind, please can you set out the arrangements that have been put in place to report on the investments being made in the Core Valley Lines? Please can you include detail arrangements for:**
- **Enhancement investment; and**
 - **Operational Maintenance and Renewal investment.**

AmeyKeolis Infrastructure ("AKI") is a special purpose joint venture which was formed to deliver the transformation of the Core Valley Lines and infrastructure management and maintenance of the Core Valley Lines. The leading partner in this joint venture is Amey, one of the UK's leading engineering consultants and public service providers. AKI will continue to deliver versatile asset management services, integrated transport planning and engineering solutions designed for the current and future needs of local communities as well as deliver the infrastructure requirements for the transformation of the Valley Lines network.



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The Operations, Maintenance and Renewals activity for the CVL Infrastructure Manager is reported periodically in line with the asset management and reporting process set out in the contract. This includes operational performance such as impact on train services, maintenance and engineering compliance and asset renewals delivery and this will continue under the new arrangements.

The funding requirement was reflected as part of the approvals for asset purchase against a five-year plan (called control periods) this supports the Operations, Maintenance and Renewals activity for the CVL. The valuation of the CVL assets occurs annually and will be reflected for this year end.

2. Please can you also set out more generally what measures will be in place to report on operational performance of the lines; and of AKIL's activities in relation to the above bullet points?

We will have a services agreement between Welsh Ministers and TfW Rail Ltd – to deliver on our statutory duties to provide railway services and deliver our timetable – this will replace the current Grant Agreement. TfW will continue to act as agent on behalf of Welsh Ministers for this services agreement, in the same way as TfW has done for the last two years for the Grant Agreement.

There will be a contract between TfW and both UK and Welsh Governments. Welsh services will have a service agreement, which will be made public and the Welsh Government will hold me and TfW's board to account. The Agency Agreement with the DfT will remain in support of delivering cross-border services and our relationship and governance with DfT will continue under the new arrangements. There will still be KPIs etc, and we are working collaboratively with WG to develop a suite of KPIs to help develop this new performance management regime between TfW and WG, building on the existing arrangements. These KPIs will monitor and measure the things that are important to passengers, the Welsh Government and TfW.

We will also have a much more integrated way of delivering rail services under these arrangements, with aligned Boards and reporting and governance arrangements, making our way of delivering train services much more incorporated into every action of every staff member – being built into people's personal objectives and less of a contract management approach.

Performance incentives were to encourage a private contractor to perform well, but internally we'll be guided by TfW's values: Being the best, sharing success, being fair etc. Under the new more integrated model, a contract based management wouldn't be appropriate, but a more organisational and management led model with accountability to customers, owners and elected members will be right.



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The original grant agreement sets out the Infrastructure Manager services to be provided by Amey Keolis Infrastructure as a regulated Infrastructure Manager. It defines the operations and maintenance requirements and TfWs role in governance of those services. These requirements will be retained as part of a step in of the current contract.

There are a number of incentives baked into the current AKI contract which incentivise delivery of the transformation. These will continue under the changed delivery model.

- 3. Members are also interested in the regulation of the Core Valley Lines. Please could you set out how the lines are regulated, and specifically the roles played by AKIL, Transport for Wales, the Welsh Government, Network Rail and the Office of Road and Rail and how they all interact within the regulatory space?**

AKIL are the regulated Infrastructure Manager as set out in the Grant Agreement and UK legislation. This will continue under the new model.

The ORR will continue to be the Safety Regulator of the Core Valleys Lines network and AKIL will continue as the appointed Infrastructure Manager. TfW will provide economic governance of the CVL Infrastructure Manager through the requirements set out in the contract with AKIL and managed by the TfW Infrastructure Owner team.

Network Rail remain as the Infrastructure Manager for the remainder of the Wales & Borders network excluding the CVL. As the train services run across the boundary of CVL Infrastructure they have an interface agreement with NR to ensure continuity. They also provide AKIL some services through the CVL services agreement. These include some transition operational services while the new CVL Integrated Control Centre (ICC) is being constructed but also some longer-term services due to NRs role as the rail industry system operator (e.g. timetabling).

- 4. Finally, could you outline the nature of the expected contract with AKIL, specifically whether this will focus on delivery of the infrastructure project or whether it is your expectation that AKIL will act as infrastructure manager in the long-term.**

The contract duration will be 7 years which will allow for commissioning of the new Metro Infrastructure, plus a period of hand back of the infrastructure to TfW and transition to a new Infrastructure Manager.



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I hope this sufficiently answers your concerns. I look forward to hearing from you with any additional questions regarding the core Valleys lines transfer.

Yours sincerely,

James Price
Prif Weithredwr / Chief Executive