

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

11 November 2016

Rail Services

Dear Russell

As I am sure you are aware, the Auditor General for Wales published his report into Rail Services on 6 September. The Report considers the Welsh Government's powers and wider influence in respect of rail infrastructure and services, and related Welsh Government investment (with a particular focus on spending between April 2011 and March 2016). The report also considers the performance of services on the Wales and Borders franchise and plans for the procurement of Wales and Borders services from 2018. Public Accounts Committee (PAC) considered the report along with the Welsh Government's response to the Auditor General's recommendations, a copy of which is enclosed, at its meeting on 31 October.

During the discussion that followed, Member's considered whether they saw any merit in PAC undertaking an inquiry into rail services, especially as we are aware that your Committee anticipates issuing terms of reference for a rail inquiry in December with the inquiry beginning early in 2017. Considering this together with the Welsh Affairs Select Committee current inquiry looking at the rail franchise, PAC agreed not to undertake an inquiry as they were of the opinion that there could possibly be duplication between the various inquiries.

Members did, however, ask that I write to you request that you give consideration to address the following points in your inquiry:



- The report discusses the overall powers and influence that the Welsh Government has over rail–infrastructure investment and describes the limitations of the Welsh Government’s contractual relationship with Network Rail. Members noted the example of Case Study 1 in the report about the Rossett and Saltney Junction improvements. The report points to evidence given by the UK Government’s Department for Transport to the Enterprise and Business Committee in the fourth Assembly which stated that there was no intention to re–open discussions about devolution of the funding of Network Rail. Nevertheless, we considered that the response to the Auditor General’s recommendations about the Welsh Government’s relationship with Network Rail merits further scrutiny.
- The Welsh Government is pursuing a ‘competitive dialogue’ approach to the franchise/Metro procurement, which the Auditor General’s report notes is intended to allow for the Welsh Government to design a feasible, fit–for–purpose, solution to achieve the Welsh Government’s objectives rather than specifying this up front. Nevertheless, the report describes how an earlier Gateway review pointed to the need for greater clarity on the desired outcomes of an integrated contract and the minimum requirements which must be delivered through the procurement. We noted the Auditor General’s recommendation that ‘alongside the procurement process, the Welsh Government should develop a mechanism which enables it to demonstrate the value for money of the franchise component of the new contract, when compared with the current and other franchises’. The Welsh Government has only partially accepted this recommendation, seemingly on the basis that this could be a difficult exercise and because it considers that value for money is best demonstrated by focusing on its own procurement process rather than making what could be artificial comparisons. We consider that the Welsh Government’s position in response to this recommendation merits further scrutiny, if it is ultimately to demonstrate that it gets a good deal from what stands to be a multi–billion pound contract, and in light of some of the criticism of the existing franchise agreement.
- Members queried the overall capacity of the Welsh Government to undertake the procurement exercise, in the context of some of the inherent risks highlighted by previous franchising processes in England. The Auditor General’s report describes the arrangements that the Welsh Government has put in place to support the procurement process, including the establishment of the ‘Transport for Wales’ company and a new Strategic



Advisory Board (which has a wider remit). We would encourage your Committee to take evidence from members of the Strategic Advisory Board and from the executive directors of Transport for Wales (two of whom are on secondment from the Welsh Government). Your Committee might also wish to explore whether the Welsh Government can demonstrate that the establishment of Transport for Wales is delivering the intended benefits, both in terms of the supply of skills and costs.

- Finally, we assume that any further scrutiny of the procurement plans would also consider issues relating to the funding for the South Wales Metro in the context of the result of the UK referendum on EU membership, given the Welsh Government's intention to apply for European Regional Development Fund monies to support the project.

I hope that this summary of our discussion is helpful to your Committee and would welcome confirmation of your plans for further scrutiny in due course.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

Nick Ramsay AM
Chair

