

Ken Skates AS/MS
Ysgrifennydd y Cabinet dros Drafnidiaeth a Gogledd Cymru
Cabinet Secretary for Transport and North Wales



Llywodraeth Cymru
Welsh Government

Our ref: MA/KSNWT/2789/25

Peredur Owen Griffiths, MS
Chair,
Finance Committee
Senedd Cymru
Cardiff
CF99 1NA

25 November 2025

Dear Peredur

Bus Services (Wales) Bill – Revised Explanatory Memorandum and Regulatory Impact Assessment

Following the completion of the Stage 2 proceedings in respect of the Bus Services (Wales) Bill, and in line with Standing Order 26.28, a revised Explanatory Memorandum has been laid to account for amendments made to the Bill at Stage 2, to reflect new, amended or removed provisions.

I would like to bring relevant changes which have been made to the Regulatory Impact Assessment (RIA) to the Committee's attention.

The Committee's recommendations

In my letter of 8 September, following the publication of the Committee's Stage 1 report, I set out my initial response to the Committee's recommendations. I can now provide further details for those recommendations in response to which the RIA has been revised:

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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.

Recommendation 2. The Committee recommends that the Cabinet Secretary provides clarity on the estimated additional costs to deliver Transport for Wales's aspirational network and includes this information in a revised Regulatory Impact Assessment, after Stage 2.

The term 'Aspirational Network' has been replaced with 'aspirations for service enhancements' to reflect the evolving nature of network improvements, which remain subject to funding availability. Clarifications have also been added regarding the potential costs of aspirational enhancements (see Paragraph 8.85), including an illustrative cost example. The update also notes that decisions on increasing vehicle kilometres to support aspirations for bus network improvements will be guided by cost and revenue modelling to be undertaken by TfW as network plans progress.

Recommendation 3. The Committee recommends that the Cabinet Secretary explains how the estimated cost of £187.2 million for the acquisition of bus depots has been determined, including details of the assumptions made, and includes this information in a revised Regulatory Impact Assessment, after Stage 2.

Paragraph 8.19 has been updated with additional detail clarifying how the original cost was estimated. This was based on an exercise that was undertaken to identify the number, type and size of facilities that are needed in each region (with a unit cost for small, medium and large depots) and relates to full ownership of diesel-only depots. It is noted that there are some sensitivities around publication of unit cost estimates for depots as negotiations around the purchase of sites is ongoing.

Clarification has also been added regarding the additional costs associated with transitioning to electric depots, including a reference to the estimated cost assumption of £80 million (also derived from unit costs for small, medium, and large depots). While this cost was previously incorporated within the modelling across all options (Business as Usual, Statutory Partnerships, and Bus Reform), it had not been explicitly referenced in the text. This has now been addressed in Paragraph 8.19.

While it is acknowledged that certain post-acquisition upgrade costs (such as building refurbishment or construction, EV charging infrastructure, and grid upgrades) may exceed initial projections, these are expected to be offset by operators retaining ownership of some depots. Following a reassessment of depot cost estimates and discussions with TfW regarding evolving depot ownership plans, the overall financial envelope included in the original RIA, of an estimated £178m, is considered to remain an accurate estimate based on the latest available information.

It is also noted that the cost-benefit modelling includes optimism bias at 46% applied on top of these estimates, used in economic modelling to account for uncertainties around infrastructure costs, and hence the original assessment is considered robust and in line with economic modelling best practice.

Recommendation 4. The Committee recommends that the Cabinet Secretary revises the cost estimates set out in the Regulatory Impact Assessment following the decision to proceed with four franchising zones, or otherwise confirms that there is no impact on costs, and includes this information in a revised Regulatory Impact Assessment, after Stage 2.

Clarification has been added to RIA in respect of the change from nine franchise zones to four (paragraph 8.48). Assumptions for recurring staff costs in the bus reform option have also been amended in response to the Committee's recommendation (summarised in Table A3.2), resulting in a change in recurring staff costs (after initial transition period) from £5.7M to £3.3M (Table 8.8). This impacts all assessment scenarios for the bus reform option and associated narrative, and tables have been updated throughout the document. Lastly, additional clarification has been added to reflect that the cost of staff resource is made up of salary and on-costs.

Recommendation 5. The Committee recommends that the Cabinet Secretary explains why the assumption has been made to lease the new zero emissions bus fleet, including how the costs have been estimated, and includes this information in a revised Regulatory Impact Assessment, after Stage 2

Clarification has been added around bus purchase and leasing costs (paragraph 8.81). Whilst there are advantages and disadvantages associated with each option, the total cost of ownership (including annual operating costs) over the lifespan of a vehicle under both options are broadly equivalent. For modelling purposes, as the profile of vehicle purchase required in the bus reform option is not yet fully developed, bus purchase costs have been included as an amortised cost within the estimated annual operational costs, although it is noted that in practice Welsh Government may decide to purchase new buses if access to capital finance is easier than revenue finance.

Stage 2 amendments

In summary, amendments at Stage 2 to the RIA are as follows:

- Clarification that current funding for bus services support is provided by a combination of Welsh Government, and local authority contributions (e.g. paragraph 7.8)
- The TfW Pathfinder Projects section has been updated with the most recent data
- Modelling has been revised to align the carbon values used in the 'Wales Policy Methodology' scenarios with the Central values from the TAG Tables (consistent with those applied in the TAG Methodology scenarios) to ensure comparability across options and with other policy areas. Although this adjustment was reflected in the published RIA, the original modelling has now been updated, resulting in minor amendments to the outputs.

Amendments at Stage 2 to the Explanatory Memorandum (including the Explanatory Notes) have been made to:

- reflect the amendments to the Bill that were passed at Stage 2; including new sections introduced into the Bill and subsequent changes to section numbers;
- insert additional detail into the RIA that I agreed to include in my letter of response to the Finance Committee's Stage 1 Report on the Bill;
- include a definition for the 'Learner Travel (Wales) Measure 2008' in the glossary of terms;
- clarify that local bus services will be secured via contracts, permits, direct provision, the provision of certain other existing types of bus services including community transport services, or a combination of these;
- provide additional clarification with regards to section 36 (TUPE) and the regulations, to be made under it, which will be necessary to deliver on the bus reform.

I would like to take the opportunity to again thank the Finance Committee for its scrutiny of the Bill.

I have copied this letter to the Chair of the Climate Change, Environment and Infrastructure Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Skates', with a large, stylized flourish at the end.

Ken Skates AS/MS

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Cabinet Secretary for Transport and North Wales