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Railway passenger franchises

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Summary

This is one of two briefing papers on rail passenger franchising. This paper sets out the terms of the various rail franchises in England, Wales and Scotland. A second paper, CBP 6521, 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.

This paper does not look at concession agreements, which are not legally franchises though they may be structured in a similar way – the most well-known of these are the London Overground rail services and Merseyrail.

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 July 2017. Most recently, a number of franchises have been or are in the process of being re-let as alliances or partnerships, where the train operator works in tandem with the infrastructure manager, Network Rail.

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

1. Overview

1.1 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]

1.2 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 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 Government says that the aims of its franchising programme are to:

> … encourage a flourishing, competitive passenger rail market which secures high-performing, value for money services for passengers and taxpayers whilst driving cost effectiveness. We aim to stimulate innovation in order to advance our vision of a world-class railway that creates opportunity for people and businesses, including by promoting continuous improvements in passenger experience and boosting the efficiency and sustainability of the railway.[2]

Franchisee 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 July 2017, is available on the Gov.uk website.

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

[2] DfT, *Aims of rail franchising and what we expect from our delivery partners*, 10 May 2016

1.3 Direct awards

There has been a profusion of Direct Awards since 2012, as a direct result of the failed 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 then 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.
>
> 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.[3]

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.[4]

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).[5]

Further information on individual franchises is given below.

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

1.4 Partnerships and alliancing

Over the past six or seven years there have been moves within the rail industry towards better partnership working between train operators and the infrastructure manager, Network Rail.[6]

In November 2017, the Government published its strategic vision for rail which contained proposals for 'joining up track and train' in future franchises:

> Reforms will build on the best of the public and private sectors, with private sector involvement bringing innovation, investment and competition. Our reforms will ensure that the railway is run by an integrated local team of people with an absolute commitment to meeting the needs of their passengers, while securing the best value for farepayers and taxpayers. Future contracts will:
>
> - Create one-team working locally, with the right incentives for train operators and Network Rail to co-operate on reliability and high performance.
> - Present a single accountable face of the railway for passengers.
> - Adopt joint branding and identity where appropriate, giving joint teams a shared culture and giving passengers a better sense of who to hold to account.
>
> Joint working between track and train companies will take different forms tailored to each area, including new joint operational teams, short-term task forces to manage improvement, or longer-term contracts and agreements.[7]

[6] For full details see section 3.3 of HC Library briefing paper CBP 6521

[7] DfT, *Connecting people: a strategic vision for rail*, Cm 9519, 29 November 2017, paras 1.28-9

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 2016/17 Chiltern made a net franchise payment of £42.9 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £40.9 million, equating to a subsidy of 2/8 pppkm (pence per passenger km).[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 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

[8] ORR Data Portal [accessed 9 January 2018]

> the recent Uff/Cullen report - subject to agreement from Railtrack.[9]

The refranchising process for Chiltern is scheduled to begin in May 2020, with the new franchise to begin in December 2021.[10]

[9] SRA press notice, "Building a Better Railway: £370 Million Investment Programme for Chiltern Railways - 20 Year Deal Signed", 18 February 2002

[10] 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: October 2016 – October 2019

Financial information: in 2016/17 Cross Country made a net franchise payment of £159.9 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £181.1 million, equating to a subsidy of 5.1 pppkm (pence per passenger km); in 2007 total subsidy over the duration of the franchise was estimated to be £1.056 billion.[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 2007 it was intended to deliver a number of commitments, including:

- 40 extra train carriages for operation on long distance services;
- 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 to be introduced from December 2009;
- Refurbished Class 170 units on Birmingham - Stansted and Cardiff - Nottingham services; and
- Help and advice for passengers who need to change trains.[12]

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

The franchise is currently operating under a three year Direct Award, made in September 2016 for the period October 2016 to October 2019. The Direct Award is intended to deliver:

- 39,000 more seats at peak times along the Edinburgh to Plymouth route through Leeds, Birmingham and Bristol, by December 2017
- shorter journey times from Birmingham to Manchester – typical cut of 9 minutes on a weekday and 12 minutes at weekends
- £20 million government investment in more modern trains
- free Wi-Fi by April 2018 and 4G for faster download speeds
- extra services calling at Morpeth
- customer services now open 24/7 and a new mobile app to buy tickets and check live running times

[11] ORR Data Portal [accessed 9 January 2018]; and: *DfT stock market statement*, 10 July 2007

[12] ibid.

- challenging targets on punctuality and service reliability to improve the passenger experience
- waiving the £10 'change of travel' fee for advance tickets from January 2017
- £340,000 of funding for community rail partnerships across the Cross Country network per year[13]

Arriva will also introduce a new timetable from December 2017.

It will pay the Government a premium of £163 million over three years to operate the franchise.

The refranchising process for the new franchise was scheduled to begin in March 2018.[14] A consultation on the new franchise is expected later in 2018.[15]

[13] DfT press notice, "Better journeys for passengers on the Cross Country network", 29 September 2016
[14] DfT, *Rail Franchise Schedule*, 20 July 2017
[15] Cross Country Rail Franchise: Cheltenham: Written question – 133832, 29 March 2018

4. East Coast

Operating name: Virgin Trains East Coast (VTEC)

Franchisee: Inter City Railways Limited, owned by Stagecoach Group and Virgin Group (90:10 split)

Franchise start and end dates: March 2015 – 24 June 2018 (it was originally supposed to go to March 2023 with up to 13 additional reporting periods, subsequently shortened to 2020)

Financial information: in 2016/17 VTEC made a net franchise payment of £259.4 million and overall, once revenue payments, network grant etc. were taken into account, paid a premium of £20.8 million, equating to a subsidy of -0.4 pppkm (pence per passenger km).[16]

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

4.1 Background

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.[17] Less than two years later the franchise was taken into public ownership.[18] It was run in the public sector, as East Coast Trains, from November 2009 until it was eventually re-franchised in March 2015.[19]

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.[20] Despite the Coalition Government's commitment to re-let the franchise, the process was delayed and then suspended due to the new Government's plans to reform rail franchising, the industry-wide implications of the McNulty rail value for money study and the suspension of the franchise schedule caused by the fallout from the West Coast re-let in 2012 (see section 16, below).[21]

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[16] ORR Data Portal [accessed 9 January 2018]

[17] "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

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

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

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

[21] 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,

As the re-let finally progressed, the Labour Party and rail unions called for the franchise to remain in the public sector as a 'comparator' for the franchised services run by the private sector.[22] 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.[23]

When the current franchise was awarded to Stagecoach and Virgin 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[24]

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.[25]

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.

"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

[22] 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

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

[24] DfT press notice, "More seats, more services and new trains for East Coast passengers", 27 November 2014

[25] ibid.

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).[26]

In May 2016 the regulator approved applications made by VTEC and FirstGroup to run new services between London and Edinburgh, Harrogate, Lincoln and Middlesbrough.[27] FirstGroup is not the franchisee, and its services would be 'open access' operations.

