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Railway passenger franchises

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Contents

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Summary

This is one of two briefing papers on rail passenger franchising. This note sets out the terms of the various rail franchises in England, Wales and Scotland. A second paper, SN6521, sets out in more detail how franchising works and the franchising policy of successive governments.

Since privatisation in the mid-1990s, there have been two types of passenger rail service on the GB rail network: open access operators (i.e. those that bid for 'slots' – specific parts of the overall National Rail timetable – to operate their own passenger services) and franchisees (i.e. those who operate a contracted service on a particular part of the rail network under licence from the Government and the Regulator). By far the majority of services are franchises.

Franchising involves the Government setting out a specification for what it would like a franchisee to do over a set period (level of service, upgrades, performance etc.). Companies then bid for the right to operate a franchise to that specification. The Government picks whichever company it thinks will deliver the best overall package for the franchise and give the best value for money.

Franchise Agreements include details of the performance standards that franchisees must meet and arrangements for the termination of a franchise in the case of failure to meet these standards.

After coming to office in 2010 the Coalition Government announced reforms to the franchising process, which caused some delay in scheduled re-lets. This was exacerbated in late 2012 after the failed re-let of the West Coast franchise caused the whole franchising programme to be suspended and then redrawn. The programme restarted in 2013 and is set out in the *Rail Franchising Schedule*. The most recent iteration of this was published in November 2015.

Information on other rail-related matters can be found on the Railways Topical Page of the Parliament website.

1. Overview

Privatisation

Once the *Railways Act 1993* was implemented in April 1994, the passenger railway was restructured so that domestic passenger train services could be offered to the private sector to run on a franchised basis.

British Rail (BR) reorganised its passenger services into 25 different train operating units. These units were gradually incorporated as subsidiaries of BR and run as separate 'shadow' businesses. They paid access charges for the use of track and infrastructure, and rentals for stations and rolling stock, on the same basis as the franchisees have since the introduction of franchising 'proper'.

Each operated under its own licence (granted by the Rail Regulator), its railway safety case (approved by the Health and Safety Executive) and a track access agreement with Railtrack (approved by the Regulator). A wide range of station and depot access agreements (also approved by the Regulator), property leases and other contracts were also required by each train operating business.

Each of the 25 train operating companies (TOCs) was then offered for sale as a separate franchise. Private sector companies, management-employee buy-outs and, if the Franchising Director agreed (in practice he never did), BR could bid for the franchises through a bidding process overseen by the Director. The successful bidder acquired the TOC outright for a fixed number of years.

The first franchises, South West Trains and Great Western, were awarded in December 1995 and the first privatised services started operating in February 1996. The last franchise to be agreed was ScotRail, which started operating in private hands in April 1997.

For the first franchises the Franchising Director produced a Passenger Service Requirement (PSR) setting out the minimum service levels for train services, based on the timetable then being operated by BR. Each PSR was specific to the franchise. The Franchising Director had the responsibility for monitoring the TOCs' performance. If TOCs did not deliver the proper timetable, the Franchising Director could impose penalties or, as a last resort, terminate the Franchise Agreement.

The Franchising Director's functions were laid down in section 5 of the 1993 Act – he was responsible for securing the provision of railway passenger services by entering into Franchise Agreements, with franchisees being selected through a competitive tendering process. Train companies bid for franchises on the basis of the amount of funding they would require – or the premium they would be prepared to pay – in order to run these services. The winner was the company seeking the lowest subsidy or offering the highest premium.

Under the *Transport Act 2000* the Strategic Rail Authority (SRA) inherited all the functions, property, rights, and liabilities of the Franchising Director.

Under the *Railways Act 2005*, the functions relating to Franchise Agreements for England transferred from the SRA to the Secretary of State for Transport, responsibility for the Scottish franchise transferred to the Scottish Government, and the Welsh Government was granted a direct role for local and regional passenger rail services in Wales.[1]

How franchising works

A franchise is the right to run specified services within a specified area for a specified period of time, in return for the right to charge fares and, where appropriate, to receive financial support from the franchising authority. Government subsidy is payable in respect of socially necessary services that might not otherwise be provided. Service standards are monitored throughout the duration of the franchise.

Franchisees earn revenue primarily from fares and from subsidy. They generally lease stations from Network Rail (NR) and earn rental income by sub-letting parts of them, for example to retailers.

Franchisees' main costs are the track access charges they pay to NR, the costs of leasing stations and rolling stock and of employing staff. Franchisees may do light maintenance work on rolling stock themselves or contract it out to private companies. Heavy maintenance is normally procured for them by the rolling stock leasing companies according to the contracts between them.

The rights and obligations are specified in a Franchise Agreement between the franchising authority (in practice the Department for Transport) and the TOC. Each franchise is negotiated individually and is a legal document that can only be terminated with the agreement of both parties. Individual franchise agreements can be found on the Gov.uk website.

The current, revised franchise schedule, published on 20 November 2015, is available on the Gov.uk website.

Direct awards

The current profusion of Direct Awards are a direct result of the failed 2012 West Coast re-let (see section 16, below). The nature of these awards varies, but what they mean, in effect, is that the Government negotiates directly with the incumbent operator; there is no competition for the award. The former Rail Minister, Simon Burns, explained the process in a May 2013 letter to the Chair of the Transport Select Committee:

> In negotiating and approving each direct award, the Department uses a comparator to assess what is reasonable. For previous direct awards, where the contractual terms remained broadly the same as for the previous contract, the start point has been the preceding contract and the outturn for costs and revenues. The assessment of Value for Money in the Direct Awards that form part of the overall franchising programme is therefore done on an increment/decrement basis against the current provision from the existing operator.

[1] HC Library briefing papers on privatisation, regulation, fares, the SRA, Railtrack and Network Rail can be found on the Railways Topical Page of the Parliament website

> We work with Technical Advisors to build a comparator model based on the current and projected performance of the franchise. The submissions from the incumbent for the Direct Award are then compared to this model and challenged where appropriate to bring them into an affordable and value for money position.[2]

The DfT's guidance gives further information. On the general principles of making Direct Awards, it states:

> The direct awards help to manage and sustain a realistic and properly resourced programme of Franchise Competitions and a healthy bidding market for those competitions. In entering into such direct awards, the Department is conscious that the commercial terms have not been tested through a procurement competition. Domestic and European law helps in this by setting out a specific legal framework for "public service contracts" (which encompass rail passenger services) which is intended to ensure that the terms are economically efficient so that the taxpayer (and fare-payer) is not over-paying for services. Should appropriate terms not be achievable, the Department will call upon contingency measures rather than enter into a Direct Award.[3]

The October 2014 rail franchising schedule showed the proliferation of Direct Awards: of the 16 franchises managed and let by DfT, to October 2014 the Government had made seven Direct Awards and was anticipating making six more between 2014 and 2020. This means that 12 of the 16 franchises would be subject to re-let without open competition (Great Western counts twice).[4]

Further information on individual franchises is given below.

