



**Supplement to the
Brown Review of the
Rail Franchising Programme**

Presented to Parliament
by the Secretary of State for Transport
by Command of Her Majesty

January 2013

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Note on publication

When the Secretary of State for Transport published Cm 8526: *The Brown Review of the Rail Franchising Programme* on 10 January 2013 he committed to publish paragraphs 8.13 to 8.20, which were redacted from that publication, as a subsequent Command Paper. This fulfils that commitment.

Also published here is Appendix E, as there was an error in the original document (the Greater Anglia franchise was omitted).

The Paused Competitions

8.13 The Department should consider, in light of my recommendations, whether or not to re-start the paused Essex Thameside, Great Western and TSGN franchise competitions. Before contemplating any re-start, the Department must satisfy itself that it is content with the commercial proposition and compliance with the process thus far. It would be damaging to the industry and investor market if there were to be any false start.

8.14 Compared to many other franchises, Essex Thameside is smaller in size, operationally simple and serves clearly defined and stable markets. In my view, the scale and comparative risk of this franchise mean that a longer term is a sustainable option. The franchise competition was clearly well advanced when the franchising programme was suspended and even though it was advertised as a 15 year term I think the Department can be pragmatic in still proceeding with such a long franchise in this instance. **I recommend that the Department restarts dialogue with current bidders on a 10 year basis with a 5 year continuation period subject to applicable legal requirements.** I recognise that the Department cannot retro-fit all of my recommendations into this contract as it is, rightly, constrained from doing so by the Procurement Regulations.

8.15 **I do not believe that the current value proposition is the right one for the Great Western franchise.** Great Western is a more difficult proposition for the Department as it is seeking to let a long franchise on a high value, complex operation where there will be substantial disruption from major infrastructure programmes in the coming years. As I have touched on elsewhere, West Coast route modernisation taught Government and the industry valuable lessons about seeking to transfer full revenue risk to franchisees when major investment programmes are taking place. Those lessons should not be lost.

8.16 In developing the new programme, the Department will need to consider how any delay in Great Western fits within the portfolio of upcoming inter-city competitions. Great Western, East Coast and West Coast are all large contracts, even on a shorter initial term – and the Department needs to phase these competitions in a way that both it and the market can deal with.

8.17 I recommend that Government should continue with the TSGN franchise competition. As a result of the pause to the programme, it will not be possible for the Department to deliver this franchise by September 2013 as previously planned, but a new contract should be able to start at some point in 2014. The Department should be seeking to optimise the starting point of the new franchise with regard to the wider programme of Thameslink infrastructure works and rolling stock delivery. The Department should take soundings from the short-listed bidders to help inform this position.

8.18 Government wisely started the TSGN competition with a more flexible attitude to risk transfer and, as I set out in chapter 4, there is merit in the TSGN short franchise having elements akin to a management contract. Such a construct will give the Department and industry more flexibility – but it should also be aligned to an alliance structure for the delivery of the £5.5bn Thameslink programme. Many of my recommendations could be taken on board in the procurement process – starting with enhanced dialogue with the potential bidders about the detailed value proposition and approach.

8.19 Choices on devolution will also shape the next tranche of competitions – the Department may wish to consider some short-term arrangements to better facilitate a longer term aspiration to allow local entities to take control of franchising their own local services. In particular, the Department needs to continue its dialogue with the Welsh Assembly Government, TfL, PTEs and other authorities to help shape the programme to be published by April 2013.

Priorities

8.20 I recommend that the Department deals with the Great Western franchise decision early in the New Year and announces its intentions, in relation to the other two competitions, by no later than the end of February to allow organisational, resource and process issues to be addressed.

APPENDIX E: FRANCHISE TERMS

Franchise name	Train Operating Company (Owning Group)	Start	End ¹
InterCity West Coast	Virgin Trains (Virgin Rail Group)	December 2012	November 2014
Great Western	First Great Western (FirstGroup)	April 2006	March 2013
Essex Thameside	C2C (National Express)	May 1996	May 2013
Thameslink and Great Northern	First Capital Connect (FirstGroup)	April 2006	September 2013
Integrated Kent	Southeastern (Govia)	April 2006	March 2014
South Central	Southern (Govia)	September 2009	July 2015
InterCity East Coast ²	East Coast Main Line Company Limited	November 2009	To be determined
Northern	Northern (Serco-Abellio)	December 2004	April 2014
Greater Anglia	Greater Anglia (Abellio)	February 2012	July 2014
Trans Pennine Express	First Keolis TransPennine Express (First Keolis)	February 2004	Between 1 April 2014 and 1 April 2015
East Midlands	East Midlands Trains (Stagecoach)	November 2007	April 2015
West Midlands	London Midland (Govia)	November 2007	September 2015
Cross Country	CrossCountry (Arriva)	November 2007	March 2016
South West	South West Trains (Stagecoach)	February 2007	February 2017
Chiltern	Chiltern Railways (DB Regio)	March 2002	December 2021
Wales and Borders ³	Arriva Trains Wales (Arriva)	December 2003	October 2018

Source: DfT Rail Franchising Timetable as at 1 July 2012 (DfT Website)

¹ For further detail on the programme and end dates please see the Department's published timetable: <https://www.gov.uk/government/organisations/department-for-transport/series/background-to-rail-passenger-franchises>

² Operated by East Coast Main Line Company Limited and owned by Directly Operated Railways Ltd (a company established by Government) until a new franchise to operate services on the East Coast Main Line is let to the private sector.

³ Management of the franchise is devolved to the Welsh Government, but DfT is the procuring authority.



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