In July 2016 VTEC confirmed a £4 billion investment in expanding its train fleet by 50 per cent, enabling it to run extra services.[28]

4.2 Termination of VTEC; revival of LNER

In June 2017 Stagecoach reported a sharp fall in pre-tax profits. Stagecoach chief executive Martin Griffiths said that the company was engaged in discussions with the DfT "regarding our respective contractual rights and obligations under the current Virgin Trains East Coast franchise and reflecting the reprioritisation of Network Rail's infrastructure programme". The group said it was "paying 30% more to the Treasury for the line than that charged to the state-backed operator that previously ran the operation - at a time when revenue growth is slowing".[29]

This resulted in an announcement by the Secretary of State for Transport, Chris Grayling, on 29 November 2017 to terminate the franchise early, in 2020 and to let a new 'East Coast Partnership' from that date:

> …from 2020 the East Coast Partnership will run the intercity trains and track operations on this route. This partnership between the public and private sector will operate under one management and a single brand, overseen by a single leader. It will also take a leading role in planning the future route infrastructure … While we run a competition to appoint the East Coast Partnership, we are in discussions with the existing East Coast franchise operator to ensure the needs of passengers and taxpayers are being met in the short term while laying the foundations for the reforms I have just outlined.[30]

Further to this announcement there was a flurry of criticism from the Labour Party, the former Labour Secretary of State for Transport, Lord Adonis (who subsequently resigned his post as Chair of the National Infrastructure Commission), and rail unions about what they called a '£2

[26] 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
[27] ORR, *Applications for access to the East Coast Main Line (ECML)*, 12 May 2016
[28] "Full steam ahead for new Bradford-London rail services", *Bradford Telegraph and Argus*, 13 July 2016
[29] "Rail firm counts cost of loss-making line", *Sky News*, 28 June 2017
[30] DfT, *Rail update*, 29 November 2017

billion bailout' of Stagecoach and Virgin.[31] Virgin Trains subsequently published a blog post by Sir Richard Branson stating that infrastructure delivery delays and a downturn in the economy were partially to blame for the failure of the franchise.[32] Chris Grayling has consistently placed the primary blame on VTEC for 'over-bidding', arguing that the franchise is successful in terms of passenger satisfaction and returning money to the Treasury, just not as financially successful as it was expecting when it bid. For example, during a debate on rail franchising in January 2018 he said:

> The situation on the east coast franchise is a clear example. Virgin and Stagecoach overbid, and they are paying, and will pay, the price. I repeat—they will pay the price.
>
> … This railway is paying a huge premium to the taxpayer and continues to do so, but the issue is that this franchise is not delivering the profits the operator expected and is at risk of not making it as far as 2020.
>
> […] Passenger numbers are rising on this railway; customer satisfaction is up; and the line is generating a healthy and growing operating surplus that is providing a much greater return to the taxpayer than when it was in the public sector. It is also worth saying that it is running more services and employing more staff. The money that the franchise pays to the Government is today 20% higher than it was under public ownership. But Virgin and Stagecoach got their numbers wrong. They have been losing money steadily, and have now lost the best part of £200 million in the past three years. Despite that, I am holding them to their full financial obligations, taking every last penny of the £165 million guarantee that we insisted on when they took on the franchise.
>
> […] That is a huge sum of money for a British business with a market capitalisation of under £1 billion pounds. It is also one of the biggest bonds of its kind ever provided in the rail industry.[33]

On 5 February Mr Grayling said that the DfT had issued VTEC with notification that the franchise had breached a key financial covenant. In light of this, he said that he would "need to – in the very near future – end the contract and put in place a successor arrangement to operate this railway".[34] Mr Grayling said that the DfT would proceed to analyse the potential options available to enable either the incumbent operator to continue operating services under a new agreement; or DfT to execute its duties as 'Operator of Last Resort' (OLR) in the event of franchise failure:

> At this stage, one of the options is to consider the possibility of Stagecoach continuing to operate services on the East Coast under a very strictly designed and short-term arrangement. The current management has a strong record of customer service and to rule out their involvement now would go against the principles I set out above.

[31] See, e.g. "Stagecoach's 'bailout' will cause a crisis, says Lord Adonis", *London Evening Standards*, 6 December 2017 and "Tom Watson calls on Chris Grayling to quit over 'grubby' East Coast rail deal", *The Guardian*, 31 December 2017

[32] "Clarity on Virgin Trains East Coast reporting", *Virgin Trains blog*, 5 January 2018

[33] HC Deb 10 January 2018, cc402-4

[34] DfT, *Update on the East Coast, West Coast and East Midlands rail franchises*, 5 February 2018

> However, given the circumstances in which the government is having to step in to protect passengers on this line, I am only prepared to consider this option on the basis that the franchise would be operated on a short-term, not-for-profit basis […]
>
> The alternative option is that the East Coast franchise would be directly operated by the Department for Transport through an Operator of Last Resort. My department will subject this option to the same rigorous assessment to establish whether it will deliver value for money for taxpayers and protect the interests of passengers. This option is currently on the table and will be selected if the assessment that I have set out determines that it offers a better deal for passengers and taxpayers than the alternative.[35]

In April the Public Accounts Committee (PAC) published a report in which it expressed concerns that DfT did not "have a good enough understanding of what causes passengers to choose to travel by rail, given how central this is to making the right decisions for passengers and taxpayers" and that East Coast had failed for the third time "because the operator's passenger growth forecasts were wildly wrong".[36]

Why did East Coast fail?

As touched on briefly above, various reasons have been put forward for why the East Coast franchise failed. The two main reasons given are that VTEC 'overbid' and that Network Rail failed to deliver promised infrastructure improvements. But other explanations have been put forward.

The Government, unions and rail industry experts have all made observations which together create a more complex picture of failure. Not least of these is that VTEC's ambitious passenger growth forecasts were unrealistic, possibly because models used to calculate future passenger demand are unable to account for a swiftly changing travel environment.

PAC reported the views of DfT that the East Coast franchise is 'perhaps more volatile than others' and that it had identified 50 or 60 factors that affect the behaviour of passengers and demand across the network, such as the relatively low cost of petrol and increased flexible working.[37]

There is also the question of bid 'ambition'. In short, the East Coast Invitation to Tender was designed to encourage the bidders to think of innovative ways of adding value to the franchise. And because of the nature of the East Coast business (largely discretionary with only a small commuting base), passenger improvements tend to feed through more directly to the bottom line (i.e. by incentivising more discretionary travel). Thus inability (for whatever reason) to deliver on innovations affects the bottom line.

Then there is transfer of risk. The Brown Review (see section 16, below), recommended that franchisees not assume exogenous revenue risk, i.e. be financial liable for business changes as a result of broader economic factors (such as a slump in GDP as a result of an economic shock).[38] This did not happen with East Coast.

Finally, there is the delay between a bid being made, awarded and the winning bidder taking control of the franchise (12 months in the case of East Coast). During this time the incoming operator has no control over the services being run or any changes in the wider economic environment.[39]

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35 Ibid.

36 PAC, *Rail franchising in the UK* (Thirty-Fifth Report of Session 2017–19), HC 689, 27 April 2018, p7

37 Ibid., p7

38 DfT, *The Brown Review of the Rail Franchising Programme*, Cm 8526, January 2013, p14

39 The Transport Select Committee is looking into these issues in detail as part of its current inquiry into East Coast. Many of the points outlined above were made by rail

On 16 May Chris Grayling announced that the VTEC contract will terminate on 24 June 2018. He continued that, having explored the various options set out in his February 2018 speech, he had come to the conclusion that he would:

> … use a period of Operator of Last Resort control to shape the new partnership. So on that same day we will start with the launch of the new, long-term brand for the East Coast Mainline through the recreation of one of Britain's iconic rail brands, the London North Eastern Railway (LNER).[40]

Short term options assessment

The options assessment, undertaken by DfT for the Secretary of State was published on the same day.[41] Mr Grayling said that he chose the Operator of Last Resort (OLR) option primarily because he believes it is better placed to facilitate the transition to the East Coast Partnership in 2020. Key points from the assessment include:

- **Transition** to OLR could be more complicated and more costly than an arrangement with VTEC. In particular, VTEC would be better placed to implement the **new rolling stock** on the network because it has gained embedded knowledge through three years of running operations, infrastructure, control systems and their involvement in the design, testing and optimisation of the new trains;[42]
- In terms of **value for money**, it stated that the VTEC option offered slightly better value for money and that the main risk for the OLR option is that the new branding might undermine consumer engagement and result in shortfalls in revenue in the short term;[43] and
- In terms of **premium for the taxpayer**, it states that under either option the business revenues are estimated to reach around £2bn over the period of interim operation and the forecast income or premium for taxpayers is estimated at around £250 million.[44] According to reports, VTEC's contracted premiums were supposed to be £351.7 million and £319.5 million in the two years between 2018 and 2020.[45] It means the Government is expecting significantly less in premium for this contract than would have been the case had the franchise not terminated early.