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[2] *Simon Burns letter to Louise Ellman*, May 2013
[3] DfT, *Rail franchising direct awards process guide*, 31 October 2014, p1
[4] DfT, *Rail franchise schedule*, October 2014

2. Chiltern

Operating name: Chiltern Railways

Franchisee: Arriva UK Trains, owned by Deutsche Bahn

Franchise start and end dates: March 2002 – December 2021

Financial information: in 2014/15 paid a premium of £30.2 million, equating to a subsidy of -2.5 pppkm (pence per passenger km).[5]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2002 it was intended to deliver the following commitments:

> Restoration of double track between Bicester North and Aynho Junction to be commissioned in August 2002. This will remove the last single track bottleneck between London Marylebone and Birmingham Snow Hill, and enable an enhanced and more reliable timetable to operate. This will provide an alternative route for passengers travelling between London and the West Midlands whilst engineering work is taking place on the West Coast Mainline.
>
> 15 out of 16 trains to arrive at their destinations punctually and reliably - to be achieved from December 2003 (exceptions may be granted where infrastructure enhancement work is being undertaken);
>
> A programme for the delivery of 15 additional vehicles between September 2002 and May 2005 and a full refurbishment of all existing Class 165s for completion during 2004. This is in addition to 7 vehicles which are currently under construction. There is also a requirement to deliver as much additional rolling stock as is needed to meet demand - up to certain limits;
>
> Platform extensions at 13 stations to cater for longer trains to be delivered in two phases - starting in May 2002. More will follow when demand requires;
>
> Construction of a new depot in the London area, and extension of the existing depot at Aylesbury - to achieve better train reliability;
>
> Operation of through services between London Marylebone and Kidderminster from September 2002;
>
> A station improvement programme including customer information systems, enhanced passenger security, improved facilities for disabled passengers, and better accessibility to stations;
>
> Reopening of two new platforms at Birmingham Moor Street station;
>
> A commitment to undertake the project management of a train protection pilot scheme on behalf of the industry in response to

[5] ORR Data Portal [accessed 14 September 2015]

> the recent Uff/Cullen report - subject to agreement from Railtrack.[6]

The refranchising process for Chiltern is scheduled to begin in May 2020, with the new franchise to begin in December 2021.[7]

[6] SRA press notice, "Building a Better Railway: £370 Million Investment Programme for Chiltern Railways - 20 Year Deal Signed", 18 February 2002
[7] HC Deb 26 March 2013, cc95-98WS

3. Cross Country

Operating name: CrossCountry

Franchisee: Arriva UK Trains, owned by Deutsche Bahn

Franchise start and end dates: November 2007 – October 2016

Direct Award: TBA October 2016 – October 2019

Financial information: in 2014/15 paid a premium of £47.3 million, equating to a subsidy of -1.4 pppkm (pence per passenger km); in 2007 total subsidy over the duration of the franchise was estimated to be £1.056 billion.[8]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2007 it was intended to deliver the following commitments:

> 40 extra train carriages for operation on long distance services, using High Speed Trains (HSTs), refurbished to the standard of the existing Voyager Trains. This, together with internal changes to the current fleet of Voyager trains, will provide nearly 3,000 more seats each day on the busiest routes at the busiest times. Internal changes on the Voyager trains will also provide for a 20-25% increase in luggage storage space;
>
> Increased staff visibility with the busiest long distance services having at least three members of staff passing through the train;
>
> A new web-based ticketing system which will be introduced from December 2009;
>
> Refurbished Class 170 units on Birmingham - Stansted and Cardiff - Nottingham services including extra seats, and first class on all trains;
>
> Help and advice for passengers who need to change trains.[9]

Arriva also committed to a 25 per cent reduction in delay minutes attributed to the TOC by the end of the franchise.

In March 2013 the Government announced that the current franchise would be extended for three years (via a Direct Award) from October 2016 to October 2019; the refranchising process for the new franchise is scheduled to begin in April 2018.[10]

[8] ORR Data Portal [accessed 14 September 2015]; and: *DfT stock market statement*, 10 July 2007

[9] ibid.

[10] HC Deb 26 March 2013, cc95-98WS

4. East Anglia

Operating name: Abellio Greater Anglia

Franchisee: Abellio, owned by NedRailways (Nederlandse Spoorwegen)

Franchise start and end dates: February 2012 –July 2014

Direct Award: July 2014 – October 2016

Financial information: in 2014/15 paid a premium of £187.1 million, equating to a subsidy of -4.1 pppkm (pence per passenger km).[11]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2011[12] it was intended to deliver a number of commitments, including:

- extending Oyster pay-as-you-go services to ten stations on the Shenfield and Hertford East lines;
- cycle improvements at Norwich and Chelmsford stations;
- new car parking spaces at Shenfield and Wickford stations;
- cleaning and painting 141 stations across the franchise;
- installing new ticket machines and making existing machines more user-friendly;
- providing information desks/kiosks at stations including Cambridge, Norwich, Stansted Airport, Bishops Stortford, Chelmsford, Colchester, Ipswich, Stratford and Liverpool Street; and
- refreshing the interior of class 321 units and fitting CCTV to 68 class 321 vehicles.[13]

The franchise is currently operating under a 27-month Direct Award, made in April 2014 for the period July 2014 to October 2016.[14] The Direct Award is intended to deliver:

> … additional rail services in the off-peak period…, which will lead to more services on local lines, providing a boost to the region's economy. It will also mean more services between Cambridge, a global centre of technological expertise, and Stansted Airport, which will boost the city's links with the rest of Europe.

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[11] ORR Data Portal [accessed 14 September 2015]

[12] the franchise was formerly operated by National Express. When it got into difficulties with the East Coast franchise in 2009 (see section 5, below), the Labour Government announced that the NXEA franchise would end on 31 March 2011. This was the statutory end date for the franchise; though a possible three-year extension, permitted in the franchise agreement and based on meeting specific performance targets, was denied (HL Deb 24 November 2009, c72WS and HL Deb 26 November 2009, cc100-101WS)

[13] DfT press notice, "Better services for East Anglian passengers under new franchise", 20 October 2011

[14] the refranchising process begun before the 2010 General Election was subsequently suspended, with the Coalition Government later announcing a new short franchise to be followed by a longer term franchise at a later date; in the event the former was a Direct Award (HC Deb 17 June 2010, c58WS and HC Deb 7 December 2010, cc16-18WS)

> […] The agreement includes improvements to the intercity carriages on the Great Eastern Main Line (GEML) route between Norwich, Ipswich, Colchester and London. Passengers will benefit from new seat covers, new carpets and better lighting, improving the travelling environment. The deal also secures the addition of at seat power sockets, helping people on those services work and stay in touch.[15]

In December 2014 the Government consulted on the new long-term franchise, to be called East Anglia. This concluded in March 2015.[16] In September 2015 the Government published the Invitation to Tender (ITT) calling on bidders to submit proposals for 'Norwich in 90' (a direct service from London to Norwich in 90 minutes) and other service improvements.[17]

The shortlisted bidders are an Abellio-Stagecoach joint venture, First Group and National Express.[18] In December 2015 it was reported that Stagecoach had withdrawn from its joint bid with Abellio as it was "unable to reach an agreement with Abellio on elements of the proposed bid". However, it would provide support and advice to the franchise if Abellio's bid is successful.[19]

The award will likely be made in June 2016. It is not yet clear how long the franchise will be, though it will be something between 8 and 11 years.