As indicated above, Mr Grayling plans to revive his OLR powers in the form of LNER, which will eventually transfer to the new partnership (see below). He explained in his statement how the transfer from VTEC to LNER will work:

> The team that have been working for me since last autumn to form the operator of last resort will take immediate control of passenger services, and will then begin the task of working with Network Rail to bring together the teams operating the track and trains on the LNER network. I am creating a new board, with an independent chair, to oversee the operation of the LNER route. The board will work with my Department to build the new partnership. It will have representatives of both the train operating team and Network Rail, as well as independent members, who importantly will ensure that the interests of other operators on the

industry experts Nicola Wood and Iryna Terlecky at their evidence session on 21 May. You can find more information on the Committee's website

40 HC Deb 16 May 2018, c286
41 DfT, *Short-term Intercity East Coast train operator 2018 options report*, 16 May 2018
42 Ibid., para 30
43 Ibid., para 54
44 Ibid., para 43
45 "East Coast franchise renegotiation inevitable", *Modern Railways*, August 2017

> route are taken into account. I will appoint an interim chair shortly, and will then begin the recruitment process for a long-term appointment.[46]

OLR functions are provided to the Government by Arup, EY, and SNC-Lavalin Transport Advisory (InterFleet).[47] They will act as technical advisors to DfT in setting up LNER.

4.3 A new East Coast Partnership from 2020

As stated above, in November 2017 Chris Grayling announced his intention to for a new 'East Coast Partnership' between the public and private sector, operating under one management and a single brand (LNER), to run services and plan the future route infrastructure.[48] Baroness Sugg explained further in the House of Lords:

> From 2020 we intend to commence the East Coast Partnership, one of the first of a new generation of integrated regional rail operations. This will include appropriate contributions from the new private partner under a long-term competitively procured contract. We are always looking for the best ways to achieve value for money for the taxpayer alongside the best results for passengers. Reforms will build on the best of the public and private sectors, with private sector involvement bringing innovation, investment and competition.[49]

In his statement of 16 May, Mr Grayling said:

> When the new LNER operation is fully formed, it will be a partnership between the public and private sectors. In all circumstances ownership of the infrastructure will remain in the public sector, but I believe that the railway is at its strongest when it is a genuine partnership between public and private. The final structure of the LNER will need to be shaped in conformity with the primary legislation that governs the industry, but my objective remains to move to a situation that leaves one single team operating the railway, with the simple goal of ensuring that they continue the work of the existing operators in improving services for passengers.[50]

We have little further detail of how the partnership will look or what it will involve. Concerns have been expressed as to the viability of a partnership on the East Coast Main Line, where there are multiple operators and the East Coast franchisee only accounts for about a quarter of the passenger numbers.[51]

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[46] HC Deb 16 May 2018, c286
[47] They are currently under contract, which will end sometime in 2018, see: East Coast Rail Franchise: Written question – 132024, 16 March 2018
[48] Op cit., *Rail update*
[49] HL3760, 14 December 2017
[50] HC Deb 16 May 2018, c286
[51] The Transport Select Committee is looking into this issue as part of its current inquiry into East Coast. The particular unsuitability of the ECML for this sort of partnership was highlighted by rail industry experts Nicola Wood and Iryna Terlecky at their evidence session on 21 May. You can find more information on the Committee's website

5. East Midlands

Operating name: East Midlands Trains

Franchisee: Stagecoach Group

Franchise start and end dates: November 2007 – October 2015

Direct award: October 2015 – July 2018

Financial information: in 2016/17 East Midlands made a net franchise payment of £65.5 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £113.4 million, equating to a subsidy of 4.4 pppkm (pence per passenger km); in 2007 total premia to the Government paid over the duration of the franchise was estimated be £133 million.[52]

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.[53]

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".[54]

The franchise is currently operating under a two-and-a-half-year Direct Award, made in September 2014 for the period October 2015 to July 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

[52] ORR Data Portal [accessed 9 January 2018] and: *DfT stock market statement*, 22 June 2007
[53] ibid.
[54] 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[55]

The refranchising process for East Midlands began in November 2016, with the publication of the East Midlands franchise prospectus.[56] In March 2017 the shortlist of bidders was announced, comprised of Arriva, Stagecoach and a joint venture between First and Trenitalia, the Italian state rail operator.[57] DfT published a consultation on the future shape and requirements for the new franchise in July 2017. It closed on 11 October.[58] In February 2018 the Secretary of State announced that Abellio had been added to the shortlist.[59] In April it was reported that the First/Trenitalia joint venture had withdrawn its bid.[60]

The new franchise will begin in August 2018.

[55] DfT press notice, "Better journeys for East Midlands rail passengers as government confirms new deal", 16 September 2015; the start date for the new franchise was initially March 2018 but this was put back in the May 2016 *Rail Franchise Schedule*
[56] DfT, *East Midlands franchise competition: prospectus*, 16 November 2016
[57] DfT press notice, "East Midlands rail franchise: 3 firms make the shortlist", 1 March 2017
[58] DfT, *Future of East Midlands rail franchise*, 20 July 2017
[59] Op cit., *Update on the East Coast, West Coast and East Midlands rail franchises*
[60] "Rail pain piles up as five operators totter", *The Times*, 22 April 2018

6. Essex Thameside

Operating name: c2c

Franchisee: Trenitalia UK, owned by Italian State Railways

Franchise start and end dates: September 2014 – November 2029

Financial information: in 2016/17 c2c made a net franchise payment of £51.4 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £1.5 million, equating to a subsidy of 0.1 pppkm (pence per passenger km).[61]

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.[62]

This franchise is one of the few remaining in broadly the same form as it was when first awarded after privatisation.[63] Since 2001 it was operated by National Express, under franchise, then Direct Award, then franchise again.[64]

[61] ORR Data Portal [accessed 9 January 2018]
[62] 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
[63] 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
[64] 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

In February 2017 the winning franchise bidder, National Express Group, sold the franchise to Trenitalia UK. NX received £72.6 million for the operation. It said there would be a "small net profit" for the company. The DfT supported the sale process.[65] The relevant press notice from c2c stated:

> The deal, formally approved by the Department for Transport, will see c2c's franchise continue to run until November 2029. As previously announced the total consideration of the deal has been confirmed in the region of £72.6 million.
>
> Trenitalia intends to build on c2c's existing strengths as one of the UK's most punctual and popular train operators. The franchise will benefit from Trenitalia's innovative technology, such as advanced ticketing, that will aim to provide to c2c customers with an increase in their overall quality of service. All of Trenitalia's tech is proven in the highly competitive Italian railway market, and has been one of the most important drivers of the continued increase in customer satisfaction recorded in recent years.[66]

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

[65] NX press notice, "Acquisition of c2c franchise by Trenitalia", 11 January 2017

[66] C2c press notice, "Trenitalia completes the acquisition of c2c", 13 February 2017

7. Greater Anglia

Operating name: Abellio East Anglia

Franchisee: Abellio, owned by NedRailways (Nederlandse Spoorwegen) and Mitsui (60:40 joint venture)[67]

Franchise start and end dates: October 2016 – October 2025

Financial information: in 2016/17 Anglia made a net franchise payment of £122.8 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £110.9 million, equating to a subsidy of 2.9 pppkm (pence per passenger km).[68]

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 August 2016 it was intended to deliver the following commitments:

- at least 4 90-minute services (2 in each direction) between London and Norwich each weekday and 2 60-minute services per day between London and Ipswich
- free Wi-Fi for all passengers on trains and at stations
- 1,043 new, state of the art carriages between January 2019 and September 2020 to support the faster timetable, with a full programme of refurbishment for the current fleet in the meantime
- automatic 'delay repay' for season and advance purchase tickets
- tough new targets for operational performance levels at 93% - up from 89.7% currently
- a host of new ticketing initiatives, starting in October 2017, including new offers for part time users and those who don't travel every day[69]

Abellio also committed to provide more than 32,000 more seats on services arriving at London Liverpool Street in the morning peak by 2021 and 1,144 additional weekday services to stations including Cambridge, Norwich, Stansted Airport, Lowestoft, Southend and London Liverpool Street. It was reported that 660 of the new carriages would be built from the Bombardier factory in Derby.[70]