In February 2015 the Chancellor, George Osborne and the Mayor of London, Boris Johnson, announced that Transport for London (TfL) would take over some Greater Anglia rail services between London Liverpool Street, Enfield Town, Cheshunt (via Seven Sisters) and Chingford and gain control of most of the stations servicing those routes.[20] TfL/London Overground began running these services on 1 June 2015.[21]

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[15] DfT press notice, "Better services for passengers on the Greater Anglia franchise", 16 April 2014

[16] DfT, *East Anglia rail passenger franchise*, 9 December 2014; the consultation outcome was published on 3 December 2015

[17] DfT press notice, "Major boost for East Anglia as government confirms ambitious 'Norwich in 90' plans", 17 September 2015

[18] DfT press notice, "Shortlist for East Anglia franchise announced", 2 June 2015

[19] "Stagecoach withdraws from Abellio's bid to run the Greater Anglia rail line", *The Echo*, 9 December 2015

[20] HMT press notice, "Long term economic plan for London announced by Chancellor and Mayor of London", 20 February 2015

[21] TfL press notice, "Mayor hails transformed services as TfL takes West Anglia routes", 1 June 2015

5. East Coast

Operating name: Virgin East Coast

Franchisee: Inter City Railways Limited, owned by Virgin Group and Stagecoach Group

Franchise start and end dates: March 2015 – March 2023 (with up to 13 additional reporting periods)

Financial information: in 2014/15 Directly Operated Railways paid a premium of £249.1 million, equating to a subsidy of -5.1 pppkm (pence per passenger km) and Virgin East Coast paid a premium of £17.6 million, equating to a subsidy of -3.9 pppkm.[22]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2014 it was intended to deliver the following commitments:

- 23 new services from London to key destinations, with 75 more station calls a day
- plans for new direct links to Huddersfield, Sunderland, Middlesbrough, Dewsbury and Thornaby
- proposals for more trains to London from Bradford, Edinburgh, Harrogate, Leeds, Lincoln, Newcastle, Shipley, Stirling, and York
- 3,100 extra seats for the morning peak time by 2020
- across the entire train fleet there will be 12,200 additional seats – a 50% increase
- 65 state of the art Intercity Express trains brought into passenger service from 2018, totalling 500 new carriages
- journey times from London to Leeds reduced by 14 minutes, and from London to Edinburgh by 13 minutes[23]

Additionally the franchise would see £140 million invested in 'extra benefits for passengers', including:

- complete refurbishment of the existing train fleet
- better wi-fi connections and onboard catering on the new Intercity Express train fleet
- improved ticket offices and 170 new ticket vending machines
- over 500 new car parking spaces
- 411 additional cycle spaces and new secure cycle facilities
- a customer and community improvement fund
- a training fund for new apprenticeships, internships and staff development.[24]

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[22] ORR Data Portal [accessed 14 September 2015]
[23] DfT press notice, "More seats, more services and new trains for East Coast passengers", 27 November 2014
[24] ibid.

The new franchisee also gave a commitment to reduce all long-distance standard anytime fares by ten per cent and to develop its own website, smartphone and tablet apps to make door-to-door travel easier for customers, including planning journeys and buying tickets.

The Competition and Markets Authority (CMA) investigated the award on the grounds that Stagecoach's involvement might have anti-competitive consequences in some areas. In June 2015 it announced that it was satisfied that Stagecoach had undertaken to mitigate these concerns. In particular, the company committed to a price cap on certain fares set by Stagecoach's East Midlands Trains and on East Coast (Peterborough–Grantham and Peterborough–Lincoln).[25]

The InterCity East Coast franchise has had a difficult past.

Problems with this franchise go back to 2006 when Sea Containers, the parent company of GNER (the franchisee at the time), ran into financial difficulties. In the end the Labour Government decided to refranchise the service and awarded a new franchise to National Express, which began operating in December 2007.[26] Less than two years later the franchise was taken into public ownership.[27] It was run in the public sector, as East Coast Trains, from November 2009 until it was eventually re-franchised in March 2015.[28]

Plans for the 're-privatisation' of the East Coast franchise over the 2010 Parliament proved controversial, and were not without difficulty. Before the 2010 General Election Labour indicated that their intention was to let a new East Coast franchise to the private sector in late 2011.[29] Despite the Coalition Government's commitment to re-let the franchise, the process was delayed and then suspended. This was due, first, to the new Government's plans to reform rail franchising, the industry-wide implications of the McNulty rail value for money study and the desire to avoid letting more than one long-distance franchise at a time; and, second, to the suspension of the franchise schedule caused by the fallout from the West Coast re-let in 2012 (see section 16, below).[30]

As the re-let finally progressed, the Labour Party and rail unions all called for the franchise to remain in the public sector as a 'comparator'

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[25] other concerns related to Stagecoach's Citylink coach business in Scotland and fares sold through the megabus.com website, for details see: CMA, *Inter City Railways / InterCity East Coast franchise merger inquiry*, 22 July 2015

[26] "Legal battle looms if GNER renegotiates east coast franchise", *Scotland on Sunday*, 20 August 2006; DfT press notice, "Competition commences for operator of InterCity East Coast franchise", 15 December 2006; and DfT press notice, "National Express awarded contract for growth on InterCity East Coast", 14 August 2007

[27] *Pre-close statement by National Express Group plc*, 1 July 2009; and HL Deb 1 July 2009, cc24-25WS

[28] DfT press notice, "East Coast main line company pledges to improve services and invest for the future", 13 November 2009

[29] DfT, *InterCity East Coast franchise consultation*, 21 January 2010

[30] HC Deb 17 June 2010, c58WS and HC Deb 7 December 2010, cc16-18WS; DfT press notice, "New franchising programme", 5 August 2011; DfT press notice, "Transforming rail travel on the East Coast", 25 October 2013; and DfT press notice, "East Coast on course for improved rail services", 21 March 2014

for the franchised services run by the private sector.[31] In April 2014 the rail unions (RMT, ASLEF, TSSA) launched an application for a judicial review of this decision in particular and the number of Direct Awards made to other incumbent franchisees; this was refused in July 2014.[32]

[31] see, e.g.: Labour Party press notice, "This is a bizarre and dogmatic decision on the East Coast mainline - Maria Eagle", 26 March 2013; and: RMT press notice, "Government gives green light to new wave of rail profiteering", 26 March 2013

[32] RMT press notice, "Rail Unions Seek Judicial Review Over Intercity East Coast", 7 April 2014; and: "Rail unions refused franchise review", *BBC News Online*, 11 July 2014

6. East Midlands

Operating name: East Midlands Trains

Franchisee: Stagecoach Group

Franchise start and end dates: November 2007 – October 2015

Direct award: October 2015 – March 2018

Financial information: in 2014/15 paid a premium of £82.6 million, equating to a subsidy of -3.5 pppkm (pence per passenger km); in 2007 total premia to the Government paid over the duration of the franchise was estimated be £133 million.[33]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2007 it was intended to deliver a number of commitments, including:

- Extra services to Kettering, Corby, Lincoln and East Midlands Parkway;
- More capacity into and out of London St Pancras and between Liverpool and Nottingham;
- Improved stations, including more car parking, and trains; and
- a 90.4% punctuality and reliability target.[34]

Further, in September 2014 the Government announced a package of improvements to rail services between Nottingham, Newark and Lincoln, including "an additional 24 trains, more frequent and faster journey times and extra carriages to complement extra morning and evening peak trains".[35]

The franchise is currently operating under a two and a half year Direct Award, made in September 2014 for the period October 2015 to March 2018. The Direct Award is intended to deliver:

- 22 extra services between Nottingham and Newark Castle on Saturdays by December 2016 - this follows the creation last year of 24 extra services between Nottingham and Newark Castle on weekdays
- timetable improvements that will mean faster journeys and more services between Nottingham and Lincoln on Saturdays
- a freeze on all Anytime fares to London, with ticket prices remaining at the same level as now until 2017 - this is in addition to the government's commitment to cap all other regulated rail fares at RPI inflation for the next 5 years

[33] ORR Data Portal [accessed 14 September 2015] and: *DfT stock market statement*, 22 June 2007
[34] ibid.
[35] DfT press notice, "Passengers to benefit from investment in Nottingham to Lincoln rail service", 29 September 2014

- 15 more automatic ticket machines installed across the network
- better customer information with a new mobile app which will also allow ticket purchases - more information screens will also be installed at key stations including London St Pancras, Leicester, Derby and Sheffield
- £1 million invested in improving accessibility at stations, along with 29 new accessible help points at unstaffed stations, linked to a 24-hour customer contact centre
- a better passenger assistance scheme so that customers who need assistance only need to book 12 hours in advance, rather than 24 hours
- an improved online compensation system for passengers who are delayed[36]

The refranchising process for East Midlands is scheduled to begin in July 2016, with the new franchise to begin in March 2018. There will be a Direct Award for the two and a half years between the end of the current franchise and the start of the new one.[37]

[36] DfT press notice, "Better journeys for East Midlands rail passengers as government confirms new deal", 16 September 2015
[37] HC Deb 26 March 2013, cc95-98WS

7. Essex Thameside

Operating name: C2C

Franchisee: NXET Trains Ltd, owned by National Express Group

Franchise start and end dates: September 2014 – November 2029

Financial information: in 2014/15 paid a premium of £18 million, equating to a subsidy of -1.7 pppkm (pence per passenger km).[38]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2014 it was intended to deliver the following commitments:

> …benefits costing around £160 million. These include:
>
> an additional fleet of 17 brand new trains providing almost 4,800 extra seats
>
> more than 25,000 additional seats for morning peak time passengers every week by the end of the contract
>
> free wi-fi at stations and on board trains
>
> an enhanced compensation system, meaning customers who use smart tickets will automatically receive compensation if their train is delayed
>
> over £30 million invested in improving stations, including Fenchurch Street and Barking
>
> complete step-free access at all stations, providing improved accessibility for people with limited mobility and parents with buggies and push chairs
>
> more than 200 new car parking spaces and £457,000 invested in improving cycling facilities and accessibility at stations
>
> The operator has also committed to hitting tough new targets for punctuality, which means more than 90% of services will be required to reach their destination within 1 minute of the timetable by December 2018.[39]

This franchise is one of the few remaining in broadly the same form as it was when first awarded after privatisation.[40] It has been operated by National Express, under franchise, then Direct Award, then franchise again, since 2001.[41]

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[38] ORR Data Portal [accessed 14 September 2015]

[39] DfT press notice, "Passengers in London and Essex set for host of benefits under new rail deal", 27 June 2014; see also: "Better journeys for east London and Essex passengers as c2c franchise starts", 10 November 2014

[40] it was originally awarded to Prism Rail in April 1996 and renegotiated in 1998; Prism merged with National Express in 2001, see: OPRAF press notice, "Improvements for passengers on LTS rail", 11 November 1998

[41] HL Deb 24 November 2009, c72WS and HL Deb 26 November 2009, cc100-101WS; HC Deb 7 December 2010, cc16-18WS; "c2c extension awarded to National Express", *Rail News*, 23 December 2010; DfT press notice, "Rail franchising future programme", 31 January 2013; DfT press notice, "Essex rail contract agreement", 17 May 2013; and DfT, *Essex Thameside franchise 2013: invitation to tender*, 26 September 2013

8. Great Western

Operating name: First Great Western (FGW)

Franchisee: FirstGroup

Franchise start and end dates: April 2006 –October 2013

Direct Awards: (1) October 2013 – September 2015 (2) September 2015 – March 2019

Financial information: in 2014/15 paid a premium of £62.1 million, equating to a subsidy of -1.0 pppkm (pence per passenger km); in 2005 total premia paid to the Government over the duration of the franchise was estimated be £1.13 billion.[42]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2005 it was intended to deliver a number of commitments, including:

- re-designing of the high speed train fleet to include new interiors and increased capacity;
- installing CCTV throughout the local and regional Diesel Multiple Unit rolling stock fleet;
- adding 1,700 car parking spaces at stations;
- introducing new ticket vending technology including 124 new ticket vending machines;
- raising the maximum speed on almost all sections of the 'slow' lines between Paddington and Reading up to 90;
- installing automatic ticket gates at key stations;
- increasing services between Paddington and Slough; Twyford, Maidenhead and Slough; Westbury and London Paddington; and Reading and Gatwick Airport; and
- modernising Reading and Bristol Temple Meads stations.[43]

The franchise is currently operating under a short-term Direct Award. This will be replaced by a longer-term Direct Award from September 2015, until March 2019 when the new franchise will start. The September 2015 Direct Award is intended to deliver:

- around 3,000,000 additional seats per year by 2018 across the franchise
- 4000 more morning peak seats into London every day by December 2018
- proposals for a brand new fleet of privately funded trains
- more trains into Devon and Cornwall
- the introduction of 369 new carriages through the roll-out of new hi-tech Intercity Express Programme trains built by Hitachi

[42] ORR Data Portal [accessed 14 September 2015] and: *DfT Stock Market Statement*, 13 December 2005
[43] DfT, *Greater Western Franchise* [accessed 17 August 2015]

- the introduction of 58, 4-car electric trains for Thames Valley services
- faster journeys between Penzance and Paddington and London to South Wales, Oxford and Bristol
- a £30 million investment to improve stations and car parks, introducing 2000 more car park spaces (plus additional funding from partners)
- a £3.5 million station development match fund
- a £2.5 million accessibility fund[44]

First will pay the Government around £68 million to operate the franchise until April 2019.[45]

Separately, the Great Western Main Line (GWML) is due for two big improvements between Bristol and London: electrification and new rolling stock, which together should have a positive impact on journey times to the South West. The new trains depend on the track being electrified to deliver benefits.[46] New Intercity Express (IEP) trains will be in use on the GWML to Bristol by 2017, but they will not go further than that under plans announced to date. The line into the West Country is likely to see continued use of diesel 125s and newly cascaded Class 165/166s.[47]

As indicated above, First Group will continue to operate the franchise until 2019, this is despite giving notice to the Government that it wanted to terminate it back in 2011. This was for financial reasons: over the course of the franchise First was scheduled to make over £1 billion in premia payments, however the company had been in receipt of revenue support payments since the recession due to the larger than expected decline in passenger numbers. Even with this support, First said that the premia payments to the Government were unsustainably large for the company to bear.[48]

[44] DfT press notice, "New deal for rail passengers in west of England and Wales", 23 March 2015
[45] ibid.
[46] details of the GWML electrification can be found in section 2 of HC Library briefing paper SN5907
[47] DfT press notice, "Government gives green light for more state-of-the-art intercity trains", 18 July 2013
[48] "FirstGroup to pull out of rail franchise", *The Times*, 12 May 2011; refranchising was begun in 2011 and then suspended post-West Coast (see section 16, below), for more information see: DfT, *Great Western franchise 2013*, 19 December 2011; HC Deb 18 December 2012, c673W; and DfT press notice, "Franchising deal to boost services on Great Western Main Line", 3 October 2013

9. Northern

Operating name: Northern

Franchisee: Serco-Abellio, the latter owned by NedRailways (Nederlandse Spoorwegen)

Franchise start and end dates: December 2004 –April 2014

Direct award: April 2014 – April 2016

Financial information: in 2014/15 received £112.7 million in subsidy equating to a subsidy of 4.9 pppkm (pence per passenger km); in 2004 the total subsidy over the duration of the franchise was estimated to be £2.434 billion.[49]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2004 it was intended to deliver a number of commitments, including:

- reducing cancellations and delays by over 15% in the first 5 years;
- introducing a new incentive/penalty regime to ensure the maintenance of station and train facility standards; and
- Providing a more local focus on performance, with monitoring and enforcement based on each of five sub-regions.[50]

The franchise is currently operating under a two year Direct Award, made in March 2014 for the period April 2014 to April 2016. The Direct Award is intended to deliver a:

> … transformation of rail services across the north, and will help support the government's £600 million of investment in the region.
>
> This will see a significant amount of the network electrified, delivering cleaner, quicker and more reliable journeys for passengers travelling between key strategic cities including Leeds, Liverpool, Manchester, Newcastle and Sheffield.[51]

The Coalition Government extended the end date of the Northern franchise to align with the re-let of the TransPennine Express (see section 14, below).[52]

The proposals for the new franchise provoked much comment, particularly as regards future fare rises and service levels. The prospectus stated that much about the Northern franchise had been unchanged for 20 years and that it was seeking a "transformation" in services. While it did not consider line or station closures it did ask for views on reducing