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[67] Mitsui took its 40% stake in March 2017, see: "Abellio deal: Japanese firm Mitsui completes 40% Greater Anglia sale", *BBC News*, 21 March 2017
[68] ORR Data Portal [accessed 9 January 2018]
[69] DfT press notice, "Better journeys for rail passengers and boost for Derby train industry as new East Anglia franchise announced", 10 August 2016
[70] "Bombardier gets £1bn contract in 'biggest rail boost since Victorian era'", *BBC News*, 10 August 2016

In April 2018 there were reports that Greater Anglia's 'Norwich in 90' pledge was in doubt, although the company said that it did nto anticipate any problems.[71]

The Anglia franchise: a brief history

- 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.[72]
- The commitments made by Abellio when the franchise was awarded in 2011 are available at: DfT press notice, "Better services for East Anglian passengers under new franchise", 20 October 2011
- The commitments made by Abellio under the 27-month Direct Award, made in April 2014 for the period July 2014 to October 2016 are available at: DfT press notice, "Better services for passengers on the Greater Anglia franchise", 16 April 2014
- In February 2015 the then Chancellor, George Osborne and the then 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.[73] TfL/London Overground began running these services on 1 June 2015.[74]
- 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.[75]
- The shortlisted bidders were an Abellio-Stagecoach joint venture, First Group and National Express.[76] 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 was successful.[77]

[71] Op cit., "Rail pain piles up as five operators totter"
[72] HL Deb 24 November 2009, c72WS and HL Deb 26 November 2009, cc100-101WS
[73] HMT press notice, "Long term economic plan for London announced by Chancellor and Mayor of London", 20 February 2015
[74] TfL press notice, "Mayor hails transformed services as TfL takes West Anglia routes", 1 June 2015
[75] DfT press notice, "Major boost for East Anglia as government confirms ambitious 'Norwich in 90' plans", 17 September 2015
[76] DfT press notice, "Shortlist for East Anglia franchise announced", 2 June 2015
[77] "Stagecoach withdraws from Abellio's bid to run the Greater Anglia rail line", *The Echo*, 9 December 2015

8. Great Western

Operating name: Great Western Railway (GWR)

Franchisee: FirstGroup

Franchise start and end dates: April 2006 –October 2013

Direct Awards: (1) October 2013 – September 2015 (2) September 2015 – March 2020 (3) March 2020-2022

Financial information: in 2016/17 FGW made a net franchise payment of £86.8 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £289.2 million, equating to a subsidy of 4.8 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.[78]

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.[79]

The franchise is currently operating under a Direct Award until March 2019 when the new franchise will start. It 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

[78] ORR Data Portal [accessed 9 January 2018] and: *DfT Stock Market Statement*, 13 December 2005

[79] 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[80]

First will pay the Government around £68 million to operate the franchise until April 2019.[81] The most recent Rail Franchise Schedule states that the new franchise will not start until April 2020.[82]

Although First will continue to operate the franchise, 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.[83]

The first of the new generation Intercity Express (IEP) trains entered service on the GWML to Bristol in October 2017.[84] GWR stated that the new trains would operate initially between South Wales and London Paddington, and between Bristol Temple Meads and London Paddington. As more of the trains are introduced, it intends the new trains to extend to Taunton, Hereford and Cheltenham.[85]

In early 2017 there were reports that the Secretary of State for Transport, Chris Grayling, was considering breaking up the franchise by creating a separate Devon and Cornwall franchise and creating greater alignment between the train operator and Network Rail in the future.[86] Mr Grayling made a statement on the future of the Great Western in November 2017. He stated his intention to negotiate a Direct Award with First Group to keep operating the franchise until 2022.[87] At the same time, the Government published a consultation on the future shape and scope of the new franchise, which closed on 21 February. Its key proposals were as follows:

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[80] DfT press notice, "New deal for rail passengers in west of England and Wales", 23 March 2015
[81] ibid.
[82] op cit., *Rail Franchise Schedule*, 20 July 2017
[83] "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
[84] GWR press notice, "First new trains in a generation launched by GWR", 18 October 2017
[85] Ibid.
[86] "Grayling plot to split Great Western lines", *The Times*, 22 January 2017
[87] DfT press notice, "The future of the Great Western franchise", 29 November 2017

- Should Great Western be retained as a single franchise, in essentially its current form, or split into two (or more) separate franchises?
- How can we better integrate the activities of the franchisee (as train operator) and Network Rail (as network operator), to ensure that both parties work collaboratively to common objectives that put passengers' interests first?[88]

A possible option for a two-way split was suggested in the paper:

- One franchise … concentrating on the intercity markets between London and Bristol, South Wales and the Cotswolds, outer suburban and branch line services in the Thames Valley, airport services and potentially future services using the proposed western rail link to Heathrow;
- Another franchise … providing long-distance services between London, Wiltshire, Somerset, Devon and Cornwall (including the Sleeper), together with regional and local services across the central and south-western parts of the franchise area, including potential future services to Portishead and other elements of the 'MetroWest' scheme. This could include the services between Paddington, Newbury and Bedwyn, as although they may be a good fit with other Thames Valley services, there could be potential for the Newbury and Bedwyn services to be integrated within the longer-distance intercity services that operate along the same route.[89]

In a statement, First Group welcomed the DfT's plans.[90]

DfT has yet to announce the outcome to the consultation.

[88] DfT, *Great Western Rail Franchise Public Consultation*, 29 November 2017, para 3.1
[89] Ibid., para 3.6
[90] First Group, *Statement re Great Western Railway franchise*, 29 November 2017

9. Northern

Operating name: Northern

Franchisee: Arriva UK Trains, owned by Deutsche Bahn

Franchise start and end dates: April 2016 – March 2025

Financial information: in 2016/17 Northern received a net franchise payment of £279 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £649.8 million, equating to a subsidy of 24.7 pppkm (pence per passenger km).[91]

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 2015 it was intended to deliver the following commitments:

> … 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[92]

The Northern franchise and the benefits it is planned to deliver form part of the 'Northern Powerhouse' rail aspirations; for more information, see HC Library briefing paper CBP 7676.

The Government intends that the amount of annual subsidy it will pay for the Northern franchise will be reduced by £160 million by the end of the contract.[93]

The proposals for the new franchise provoked much comment, particularly as regards future fare rises and service levels. The prospectus

[91] ORR Data Portal [accessed 9 January 2018]
[92] DfT press notice, "Massive boost to rail services brings Northern Powerhouse to life", 9 December 2015; for requirements under the previous franchise see: SRA press notice, "New Northern Rail franchise signed", 19 October 2004
[93] in 2004 the total subsidy over the duration of the old franchise was estimated to be £2.4 billion, see: ibid., "New Northern Rail franchise signed"

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 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.[94] 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.[95]

The Northern franchise: competition investigation

In May 2016 the Competition and Markets Authority (CMA) indicated that Arriva could face an in-depth merger investigation over competition concerns resulting from it taking over the Northern Rail franchise. Specifically as regards overlaps between their multiple rail operations.[96] Arriva did not offered any undertakings and the CMA consequently referred the case for in-depth investigation.

In September the CMA announced that it had provisionally found that the award of the Northern rail franchise to Arriva could result in higher fares on some local routes.[97]

Finally on 2 November 2016 the CMA concluded that there was a substantial lessening of competition on overlapping rail services on three routes (Leeds to Sheffield, Wakefield to Sheffield and Chester to Manchester) where there had previously been a choice of operators for passengers. In order to protect passenger interests, CMA indicated its intention to bring in targeted price caps on the affected journeys.[98]

There was renewed interest in and concern about the Northern franchise in early 2018, due to ongoing performance issues. On 16 May the Mayor of Greater Manchester, Andy Burnham, wrote to the Sub-National Transport Body, Transport for the North (TfN)[99] highlighting a series of missed deadlines and examples of serial poor performance. He called on TfN to formally to assess whether Northern is in breach of its franchise agreement.[100] Mayor Burnham subsequently expressed fresh concerns about Northern's operations following information from a whistleblower.[101] TfN said it was "extremely disappointed and concerned with the inadequate performance of Northern" and said that it had "requested an improvement plan to return performance to an

[94] DfT, *Transformation in Partnership: Northern Prospectus*, 9 June 2014
[95] 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
[96] CMA press notice, "Arriva could face in-depth investigation over Northern Rail franchise", 12 May 2016
[97] CMA press notice, "CMA concerned about rail franchise's impact on some local fares", 9 September 2016
[98] CMA press notice, "CMA looks to cap fares on three rail routes", 2 November 2016
[99] TfN is co-manager of the Northern rail franchise with DfT
[100] GMCA press notice, ""Enough is Enough": Mayor Andy Burnham calls for official investigation into Northern Rail", 16 May 2018
[101] "Whistleblower prompts call for Northern trains inquiry", *BBC News*, 18 May 2018

acceptable level for passengers and will be meeting Northern to discuss this further".[102]

The problems on Northern were exacerbated on 21 May when the new timetable began operation, leading to system-wide delays and cancellations. Northern said:

> It has been a difficult morning for some of our customers, in particular on a number of routes around north Manchester extending up to Blackpool, and we are very sorry for the delays and cancellations they have experienced.
>
> […] The May 2018 timetable change, which went live today for commuters, has seen around 90% of our services change and an extra 1,300 train services a week introduced across our network, the biggest change to local rail for many years. This remains a significant operational challenge and we continue to expect some localised service disruption, which could happen at very short-notice.[103]

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[102] TfN press notice, "Statement: performance of Northern", 21 May 2018
[103] Northern Rail press notice, "Monday 21 May timetable changes", 21 May 2018

10. ScotRail

Operating name: ScotRail

Franchisee: Abellio, owned by NedRailways (Nederlandse Spoorwegen)

Franchise start and end dates: April 2015 – April 2025

Financial information: in 2016/17 ScotRail received a net franchise payment of £247 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £588 million, equating to a subsidy of 20.7 pppkm (pence per passenger km).[104]

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.[105]

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

Across the second half of 2016 there were concerns about the performance of the franchise and indications that the Scottish Government would consider taking back the franchise from 2020 if

[104] ORR Data Portal [accessed 9 January 2018]
[105] Transport Scotland press notice, "New deal to transform rail services", 8 October 2014

performance did not improve.[106] An improvement plan was agreed and published in November 2016.[107] In July 2017 there were reports that Transport Scotland had begun the process of enabling a public sector bidder for the franchise when it expires in 2025.[108] Any public sector bid(s) for the next franchise would be evaluated against private sector bid(s) in the same way as any other bidder.

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.

The Caledonian Sleeper

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.[109]

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[106] e.g. Scottish Government press notice, "Minister welcomes ScotRail Improvement Plan", 21 October 2016 and "Scottish Government calls summit on public sector railways bid", *Common Space*, 23 November 2016

[107] Transport Scotland, *ScotRail Alliance Performance Improvement Plan*, 29 November 2016

[108] see, e.g. "End of the line for Scotrail? SNP plans radical shake-up of Scottish railways", *The Herald*, 3 July 2017; under powers in section 57 of the *Scotland Act 2016*

[109] 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 – December 2018

Financial information: in 2016/17 Southeastern received a net franchise payment of £51.1 million and overall, once revenue payments, network grant etc. were taken into account, received £261.5 million in subsidy equating to a subsidy of 5.7 pppkm (pence per passenger km); in 2005 the total subsidy over the duration of the franchise was estimated to be £585 million.[110]

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.[111]

The franchise is currently operating under a 44-month Direct Award, made in September 2014 for the period October 2014 to June 2018.[112] The most recent Rail Franchise Schedule states that the new franchise will not start until December 2018.[113]

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

[110] ORR Data Portal [accessed 9 January 2018] and: and: *DfT Stock Market Statement*, 30 November 2005

[111] ibid.

[112] 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)

[113] op cit., *Rail Franchise Schedule*, 20 July 2017

> … 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
>
> 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.[114]

The refranchising process for South Eastern began in early 2017 with the issue of pre-qualification information for potential bidders.[115] This was followed in March 2017 by a consultation on the future shape, scope and service for the franchise and the franchise prospectus.[116]

In June 2017 the DfT announced the four short listed bidders for the new franchise: a joint venture between Abellio, East Japan Railway and Mitsui; Govia; Stagecoach; and Trenitalia.[117] In November 2017 the Government published the Invitation to Tender, setting out what it expects bidders for the new franchise to deliver.[118] Amongst other things, the new franchisee will be expected to "deliver significantly enhanced cooperation between Network Rail and operator through a new structure designed to increase the reliability of the railway and put the passenger first in all decision making".[119]

According to the latest rail franchising schedule, the winning bidder is due to be announced in August 2018.[120]

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[114] DfT press notice, "New deal to boost rail services in London and the south east", 11 September 2014
[115] DfT, *South Eastern franchise competition: expression of interest documentation*, 28 February 2017
[116] DfT, *Future of South Eastern rail services*, 14 March 2017 and *South Eastern rail franchise competition: prospectus*, 28 March 2017
[117] DfT press notice, "Bidders for 2 rail franchises named by government", 22 June 2017
[118] DfT, *South Eastern franchise 2017: invitation to tender*, 29 November 2017
[119] DfT press notice, "Better journeys for South Eastern rail passengers", 29 November 2017
[120] Op cit., *Rail Franchise Schedule*

12. South Western

Operating name: South Western Railway

Franchisee: First MTR (the MTR Corporation is owned by the Hong Kong Government)

Franchise start and end dates: 20 August 2017 – August 2024)

Financial information: in 2016/17 SWT under the previous franchisee, Stagecoach, made a net franchise payment of £662.1 million and overall, once revenue payments, network grant etc. were taken into account, paid a premium of £137.6 million, equating to a subsidy of -2.1 pppkm (pence per passenger km).[121]

The National Franchise Terms that apply to this franchise, the Franchise Agreement and associated ancillary documents have not yet been published. They will be available soon on the Gov.uk website.

When the franchise was awarded in March 2017 it was intended to deliver a number of commitments, including:

> … a £1.2 billion investment that will improve journeys for millions of train passengers, and provide a boost for the communities served. The next franchise will see:
>
> - 22,000 extra seats into London Waterloo each morning peak and 30,000 extra seats out of Waterloo each evening peak
> - a fleet of 90 new trains, providing more space for passengers on Reading, Windsor and London routes
> - refurbished existing trains with charging sockets, new seat covers and refurbished toilets
> - more frequent and additional services across the franchise
> - faster journeys across the network; journeys to London will be:
>   - 8 minutes faster from Southampton
>   - 5 minutes faster from Portsmouth
>   - 10 minutes faster from Reading
>   - 12 minutes faster from Hounslow
>   - 11 minutes faster from Salisbury
> - earlier first and later last trains, including between London and:
>   - Twickenham
>   - Hounslow
>   - Windsor
>   - Reading
>   - Epsom
>   - Guildford

[121] ORR Data Portal [accessed 9 January 2018]

  - Portsmouth
  - Salisbury
- more Sunday services across the network, with many routes having the equivalent of a Saturday service after 1.00pm
- investment to make Southampton Central station a destination fit for the community it serves, with:
  - a new look entrance
  - improved retail
  - better facilities for passengers
- new delay repay compensation, including for delays of 15 minutes or more, and with automatic claims for smart card season tickets and advance purchased tickets bought in advance through their digital channels
- free wifi at all stations and on-board mainland trains
- investment in station improvements including:
  - refurbished waiting rooms
  - additional seating
  - improvements for step-free access
  - 60 electric vehicle charging points
- new smart card, automatically offering the cheapest walk-up single or day return fare
- new flexible season tickets, offering a discount for passengers travelling fewer than 5 days a week
- season, single and return tickets on smart cards across all of the franchise
- new discount for purchasing 12 consecutive monthly season tickets
- new student connect smart ticket for 16 to18 year-olds, offering one-third off weekly or longer tickets, and further term-time discounts for under 16s
- mobile phone barcode tickets will be available on the network for the first time
- better connections for the Island Line, and work with the Isle of Wight Council and other local bodies to develop a business plan and option for a more sustainable long-term future
- at least 1,500 new car park spaces
- over 40% reduction in energy use at stations and depots[122]