[49] ORR Data Portal [accessed 14 September 2015] and: SRA press notice, "New Northern Rail franchise signed", 19 October 2004
[50] ibid.
[51] DfT press notice, "New deal for rail in the north", 27 March 2014; it was initially reported as running to February 2016, but the later Invitation to Tender and franchising schedule confirmed the date as April 2016
[52] DfT, *Northern Franchise: Notice of Continuation (7 Period Extension)*, 1 May 2012

service frequencies and cutting the number of stops at stations where demand is low. It also stated that it was looking at "options to address fares anomalies and potential relaxation in fares regulation to help fund enhancements," and that fares were "significantly below the norm" in the Manchester and Leeds areas.[53] In the event, the Invitation to Tender (ITT) did not include any of these proposals, but it did notably require bidders to submit proposals for the withdrawal of Pacer Trains, which have been the subject of some discontent from users and local MPs.[54]

In August 2014 the Government announced the shortlisted bidders for the new franchise as Abellio, Arriva and Govia.[55] In December 2015 the Government announced Arriva (owned by Deutsche Bahn) as the winning bidder. The new franchise would deliver:

> … the complete removal of the outdated and unpopular Pacers by the end of 2019, and will invest £400 million in 281 brand new air-conditioned carriages – more than double the minimum required in the government's invitation to tender …
>
> Other improvements on the Northern network include:
>
> - more than 2,000 extra services each week, with around 400 additional Sunday services, including new direct journeys from Bradford to Wakefield, Sheffield, Nottingham, Liverpool and Hull; from Leeds to Chester and Bridlington; from Lincoln to Leeds; and from Manchester Airport to Warrington, Bradford and Halifax
> - nearly a 40% increase in capacity – creating space for 31,000 extra passengers travelling into the 5 major commuter cities (Liverpool, Manchester, Leeds, Sheffield and Newcastle) of the north during the morning rush-hour
> - a new high-quality 'Northern Connect' service, meaning new or refurbished trains on longer-distance services, faster journeys and stations staffed daily with catering services and free Wi-Fi at each one – as well as serving the 5 major commuter cities, this network will also serve other destinations including Bradford, Halifax, Blackburn, Accrington, Burnley, Lincoln, Worksop and Retford
> - improved ticketing, including mobile and print-at-home tickets, and discounted fares for jobseekers[56]

The new franchise will run from April 2016 to March 2025.

[53] DfT, *Transformation in Partnership: Northern Prospectus*, 9 June 2014
[54] DfT, *Northern Invitation to Tender*, 27 February 2015, p84 and .e.g. "Riverside MP Louise Ellman wins battle to remove outdated Pace trains", *Liverpool Echo*, 27 February 2015
[55] DfT press notice, "Shortlist for Northern and TransPennine Express rail operators revealed", 19 August 2014
[56] DfT press notice, "Massive boost to rail services brings Northern Powerhouse to life", 9 December 2015

10. ScotRail

Operating name: ScotRail

Franchisee: Abellio, owned by NedRailways (Nederlandse Spoorwegen)

Franchise start and end dates: April 2015 – April 2025

Financial information: N/A.[57]

The Franchise Agreement is available on the Transport Scotland website.

When the franchise was awarded in 2014 it was intended to deliver the following commitments:

For passengers –

- free wifi on all trains
- new approach to cycling with more than 3,500 parking spaces and bike-hire at a number of stations.
- 23% more carriages across the network,
- reduced fares for jobseekers,
- high-speed intercity diesel trains, with over a third more seats,
- advance fares of £5 between any two Scottish cities,
- Great Scenic Railway scheme bringing more tourists to the north, the south west and the Borders,
- major shopping developments at the stations at Aberdeen and Inverness.

For staff –

- a commitment to earnings of at least the living wage for all staff and subcontractors,
- at least 100 apprenticeships,
- guarantee of no compulsory redundancies throughout the life of the contract,
- rail staff pensions and travel rights protected,
- introduction of guaranteed trade union representation on every franchise Board meeting.[58]

The franchise will run for ten years with a break clause in year five, which would only be exercised after seven years.

The previous ScotRail franchise contract was awarded to FirstGroup plc, operating as First ScotRail Limited, in August 2004. In 2008, following the success of First ScotRail in delivering improved levels of performance, the franchise term was extended until 2014, and later to March 2015.

[57] in 2014/15, *under the previous franchise*, received a subsidy of £261.1 million, equating to a subsidy of 8.6 pppkm (pence per passenger km) [ORR Data Portal [accessed 14 September 2015]]

[58] Transport Scotland press notice, "New deal to transform rail services", 8 October 2014

The Scottish Government has responsibility for specifying and letting both the ScotRail franchise and the new Caledonian Sleeper franchise (hived off from the ScotRail franchise in 2015).

The Caledonian Sleeper franchise involves the operation of overnight rail passenger services in both directions between London Euston and each of Edinburgh, Glasgow, Inverness, Aberdeen and Fort William. Serco was awarded the franchise in May 2014; it began operations on 1 April 2015. It will run for 15 years and involve £100 million being spent on new carriages.[59]

[59] co-funded by DfT and Transport Scotland; Transport Scotland press notice, "Exciting new Sleeper contract unveiled", 28 May 2014

11. South Eastern

Operating name: Southeastern

Franchisee: London & South Eastern Railway Limited, owned by Govia – a joint venture between Go-Ahead Group plc and Keolis (the latter majority owned by the French state rail operator SNCF)

Franchise start and end dates: April 2006 – October 2014

Direct award: October 2014 – June 2018

Financial information: in 2014/15 received £32.5 million in subsidy equating to a subsidy of 0.7 pppkm (pence per passenger km); in 2005 the total subsidy over the duration of the franchise was estimated to be £585 million.[60]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2005 it was intended to deliver a number of commitments, including:

- introducing new high speed commuter services from St Pancras on HS1from 2009;
- investing £250 million in new high speed trains for HS1;
- increasing fares by 3% above inflation from January 2007 for five years;
- investing around £76 million in passenger and staff facilities;
- overseeing the construction of two train depots in East Kent;
- improving train performance; and
- providing better services between, e.g. Beckenham Junction and London Victoria, Faversham and Cannon Street, and Ashford and Charing Cross.[61]

The franchise is currently operating under a 44-month Direct Award, made in September 2014 for the period October 2014 to June 2018.[62] The Direct Award is intended to deliver:

> more than 95,000 extra seats across the network, including 1,000 extra seats on Southeastern's high speed services every day
>
> … improved connections between London, North Kent and East Kent thanks to a new hourly high-speed service via Gillingham, Ramsgate, Dover and Ashford
>
> high speed services calling at Snodland, Martin Mill and Walmer for the first time, along with extra high speed services for Margate, Broadstairs and Ramsgate

[60] ORR Data Portal [accessed 14 September 2015] and: and: *DfT Stock Market Statement*, 30 November 2005

[61] ibid.

[62] the refranchising process begun after the 2010 General Election was subsequently cancelled, with the Coalition Government later announcing its intention to extend the current franchise and then make a Direct Award (DfT, *South Eastern Franchise Consultation*, June 2012; HC Deb 26 March 2013, cc95-98WS; and DfT press notice, "Boost for high speed rail services to Sandwich and Deal", 13 November 2013)

> a peak-time Hastings Business Express service providing faster journeys into London, saving up to 10 minutes on the current journey times
>
> new direct services between Maidstone East and Blackfriars, and between Sheerness-on-Sea and London Victoria
>
> extra evening and weekend services between Dartford and London Victoria
>
> … a commitment to work with TfL to roll out Oyster acceptance to Dartford and Swanley, and to introduce Oyster on the high speed service between St Pancras and Stratford International
>
> […] In addition, more than 300 trains will be refreshed, including toilet upgrades and accessibility improvements on some trains, self-service ticket machines will be installed at more stations with ticket gates at Swanley and Staplehurst, and opening hours at Cannon Street station will be extended so the station is open for 21 hours a day to accommodate additional services.[63]

The refranchising process for South Eastern is scheduled to begin in November 2016, with the new franchise to begin in June 2018.