Information on the previous franchise, run by Stagecoach, is on the Gov.uk website.[123] In 2006 the total premia to be paid to the

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[122] DfT press notice, "First MTR South Western Trains Limited wins South Western franchise", 27 March 2017

[123] DfT press notice, "Department for Transport announces winner of South Western Franchise", 22 September 2006; and DfT press notice, "New £50 million package of passenger benefits on South West Trains", 25 March 2015

Government over the duration of the franchise was estimated be £1.191 billion.[124]

The Government had intended 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.[125] The refranchising process for the South Western franchise therefore began in November 2015, with the publication of the prospectus and a public consultation.[126] First Group and Stagecoach were shortlisted as for the new franchise in early 2016.[127] The Invitation to Tender (ITT) was published in June 2016.[128] As indicated above, the franchise was awarded to First MTR in March 2017.

Shortly after the franchise was awarded it was reported that First MTR had decided to change its rolling stock strategy and order new trains to enter service in 2019.[129] In July 2017 the Competition and Markets Authority (CMA) sought assurances from First MTR about the London-Exeter route, there the only competition comes from Great Western, also operated by First.[130]

In January 2018 the rail regulator expressed concerns to SWR about the provision of service information to passengers and required SWR "to take immediate action to ensure that passengers are provided with the information they need to make informed decisions".[131] SWR committed to a short-term action plan to tackle the deficiency. In February 2018 the regulator called for further improvements, specifically:

> Whilst the addition of the banner and PDF timetables to the SWR website is welcome, we note that there is no similar facility or warning on either the company's mobile phone app or journey-check site. In addition, while the PDFs are in place for the coming weekend, the banner also links to the next three weekends. Although the information for future weekends gives useful headline information about the works that will be taking place, it does not highlight that the journey planner is not yet updated or give any expectation of when it will be.[132]

In April 2018 there were reports that Network Rail had raised concerns over SWR's proposed new timetable and had warned the company that

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[124] op cit., "Department for Transport announces winner of South Western Franchise"
[125] "South West Trains to be refranchised", *Railway Gazette*, 7 July 2015, and: HCWPQ 6264, 13 July 2015
[126] DfT, *South Western rail franchise*, 12 November 2015, and *South Western franchise competition prospectus*, 26 November 2015
[127] DfT press notice, "Two companies shortlisted to compete for the next South Western rail franchise", 4 February 2016
[128] DfT press notice, "Better journeys on the way for rail passengers across the South Western network", 4 July 2016; and *South Western franchise 2016: invitation to tender*, 30 June 2016
[129] "New trains 'dumped' by South Western franchise winner", *BBC News*, 30 March 2017
[130] CMA press notice, "London to Exeter rail passengers protected by CMA", 11 July 2017
[131] ORR press notice, "Statement: South Western Railway (SWR) – compliance with Condition 4 of the Passenger Licence and GB Statement of National Regulatory Provisions: Passenger", 13 February 2018
[132] ORR Letter to SWR, 8 February 2018

"track and signal problems on the network would get worse with the proposed big increase in services". *The Times* reported:

> South Western said discussions with Network Rail were "ongoing", adding: "We have already introduced 150 additional carriages onto the network since taking over last August." FirstGroup, its co-owner, said the operator is profitable.[133]

[133] Op cit., "Rail pain piles up as five operators totter"

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 2016/17 TSGN made a net franchise payment of £296.4 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £94.6 million, equating to a subsidy of 1.1 pppkm.[134]

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[135] 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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[134] [ORR Data Portal [accessed 9 January 2018]

[135] 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.[136]

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 in 2018, 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.[137]

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.[138] In September 2016 Govia Thameslink Railway (GTR) launched an extensive consultation setting out proposed changes to the timetable in 2018 following completion of the Thameslink Programme.[139]

In February 2017 Go-Ahead announced its half year reports and said that due to the complexity of the GTR contract and the "service disruption caused by industrial action", it was "in discussions with the DfT regarding a number of contractual variations relating to these issues":

> At the half year, management made judgements on the outcome of these discussions. The complexity of these contractual variations and the timescales over which they will be resolved are such that there are a range of reasonably possible outcomes. Management's judgement of these outcomes is that, relating to events up to 31 December 2016, the impact on rail profitability is likely to be within a range of plus or minus £10m. Given the continuing uncertainty, our expectation for the full year is that this range will increase to plus or minus £15m. We are doing everything we can to reduce these uncertainties through discussions with the DfT. It is important these matters are resolved so they do not distract from the primary objective of trying to seek a resolution of the industrial relations issues to improve services for passengers.[140]

In July 2017 the DfT announced that it had fined GTR £13.4 million for poor performance.[141]

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[136] DfT press notice, "New rail franchising deal set to transform passenger services across London and south east" 23 May 2014

[137] op cit., *Consultation on the combined Thameslink, Southern and Great Northern franchise*, p4

[138] for full details on the infrastructure see HC Library briefing paper SN1537; and for rolling stock and section 4 of SN3146

[139] GTR, *Timetable consultation : Thameslink and Great Northern*, 15 September 2016

[140] Go-Ahead press notice, "Half year results for the year ended 31 December 2016", 28 February 2016

[141] "Southern rail: Government fines owners over train delays", *BBC News*, 13 July 2017

Southern: an ongoing crisis

The level of service for many passengers on the TSGN franchise, particularly the troubled Southern Railway brand, has been poor for more than a year. As the Transport Select Committee noted, "the initial structuring of the franchise, inadequate planning, weaknesses in the franchise handover process, infrastructure and rolling stock failures, mismanagement, poor industrial relations and the current bitter and prolonged industrial dispute have all contributed to an unacceptable level of service for TSGN's long-suffering passengers".

In particular the Committee highlighted the negative impacts of:

- the major infrastructure works entailed in the Thameslink Programme, particularly the redevelopment of London Bridge station;
- inadequate staffing at franchise handover; and
- ongoing strike action over a number of issues, including 'Driver Only Operation' of trains.

The Committee told the Government to 'get a grip' on the monitoring and enforcement of the franchise, speed up its assessment of the franchisee's *force majeure* claims, and "be prepared to restructure or terminate the agreement should GTR be shown to be in default".

It also criticised a lack of transparency as regards performance data and said that the DfT must ensure that data on the franchisee's performance against its contractual obligations are made publicly available.[142]

The industrial dispute has still not been resolved and Southern continues to underperform. On 22 June 2017 the Government published the report by Chris Gibb, a non-executive director at Network Rail and former chief operating officer of Virgin Rail Group, into the performance of Southern, and advice on how to deliver improvements. This was debated in Parliament on 4 July. For more information see HC Library briefing paper *General debate 4/7/17 - The Chris Gibb Report: Improvement to Southern Railway*, CDP 2017-0127, 29 June 2017

In April 2018 the Public Accounts Committee published a report criticising the Government's management of the TSGN franchise. Specifically, that:

- passengers had suffered "unacceptable levels of disruption due to the Department's inability to effectively balance the trade-offs between short-term returns to taxpayers and sustainable improvement of passenger services";
- DfT had "turned a blind eye" to the potential level of industrial action due to the roll out of driver only operation; and
- DfT should not have agreed to "disregard the terms of its contract and settle the level of fines Govia Thameslink will pay for future poor performance before knowing whether Govia Thameslink was performing well or not.[143]

[142] Transport Committee, *The future of rail: Improving the rail passenger experience* (Sixth Report of Session 2016–17), HC 64, 14 October 2016

[143] Op cit., *Rail franchising in the UK*, recommendations 1, 2 and 3

14. TransPennine Express

Operating name: First TransPennine Express

Franchisee: FirstGroup

Franchise start and end dates: April 2016 – March 2023

Financial information: in 2016/17 TPE made a net franchise payment of £2 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £162.7 million equating to a subsidy of 8.6 pppkm (pence per passenger km).[144]

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 2015 it was intended to deliver the following commitments:

> … 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 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 [145]

The Government anticipates that it will receive £400 million in premiums from First over the life of the franchise; previously, the franchise was subsidised by the Government.[146]

[144] ORR Data Portal [accessed 9 January 2018]
[145] op cit., "Massive boost to rail services brings Northern Powerhouse to life"; information on what was to be delivered under the old franchise can be found at: SRA press notice, "SRA Announce Preferred Bidder For TransPennine Express Franchise", 28 July 2003
[146] The schedule of payments is set out in an FOI release: DfT, *Northern and TransPennine Express: proposed yearly premium payments*, 7 March 2016

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 2016/17 AWT received a net franchise payment of £99.3 million and overall, once revenue payments, network grant etc. were taken into account, received £323 million in subsidy equating to a subsidy of 26.3 pppkm (pence per passenger km); in 2003 the total subsidy over the duration of the franchise was estimated to be £1.68 billion.[147]

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.[148]

In July 2014 the Government announced additional services between Manchester Piccadilly, Chester, Holyhead, and Llandudno from December 2014.[149]

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[147] ORR Data Portal [accessed 9 January 2018] and: SRA press notice, "Wales and Borders Franchise Signing", 20 October 2003

[148] ibid.

[149] DfT press notice, "Green light for extra rail services between England and Wales", 16 July 2014

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 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, but that it was "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". [150]

The Welsh Government consulted on the future franchise and announced four pre-qualified bidders: Abellio, Arriva, Keolis/Amey and MTR.[151] In September 2017 the Welsh Government invited final tenders and issued a series of commitment to current Wales & Borders staff.[152] There followed reports that the UK Government had "effectively barred the next Wales and Borders rail franchise from Bristol".[153] In February 2018 Abellio announced that they were withdrawing their bid to run the new franchise.[154]

The Welsh Government is currently procuring the franchise on behalf of the Secretary of State under an agency agreement. It will obtain full franchising powers under a so-called 'section 109 Order' under the *Government of Wales Act 2006*. The draft *Welsh Ministers (Transfer of Functions) (Railways) Order 2018* was debated in both Houses of Parliament in April 2018 and approved on 24 April.[155] The Order, supplemented by series of agency agreements between the Secretary of State for Transport and the Welsh Ministers, authorises Welsh Ministers to exercise certain of the Secretary of State's franchising functions on his behalf so that the Welsh Ministers can procure and manage the next Wales and Borders rail franchise with similar geographic scope (i.e. **including rail services to/from and within England**).[156] However, the Secretary of State will retain the 'Operator of Last Resort' powers for the franchise under a separate sub-contracting agreement.

In March 2018 there were reports that the Welsh Government intends to "whittle away" at the new Wales and Borders franchise so that

[150] 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

[151] Welsh Government, *Setting the Direction for Wales and Borders Rail*, 22 January 2016; and "Rail operator shortlist revealed", 12 October 2016

[152] Welsh Government press notices, "Final tenders invited as Wales nears decision on next rail service" and "Welsh Government show commitment to Wales and Borders staff", 29 September 2017

[153] "Government 'bans' next Welsh rail franchise from Bristol", *Wales Online*, 4 December 2017

[154] "Another train consortium WITHDRAWS from running rail services in Wales", *Daily Post*, 23 February 2018

[155] HL Deb 16 April 2018, cc1002-11; DL Committee Deb 23 April 2018, cc1-10; and HC Deb 24 April 2018, c848

[156] *Explanatory Memorandum to the draft Welsh Ministers (Transfer of Functions) (Railways) Order 2018*, para 4.5

Transport for Wales (TfW) increasingly delivers ancillary activities itself over the 15-year term.[157]

The Wales franchise: further reading

The National Assembly for Wales Research Service has written extensively about the challenges facing the Welsh Government regarding the let of the new franchise and the various forms it might take:

- *The future of passenger rail*, 16 June 2016
- *Research Briefing: Rail Franchising in Wales* (paper no. 16-043), 12 July 2016
- *On the right track?*, 22 September 2017

The Welsh Affairs Select Committee launched an inquiry into the new franchise in July 2016. It has finished hearing evidence and published a report:

- *Wales and Borders rail franchise*

The Wales Audit Office published a report in September 2016 stating that the Welsh Government must manage effectively the risks around its approach to the procurement of the next Wales and Borders rail franchise if it is to fully realise the intended benefits:

- *Welsh Government investment in rail services and infrastructure*

The Welsh Assembly Economy, Infrastructure and Skills Committee published a report on the future franchise and the South Wales Metro in June 2017:

- *On the right track? The Rail Franchise and South Wales Metro*

157 "TfW to take more control of rail franchise", *Local Transport Today*, 16 March 2018 [LTT 743]

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) to March 2018 (3) to September 2019

Financial information: in 2016/17 Virgin West Coast made a net franchise payment of £216.2 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £117.2 million, equating to a subsidy of 1.6 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.[158]

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.[159]

The franchise is currently operating under a Direct Award for the period November 2014 to April 2019.[160] The Direct Award is intended to deliver:

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[158] ORR Data Portal [accessed 9 January 2018] and: OPRAF press notice, "High speed tilting trains to slash West Coast Journey times", 19 February 1997

[159] 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

[160] 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

> 21 first-class carriages converted to standard class, delivering 5,500 extra standard seats per day across the network
>
> 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.[161]

16.1 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.[162] 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.[163]

However, before the hearing could take place the then Secretary of State for Transport, Sir Patrick McLoughlin, announced his decision to cancel the award following the "discovery of significant technical flaws

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

162 DfT press notice, "New operator for West Coast rail passengers", 15 August 2012

163 "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+

in the way the franchise process was conducted". The franchising process would therefore be re-started. Sir Patrick 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".[164]

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.[165] 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".[166] Laidlaw recommended a number of measures to help to restore confidence in the DfT's conduct in rail franchising and procurement.[167] 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'.[168] Sir Patrick 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.[169]

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".[170] He made a number of recommendations to achieve this end.[171] Looking forward, Brown urged that the franchising programme be restarted, but that the Department should be mindful of what it and the market could resource, and seek to avoid 'bunching' franchises, increasing the

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[164] DfT press notice, "West Coast Main Line franchise competition cancelled", 3 October 2012
[165] 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
[166] 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
[167] ibid., paras 3.13-3.14
[168] DfT, *Response to the Report of the Laidlaw Inquiry*, 6 December 2012, para 2
[169] HC Deb 6 December 2012, cc1018-19
[170] DfT, *The Brown Review of the Rail Franchising Programme*, Cm 8526, January 2013, para 1.4
[171] ibid., paras 1.11-1.20

vulnerability of the programme to peaks and troughs in the economic cycle.[172]

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".[173] The schedule has been updated several times since then, most recently in May 2016.[174] The practical consequence of this is that since 2013 there has been an increasing number of 'Direct Awards' rather than fully competitive refranchising of lines.

16.2 Letting the new West Coast Partnership, 2016-

For more information on HS2, see HC Library briefing paper SN316.