[63] DfT press notice, "New deal to boost rail services in London and the south east", 11 September 2014

12. South Western

Operating name: South West Trains

Franchisee: Stagecoach Group

Franchise start and end dates: February 2007 – June 2017

Financial information: in 2014/15 paid a premium of £374.3 million, equating to a subsidy of -6.0 pppkm (pence per passenger km); in 2006 the total premia paid to the Government over the duration of the franchise was estimated be £1.191 billion.[64]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2006 it was intended to deliver a number of commitments, including:

- increasing capacity on mainline and suburban services by around 20% and adding rolling stock to the fleet;
- rolling out smartcard technology across the franchise by 2009;
- providing £40m investment in enhancements at 15 stations and gating 14 stations, including London Waterloo;
- improving services, including between Waterloo and Weymouth; Salisbury, Romsey, Southampton and Southampton Airport Parkway; and west of Exeter (to Plymouth and Paignton);
- offering flexible tickets to encourage passengers to travel outside of the very busiest times in the peak period;
- installing CCTV throughout train fleet and at all stations; and
- increasing the passenger performance measure.[65]

The Coalition Government negotiated a further agreement with SWT in March 2015 to cover the two years to February 2017. This is intended to deliver:

> more services and seats: More than 57,000 additional seats will be created through the introduction of 73 new evening and weekend services on suburban and mainline routes and through additional seating on existing services
>
> increased car parking: an extra 1,400 spaces by end of 2017 to accommodate growth at the busiest stations
>
> smarter journeys: a new online booking system and smart ticketing, allowing joined up journeys with London's bus and Tube network
>
> improved customer information, marketing and fares promotions: a new website and mobile app, a customer relationship management programme to better understand passenger priorities, and promotional campaigns

[64] ORR Data Portal [accessed 14 September 2015] and: DfT press notice, "Department for Transport announces winner of South Western Franchise", 22 September 2006
[65] ibid.

easier ticket purchase: 170 new easy-to-use ticket machines, including 90 with facility for customers to ask for help to ensure they get the best fare

enhanced customer service: more visible staff on station concourses to help passengers; customer service NVQ qualifications for employees; mystery shopping and online surveys[66]

The announcement also summarised a number of enhancements that were already underway, including:

- the roll-out of a £65 million investment in 108 refurbished train carriages for the network
- plans for a £210 million fleet of 30 new 5 carriage trains
- major infrastructure improvements at London Waterloo to accommodate the new trains
- a £7 million upgrade to the railway through Wimbledon, improving reliability and punctuality for hundreds of thousands of passengers[67]

In December 2015 SWT announced a new timetable, providing increased capacity between London Waterloo and Reading, Ascot, Windsor & Eton Riverside, Hounslow and Richmond, equating to nearly 10,000 seats a week.[68]

The Government was intending to make a Direct Award to Stagecoach to continue operating the franchise until April 2019. However, it was reported in July 2015 that Stagecoach and the Government had failed to come to agreement on a Direct Award.[69]

The refranchising process for the South Western franchise therefore began in November 2015, with the publication of the prospectus and a public consultation.[70] The new franchise will begin in June 2017.

[66] DfT press notice, "New £50 million package of passenger benefits on South West Trains", 25 March 2015
[67] ibid.
[68] "Extra trains on Waterloo to Reading commuter timetable", *BBC News*, 13 December 2015
[69] "South West Trains to be refranchised", *Railway Gazette*, 7 July 2015, and: HCWPQ 6264, 13 July 2015
[70] DfT, *South Western rail franchise*, 12 November 2015, and *South Western franchise competition prospectus*, 26 November 2015

13. Thameslink, Southern & Great Northern (TSGN)

Operating names: Thameslink, Great Northern, Southern and Gatwick Express

Franchisee: Govia, a joint venture between Go-Ahead Group plc and Keolis (the latter majority owned by the French state rail operator SNCF)

Franchise start and end dates: September 2014 – September 2021

Financial information: in 2014/15 paid a premium of £99.8 million, equating to a subsidy of -4.5 pppkm (pence per passenger km); separately, Southern paid a premium of £187.4 million, equating to a subsidy of -4.0 pppkm.[71]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2014[72] it was intended to deliver the following commitments:

> The TSGN franchise will play a crucial role in delivering the government's £6.5 billion Thameslink programme – a major programme of infrastructure work that is helping create 8,000 jobs and will allow 24 trains per hour to travel in each direction from Blackfriars to St Pancras. New tunnels will link Peterborough and Cambridge to the existing Thameslink route providing easy access across London via St Pancras to Gatwick and Brighton.
>
> The franchise will introduce 1,140 new carriages – already under construction - on the Thameslink network, improving services to scores of destinations, including the introduction of new cross capital services and a connection at Farringdon to London's newest railway - Crossrail.
>
> In addition, Govia will order a new fleet of 108 carriages for the Gatwick Express service, replacing the current 25-year-old trains with a fleet better suited to the needs of airport passengers. It will also secure 150 new carriages to replace the 40-year-old trains currently operating on the route between Moorgate, north London and Hertfordshire.
>
> That means the total number of carriages in service will grow to 2,631 by 2019 – an increase of 27%. It will also release some existing electric carriages to be used elsewhere in the country.
>
> Govia will invest significantly in improving stations, including free wi-fi at more than 100 stations, better retail and catering facilities and improvements to customer information systems. Staffing hours will also be extended so that at more than 100 of the largest stations there will be staff available from the first train in the morning to the last train at night.

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[71] [ORR Data Portal [accessed 14 September 2015]

[72] the franchise procurement, begin in 2012, was suspended post-West Coast (see section 16, below), before resuming in 2013, see: DfT, *Consultation on the combined Thameslink, Southern and Great Northern franchise*, May 2012; DfT, *Thameslink, Southern and Great Northern 2013: invitation to tender*, 26 September 2013; and HC Deb 24 February 2014, c10WS

> Demanding contractual obligations on the operator will deliver cleaner and more spacious trains and improve passenger satisfaction. Tough new benchmarks for performance, train and station cleanliness and customer service information have also been agreed.
>
> The operator will also develop website, smartphone and tablet apps that will make door-to-door travel easier for customers, including planning journeys, buying tickets and booking onward taxis.[73]

It is important to note that many of the benefits from the new franchise will not be realised until the introduction of new Thameslink rolling stock and completion of the Thameslink infrastructure project in 2018.[74]

The franchise combines the former Southern (including Gatwick Express) and Thameslink/Great Northern franchises and some elements of the South Eastern franchise. When all the services have been incorporated, the combined franchise will be the biggest franchise that has ever been let: it will have the largest income, the most trains and the most staff of any franchise in the GB rail market.[75]

[73] DfT press notice, "New rail franchising deal set to transform passenger services across London and south east" 23 May 2014
[74] for full details on the infrastructure see HC Library briefing paper SN1537; and for rolling stock and section 4 of SN3146
[75] op cit., *Consultation on the combined Thameslink, Southern and Great Northern franchise*, p4

14. TransPennine Express

Operating name: First TransPennine Express

Franchisee: FirstGroup and Keolis (the latter majority owned by the French state rail operator SNCF)

Franchise start and end dates: February 2004 – April 2016

Financial information: in 2014/15 received £43.5 million in subsidy equating to a subsidy of 2.3 pppkm (pence per passenger km).[76]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2003 it was intended to deliver the following commitments:

> The introduction of a new fleet of 100 mile/h diesel multiple units leading to improved capacity, service quality, performance and the reliability of rail services on these routes, together with the construction of associated new maintenance facilities
>
> Introduction of a new timetable in December 2004 which delivers a regular hourly service pattern, together with some increases in frequency and reductions in journey times, together with some increases in capacity during peak hours. The new timetable also supports the growth objectives of Manchester International Airport
>
> Improvements to the Passenger's Charter commitment that compensates passengers for the late running of individual trains
>
> Comprehensive staff training and development schemes, with particular focus on improving customers' experience[77]

The Coalition Government reached agreement with First to extend the franchise so that they could explore the potential of reconfiguring the TransPennine and Northern franchises, though in the end nothing came of this.[78]

In June 2014 the Government published a pre-qualification document, prospectus, and consultation document on the future of the TPE franchise.[79] In August 2014 it announced the shortlisted bidders for the new franchise: First, Keolis and Stagecoach.[80]

In December 2015 the Government announced First as the winning bidder. The new franchise would deliver:

> … 220 new carriages, equivalent to 44 trains and worth more than £400 million, providing fast 125 mph services across the network, as well as:
>
> - introducing new and additional services for Scotland, including a new, direct Liverpool to Glasgow service from

[76] ORR Data Portal [accessed 14 September 2015]
[77] SRA press notice, "SRA Announce Preferred Bidder For TransPennine Express Franchise", 28 July 2003
[78] op cit., "New franchising programme"
[79] HC Deb 9 June 2014, cc27-8WS
[80] op cit., "Shortlist for Northern and TransPennine Express rail operators revealed"

December 2018 with new electric trains and extending existing services beyond Newcastle to Edinburgh from December 2019, and bringing in additional services from Manchester to Glasgow and Edinburgh from December 2017

- doubling the number of Manchester to Newcastle services and running more daily services to Hull from Manchester and Leeds, both from December 2017
- bringing in 9,000 extra seats into Manchester, Leeds, Sheffield, Liverpool and Newcastle – an overall capacity boost of nearly 70% across the region during the morning peak
- offering discounted advance fares for 16- to 18-year-olds and jobseekers [81]

The new franchise will run from April 2016 to March 2023.

[81] op cit., "Massive boost to rail services brings Northern Powerhouse to life"

15. Wales & Borders

Operating name: Arriva Trains Wales (Trenau Arriva Cymru)

Franchisee: Arriva UK Trains, owned by Deutsche Bahn

Franchise start and end dates: December 2003 – October 2018

Financial information: in 2014/15 received £101.9 million in subsidy equating to a subsidy of 8.5 pppkm (pence per passenger km); in 2003 the total subsidy over the duration of the franchise was estimated to be £1.68 billion.[82]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2003 it was intended to deliver the following commitments:

> Current service levels maintained;
>
> Final development of a simplified, user-friendly timetable, as well as better performance and connections, planned for December 2005 for both the Valley Lines and inter-urban services;
>
> Introduction of seven class 150 Diesel Multiple Units planned from December 2004, leading to greater operational flexibility and resilience, to replace current, less suitable stock;
>
> A better compensation scheme for passengers, including full refunds for those customers who are delayed by more than sixty minutes;
>
> Introduction of 30 new integrated bus ticket schemes (in addition to those already in operation) by November 2005, allowing many new opportunities for simpler through journeys;
>
> Improved bi-lingual access, including a Welsh Language customer service phone line, passenger timetables and information, full bi-lingual signage and recorded station announcements at stations where there are existing public address systems by May 2004;
>
> Introduction of a new, customer-focused `Station Adopter' scheme;
>
> £400,000 on improving station car parks at Cardiff Central (Wood Street), Chester, Hereford, Newport and Shrewsbury;
>
> Abolition of the £1 reservation charge for bicycles on trains.[83]

In July 2014 the Government announced additional services between Manchester Piccadilly, Chester, Holyhead, and Llandudno from December 2014.[84]

The Welsh Government is a co-signatory to the current Wales & Borders franchise. It is also responsible for determining the priorities for local and regional services and setting fares for them; and has a role in

[82] ORR Data Portal [accessed 14 September 2015] and: SRA press notice, "Wales and Borders Franchise Signing", 20 October 2003
[83] ibid.
[84] DfT press notice, "Green light for extra rail services between England and Wales", 16 July 2014

developing facilities such as stations and local lines and funding rail improvements. In the February 2015 St David's Day Agreement the Coalition Government confirmed that the Welsh Government would take over procurement for the Wales & Border franchise in 2018 and that "it is likely that services primarily serving English markets will be placed into other franchises for which the Secretary of State for Transport is the franchising authority". [85]

The refranchising process for the Wales & Borders franchise is scheduled to begin in March 2017, with the new franchise to begin in October 2018.

[85] having initially announced that the franchise would be devolved in November 2014, see: HMG press notice, "PM announces rail package to electrify Valley Lines and boost Welsh economy", 21 November 2014; and HMG, *Powers for a Purpose: Towards a Lasting Devolution Settlement for Wales*, Cm 9020, February 2015, p31

16. West Coast

Operating name: Virgin West Coast

Franchisee: West Coast Trains Limited, owned by Virgin Group and Stagecoach Group

Franchise start and end dates: March 1997 – December 2012

Direct Awards: (1) December 2012 – November 2014 (2) November 2014 – September 2017

Financial information: in 2014/15 paid a premium of £93.7 million, equating to a subsidy of -1.8 pppkm (pence per passenger km); in 1997 the total premia paid to the Government over the duration of the franchise was estimated be £933.5 million.[86]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 1997 it was intended to deliver a number of commitments, including:

- replacing virtually the entire rolling stock fleet with a brand new fleet of high speed 225km/h trains from 2011 onwards;
- operating services at 200km/h starting in 2002;
- examining the potential for new direct regular services between London, Telford and Shrewsbury, and to Blackpool;
- undertaking studies into the viability of electrification of the Manchester-Preston-Blackpool and Crewe-Chester routes;
- installing at-seat video systems and 'in flight' customer services;
- providing fixed price pre-booked taxis from home to selected stations;
- providing coach links between Watford Station and Heathrow Airport;
- improving information systems/points at all major stations and spending at least £2 million on station improvements to include improved lighting, waiting facilities and access; and
- achieving 90% punctuality for most services within a year from take-over.[87]

The franchise is currently operating under a Direct Award for the period November 2014 to September 2017.[88] The Direct Award is intended to deliver:

> 21 first-class carriages converted to standard class, delivering 5,500 extra standard seats per day across the network

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[86] ORR Data Portal [accessed 14 September 2015] and: OPRAF press notice, "High speed tilting trains to slash West Coast Journey times", 19 February 1997

[87] ibid., there were difficulties achieving some of these due to the overrun on the West Coast Main Line upgrade, see: HC Library briefing paper SN364

[88] the Coalition Government secured an extension to the franchise between April and December 2012 and then signed a 23-month Direct Award until November 2014, see: HC Deb 27 October 2011, c20WS; HC Deb 15 October 2012, cc6-8WS; and DfT press notice, "Virgin Trains to run improved west coast services", 6 December 2012

> free wi-fi at stations and improved coverage across the entire fleet
>
> more than £20 million invested to modernise and enhance stations, including improving waiting rooms, seats and shelters
>
> £2.5 million to improve the interiors of the Pendolino train fleet, as well as £2.75 million spent on improving catering facilities
>
> improved station cleanliness and accessibility
>
> new targets for passenger satisfaction, train punctuality and cleanliness
>
> plans developed to increase car parking at Carlisle, Lancaster and Stafford
>
> In addition, Virgin will now start work to secure new direct services between Shrewsbury, Blackpool and London from December […]
>
> The company has also committed to working with Network Rail, communities and stakeholders to look at how further improvements in journey times can be made from London to Scotland. This includes work to remodel Carstairs junction – a significant bottleneck on the network […]
>
> As part of the deal the company has committed to employing at least 30 apprentices, 18 traineeships, four Network Rail Track and Train graduate placements, 12 Virgin Red Track scheme participants and 12 ex-offenders through the St Giles Trust.[89]

The refranchising process for the West Coast franchise is scheduled to begin in December 2015, with the new franchise to begin in September 2017.[90]

Failed re-let, 2012

As noted in other sections, in 2012 the rail franchising system in England essentially collapsed, causing systemic and long term issues for the future franchising of rail services that will persist to the end of the decade. This was caused by the failure of the West Coast re-let.