In May 2016 the Government issued a consultation on the future West Coast franchise, due to be awarded in November 2017 with services set to begin in April 2018.[175] In November 2016 the Government announced that the new franchise will combine the current InterCity West Coast services with the development and introduction of HS2 services. The new franchise – the West Coast Partnership – will be responsible for services on both the West Coast Main Line from 2019 and designing and running the initial high speed services from 2026.[176]

The Government published the prospectus for the new franchise in January 2017.[177] This stated that from 2019, the Partnership will become the Shadow Operator for HS2, "acting as a customer for the new infrastructure and designing the future services, whilst also planning the reconfiguration of [conventional] services".[178] It further stated:

> HS2 Ltd has developed an initial model specification for the high speed services to assist the scheme design. The Partnership will develop and adapt this early model to provide the best service possible for passengers on both HS2 and the reconfigured ICWC services.
>
> This means maximising opportunities created by the investment, making sure that the new services are useful and frequently used, whilst maintaining a good service on current lines to destinations away from the route of HS2.
>
> On the launch of HS2, high speed conventional compatible services will replace many current ICWC services. This will require the redesign of services on existing lines to complement the HS2 services. Whilst delivering the benefits from HS2, the Partnership

172 ibid., para 1.21
173 HC Deb 26 March 2013, cc95-98WS
174 op cit., *Rail Franchise Schedule*
175 DfT, *Future of InterCity West Coast rail franchise*, 10 May 2016
176 DfT press notice, "Government announces new rail franchise for Inter City West Coast with the introduction of High Speed 2 services", 4 November 2016
177 DfT press notice, "New opportunities offered as details of new rail franchise are released", 19 January 2017
178 DfT, *West Coast Partnership franchise prospectus*, 19 January 2017, p20

> will also need to assess the balance between end-to-end journey times and intermediate stops, to ensure stations currently well-served by the West Coast service also gain from the opening of HS2.[179]

There had been speculation about who would bid for the Partnership, for example that the Government wanted technology companies such as Google or Uber to be minority partners with more traditional companies.[180] In April 2017 Virgin and Stagecoach announced their intention to partner with the French state railway company SNCF to bid for the franchise.[181] In June 2017 the Government announced the shortlisted bidders:

- First Trenitalia West Coast Ltd, a joint venture between First Rail Holdings Ltd and Trenitalia SpA;
- MTR West Coast Partnership Ltd, a joint venture between MTR Corporation (UK) Ltd and Guangshen Railway Company, with the following key sub-contractors: Deloitte MCS Ltd; Panasonic Systems Europe; Snowfall AB; Trainline.com Ltd; and WSP Parsons Brinkerhoff; and
- West Coast Partnership Ltd, a joint venture between Stagecoach Group plc, Virgin Holdings Ltd and SNCF C3.[182]

Labour opposes putting HS2 services out to private tender and has said that it should be run in the public sector.[183]

In February 2018 the Secretary of State, Chris Grayling, said that the DfT had completed negotiations have agreed a Direct Award with Virgin Trains to continue operating services until 2019.[184]

The Invitation to Tender (ITT) for the Partnership was published in March 2018. It invites bids to operate the franchise until 2031, including hS2 services from 2026. Mr Grayling said that this new arrangement:

> … could see HS2 become a fully integrated railway, with a single organisation running all aspects of the service – the tickets, trains, maintaining the track and other infrastructure like signalling - ensuring a single joined-up team will deliver the best possible passenger service.[185]

The DfT is also looking to see bid which include 'innovation' to the benefit of passengers.

According to the current Rail Franchising Schedule the announcement of the winning bidder is due to be announced in November 2018. But

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179 ibid., p22
180 "The Google Express for Crewe is leaving from platform 2", *The Times*, 19 February 2017
181 Virgin Trains press notice, "Virgin & Stagecoach join forces with SNCF for West Coast Partnership bid", 25 April 2017; SNCF has extensive experience of operating high speed rail in the form of the French TGV network
182 op cit., "Bidders for 2 rail franchises named by government"
183 Labour Party press notice, "HS2 should be run in the public sector, as a public service - McDonald", 4 November 2016
184 Op cit., *Update on the East Coast, West Coast and East Midlands rail franchises*
185 DfT press notice, "Grayling: West Coast Partnership to lay foundation for high speed future", 27 March 2018

the issuing of the ITT, based on the same schedule, was five months late. It is not clear how this will impact on the announcement date.[186] The ITT states that the anticipated start date for the new franchise is 15 September 2019.[187]

[186] Op cit., *Rail Franchise Schedule*
[187] DfT, *West Coast Partnership Franchise: Invitation to Tender*, 27 March 2018, para 1.8.1

17. West Midlands

Operating name: West Midlands Rail

Franchisee: joint venture of Abellio (owned by NedRailways (Nederlandse Spoorwegen)); Japan East Railway Company, and Mitsui & Co Ltd.

Franchise start and end dates: December 2017 – March 2026

Financial information: in 2016/17 the previous franchisee, London Midland, received a net franchise payment of £80.7 million and overall, once revenue payments, network grant etc. were taken into account, received a subsidy of £262.6 million equating to a subsidy of 9.4 pppkm (pence per passenger km); in 2007 total subsidy over the duration of the franchise was estimated to be £1.127 billion.[188]

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

When the franchise was awarded in 2017 it was intended to deliver a number of commitments, including:

> 400 new carriages rolled out by 2021 and space for an extra 85,000 passengers on rush hour services in Birmingham and London, with the longer trains providing extra seats and space for passengers […]
>
> - free wifi on all main line services by the end of 2019
> - for the first time compensation if services are delayed by more than 15 minutes
> - improved access for those requiring extra assistance, including disabled people
>
> Smart ticketing and live passenger information will also be rolled out under the deal, as part of a package of reforms that will improve journeys for passengers […]
>
> There will be 20,000 extra seats for rush hour passengers in Birmingham, and 10,000 for people in London.
>
> On top of this, there will be standing room for 50,000 passengers in Birmingham in metro-style carriages, similar to the ones used on the London Overground, for short cross-city journeys, and standing room for an additional 5,000 passengers in London.[189]

The new franchise will see closer partnership working between track and train. The West Midlands network of trains and infrastructure will "be run by a local team of people with a commitment to the smooth operation of their routes, improving services and performance".[190]

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188 ORR Data Portal [accessed 9 January 2018] and: DfT press notice, "New trains and more services for the Midlands", 21 June 2007
189 DfT press notice, "More seats for rail passengers as nearly £1 billion is invested in Midlands services", 10 August 2017
190 ibid.; the commitments given by the previous franchisee, London Midland, are available in: DfT press notice, "New contract to make journeys better for West Midlands rail passengers", 3 December 2015; information on the previous

The refranchising process for the West Midlands franchise began in December 2015 with the publication of the West Midlands prospectus and a public consultation.[191] In April 2016 the Government announced three shortlisted bidders: a joint venture between Keolis and Go-Ahead Group; Abellio (with East Japan Railway Company and Mitsui & Co Ltd as minority partners); and MTR. MTR withdrew in June.[192]

The Invitation to Tender (ITT) was published in August 2016.[193] The Government sought a number of benefits including more capacity, free Wi-Fi on all main line services by the end of 2019, and new ticket options for part-time workers.[194]

In August 2017 the DfT announced that the new franchise would be operated by a joint venture between Abellio, East Japan Railway Company and Mitsui & Co Ltd. The franchise would run from December 2017 to March 2026.[195]

In December 2017 there were reports that the franchisee had finalised two orders worth £680 million for 107 new trains with Bombardier and CAF and that Corelink Rail Infrastructure, a joint venture between Infracapital and Deutsche Asset Management, would be financing the two deals:

> The new trains will provide space for an extra 85,000 passengers on peak-hour services into Birmingham and London, and are part of the planned £1bn investment in the new franchise. All the trains will have air-conditioning, Wi-Fi and in-seat power sockets.[196]

franchisee's performance issues in 2012-13 can be found at: HC Deb 20 December 2012, cc128-130WS

191 DfT, *West Midlands franchise competition: prospectus*, 8 December 2015 and "Passengers asked for views on next West Midlands rail franchise", 15 December 2015

192 DfT press notice, "Three train companies shortlisted to compete for West Midlands franchise", 7 April 2016; and "West Midlands franchise bid down to two companies as MTR withdraws", *Rail Technology Magazine*, 23 June 2016

193 DfT, *West Midlands franchise competition: invitation to tender*, 30 August 2016

194 DfT press notice, "Better journeys on the way for rail passengers across the West Midlands", 30 August 2016

195 Op cit., "More seats for rail passengers as nearly £1 billion is invested in Midlands services"

196 "New West Midlands franchise orders 107 trains", *International Railway Journal*, 12 December 2017

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