Following the usual competitive tendering process, the Government awarded the West Coast franchise to First Group in August 2012. It was intended that the franchise would run until spring 2026, with an option to extend the franchise to the end of 2027.[91] Following the announcement, there was an unprecedented level of debate about the award. Both First Group and Virgin discussed the franchise in the media and both the founder of Virgin Group, Sir Richard Branson, and the First Group chief executive, Tim O'Toole, appeared before the Transport Select Committee after Virgin announced that it would take the Department for Transport to Judicial Review over the award.[92]

[89] DfT press notice, "Better journeys for passengers on the West Coast Main Line", 19 June 2014

[90] the franchise was initially reported as running to April 2017, but the franchising schedule confirmed the date as September 2017

[91] DfT press notice, "New operator for West Coast rail passengers", 15 August 2012

[92] "Sir Richard Branson blasts 'flawed' bid system as Virgin Rail loses West Coast Main Line franchise to FirstGroup", *The Independent*, 15 August 2012; and Transport Committee, *Rail 2020* (seventh report of session 2012-13), HC 329-II, 7 January 2013, Ev 81+

However, before the hearing could take place the Secretary of State for Transport, Patrick McLoughlin, announced his decision to cancel the award following the "discovery of significant technical flaws in the way the franchise process was conducted". The franchising process would therefore be re-started. Mr McLoughlin also announced two independent reviews: the first by Sam Laidlaw, Chief Executive of Centrica, to examine what happened during the West Coast procurement and why, and the second by Eurostar chairman Richard Brown to examine the wider rail franchising programme. In the meantime, the outstanding franchise competitions were 'paused' pending the outcome of the Brown Review, in order to ensure future competitions would be "robust and deliver best value for passengers and tax payers".[93]

The Laidlaw Report was published in December 2012. The work of the inquiry was focused on the calculation of the Subordinated Loan Facility (SLF) for the West Coast franchise and the application of the relevant guidance to that calculation.[94] Laidlaw's main conclusion was that: "in seeking to run the complex and, in some respects, novel … franchise process, an accumulation of significant errors ... resulted in a flawed SLF sizing process. The responsibility for this flawed process rests with the DfT, rather than with any of its external advisers".[95] Laidlaw recommended a number of measures to help to restore confidence in the DfT's conduct in rail franchising and procurement.[96] The Department for Transport's response to the report was published on the same day. This stated that the Laidlaw report made for 'sombre reading'.[97] Mr McLoughlin, said that the Department would "ensure that all future franchise competitions are delivered with a clear timeline, rigorous management and the right quality assurance" and that it would create a simpler and clearer structure and governance process for rail franchise competitions.[98]

The Brown Report was published in January 2013. Brown's main conclusion was that "the rail industry works, and that there is no credible case for major structural change" but that "concerted effort is required on a significant, though manageable, number of key areas, from which lasting and tangible improvements will flow".[99] He made a number of recommendations to achieve this end.[100] Looking forward, Brown urged that the franchising programme be restarted, but that the Department should be mindful of what it and the market could

[93] DfT press notice, "West Coast Main Line franchise competition cancelled", 3 October 2012
[94] the SLF is the amount of money the DfT requires the parent companies of bidders to put up to mitigate the risk of insolvency during the course of the franchise
[95] DfT, *Report of the Laidlaw Inquiry: Inquiry into the lessons learned for the Department for Transport from the InterCity West Coast Competition*, HC 809, 6 December 2012, para 3.1
[96] ibid., paras 3.13-3.14
[97] DfT, *Response to the Report of the Laidlaw Inquiry*, 6 December 2012, para 2
[98] HC Deb 6 December 2012, cc1018-19
[99] DfT, *The Brown Review of the Rail Franchising Programme*, Cm 8526, January 2013, para 1.4
[100] ibid., paras 1.11-1.20

resource, and seek to avoid 'bunching' franchises, increasing the vulnerability of the programme to peaks and troughs in the economic cycle.[101]

The Government responded to the Brown Report by announcing a new franchising schedule that would provide "a more sustainable schedule for rail franchising by delivering no more than 3 to 4 competitions per year, and staggering the 2 principal Intercity franchises, West Coast and East Coast, so they will not be let at the same point in the economic cycle".[102] The schedule has been updated three times since then, most recently in July 2015.[103] The practical consequence of this is that there has been an increasing number of 'Direct Awards' rather than fully competitive refranchising of lines since 2013.

[101] ibid., para 1.21
[102] HC Deb 26 March 2013, cc95-98WS
[103] DfT, *Rail franchise schedule*, 7 July 2015

17. West Midlands

Operating name: London Midland

Franchisee: Govia, a joint venture between Go-Ahead Group plc and Keolis (the latter majority owned by the French state rail operator SNCF)

Franchise start and end dates: November 2007 –April 2016

Direct award: TBA April 2016 – October 2017

Financial information: in 2014/15 received £62.9 million in subsidy equating to a subsidy of 2.7 pppkm (pence per passenger km); in 2007 total subsidy over the duration of the franchise was estimated to be £1.127 billion.[104]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents are available on the Gov.uk website.

When the franchise was awarded in 2007 it was intended to deliver the following commitments:

New services, including a new semi-fast service between London and Crewe, serving the Trent Valley, and two trains an hour all day between Birmingham and Liverpool and Birmingham and Northampton from December 2008 on the completion of the West Coast Main Line modernisation

A fleet of 37 new electric Desiro trains by July 2009

New class 172 diesel trains to replace the existing class 150 DMUs operating on the Snow Hill line services in the Birmingham area by July 2010.

£11.5m investment in stations

1033 more car parking spaces

Forecast 90.7% punctuality and reliability by the end of the franchise.[105]

Following severe service disruption caused by driver shortages in 2012, the Secretary of State announced in December of that year that London Midland would provide a "substantial package" of passenger benefits by way of compensation for the inconvenience that was caused. The DfT also agreed to revise the profile of performance benchmarks for 2013, to include additional measures that could penalise London Midland financially in the event of further poor performance and agreed financial measures to ensure that the reduction in revenue as a result of the free and discounted tickets was borne by the company, and not by the taxpayer.[106]

The refranchising process for the West Midlands franchise began in December 2015 with the publication of the West Midlands

[104] ORR Data Portal [accessed 14 September 2015] and: DfT press notice, "New trains and more services for the Midlands", 21 June 2007
[105] ibid.
[106] HC Deb 20 December 2012, cc128-130WS

prospectus.[107] Local press comment focused on the inclusion in the prospectus of the 'highly critical' findings of a study by Transport Focus, the transport watchdog, revealing "overcrowded trains, frequent delays and poor communication with passengers".[108]

The new franchise is scheduled to begin in October 2017. The Government plans to make a Direct Award to cover the intervening period from the end of the current franchise in April 2016 to the start of the new one.[109]

[107] DfT, *West Midlands franchise competition: prospectus*, 8 December 2015
[108] "Midland rail service letting down passengers, watchdog warns", *Birmingham Post*, 12 December 2015
[109] DfT, *Rail Franchising Programme - Prior Information Notice*, March 2013

BRIEFING PAPER
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