



Railways: passenger franchises

Standard Note: SN1343
Last updated: 27 May 2014
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Section: Business and Transport

This is one of two notes on rail passenger franchising. This note sets out the terms of the various rail franchises in England and Wales and cross-border franchises with Scotland. It does not cover the ScotRail franchise in Scotland, which is devolved (see: [SPICe briefing 08/38](#)). A second note, [SN6521](#), sets out in more detail how franchising works and the franchising policy of successive governments.

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

Franchising involves the Government setting out a specification for what it would like a franchise 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.

Over recent years there have been attempts to reform the franchising system. Most recently, in October 2012, the Coalition Government announced a further review of the franchising process following the uncovering of mistakes in how the Department for Transport evaluated and assessed the West Coast franchise bids. The Government announced how it would proceed with the three suspended franchise procurements in January 2013. It made a fuller statement on the future franchising timetable in March, including the re-let of the East Coast franchise to the private sector. This was updated in April 2014.

Information on other rail-related matters can be found on the [Railways Topical Page](#) of the Parliament website.

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1 Background

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 Franchising 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 on 19 and 20 December 1995 and the first privatised services started operating on 4 February 1996. The last franchise to be agreed was ScotRail, which started operating in private hands on 1 April 1997.

A franchise is the right to run specified services within a specified area for a specified period of time, in return for the right to charge fares and, where appropriate, to receive financial support from the franchising authority. Government subsidy is payable in respect of socially necessary services that might not otherwise be provided. Service standards are monitored throughout the duration of the franchise. Franchisees earn revenue primarily from fares and from subsidy. They generally lease stations from [Network Rail \(NR\)](#) and earn rental income by sub-letting parts of them, for example to retailers. Franchisees' main costs are the track access charges they pay to NR, the costs of leasing stations and rolling stock and of employing staff. Franchisees may do light maintenance work on rolling stock themselves or contract it out to private companies. Heavy maintenance is normally procured for them by the rolling stock leasing companies according to the contracts between them.

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

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 Executive and the Welsh Assembly Government was granted a direct role for local and regional passenger rail services in Wales.

2 Current franchises

The current, [revised franchise schedule](#), published on 8 April 2014, is available on the Gov.uk website.

There is one relatively new thing to note – that is the let of a number of ‘**Direct Awards**’, rather than new franchises. The nature of these awards varies, but what they mean, in effect, is that the Government negotiates directly with the incumbent operator; there is no competition for the award. The former Rail Minister, Simon Burns, explained the process in a May 2013 letter to the Chair of the Transport Select Committee:

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

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.¹

The DfT’s [direct awards guidance](#) is currently ‘under review’ and unavailable.

Further information on individual franchises is given below.

2.1 c2c/Essex Thameside

Franchisee: National Express

Dates: May 1996 – September 2014 (initially a 15 year franchise to May 2011)

Financial information: in 2012/13 paid a premium of £17.6 million, equating to a subsidy of -1.7 pppkm (pence per passenger km).²

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

This franchise is one of the few remaining from the original round of lets conducted immediately after privatisation by OPRAF (the Office of Passenger Franchising). It was originally awarded to Prism Rail in April 1996; Prism merged with National Express in 2001. In May 2003 it was confirmed that the franchise would run for the full 15 years.

The franchise was renegotiated in 1998 to deliver the following commitments:

All slam door rolling stock will be replaced with modern sliding door vehicles by the end of March 2002, and the fleet increased by at least 12 vehicles.

Improved Passenger’s Charter commitments: the punctuality standard and trigger for season ticket discounts will be raised immediately by 1% - to 93% and 90%

¹ [Simon Burns letter to Louise Ellman](#), May 2013

² [ORR Data Portal](#) [accessed 23 April 2014]

respectively; compensation for delays of 60 minutes or more will be increased from 20% to 50%.

Tighter thresholds for cancellations and capacity will be introduced immediately, so that call-in, breach or default would be triggered at a lower level; thresholds will be tightened further in April 2000.

[redacted in original] million will be spent on passenger benefits, to include real-time passenger information systems and extended staffing hours, by the end of March 2000; a further [redacted in the original],000 will be spent in each of the remaining years of the franchise on extended staffing hours.

Improvements to facilities for disabled people: by the end of March 2000 all main stations will have a disabled toilet, tactile maps, train boarding ramps, and induction loops or acoustic windows at ticket offices.

Improvements to passenger security by the end of March 2000: LTS will seek accreditation for all stations under the DETR Secure Stations Scheme, and for all car parks under the independent Secure Car Parking Scheme; prosecution standard CCTV will be installed at all stations.

Two further experimental bus links will be introduced by the end of March 1999, and maintained for at least three years.

Up to [redacted in the original]0,000 will be offered towards the provision of pedestrian access from Chafford Hundred station to Lakeside Shopping Centre by the end of March 2000.

Cycle storage facilities will be provided at a further six stations by the end of March 2000.

Early morning season tickets to Fenchurch Street, offering a discount of at least 20%, will be introduced more widely from May 1999.³

In November 2009 the Labour Government announced that the c2c franchise would continue until its statutory end date of May 2011 when it would be re-let as the Essex Thameside franchise.⁴ A consultation on the franchise specification for Essex Thameside was published before the 2010 election.⁵ However, in June 2010 the new Coalition Government suspended the consultation until it had completed a review of franchising policy more generally.⁶ Finally, in December 2010 the Government announced that Essex Thameside would be retendered from May 2013 for at least 15 years.⁷ In the meantime, an extension had been agreed with National Express to run the existing franchise until that date, with an option for the DfT to terminate it early in December 2012.⁸

The Invitation to Tender (ITT) for the new franchise was published in July 2012.⁹ The short-listed bidders were Abellio, First Group, National Express and Hong Kong-based MTR.¹⁰ The

³ OPRAF press notice, "[Improvements for passengers on LTS rail](#)", 11 November 1998

⁴ [HL Deb 24 November 2009, c72WS](#) and [HL Deb 26 November 2009, cc100-101WS](#)

⁵ DfT, [Essex Thameside franchise](#), 26 November 2009; and DfT, [Essex Thameside franchise consultation](#), 21 January 2010

⁶ [HC Deb 17 June 2010, c58WS](#)

⁷ [HC Deb 7 December 2010, cc16-18WS](#); the pre-qualification questionnaire was published in December 2011, see: DfT, [Essex Thameside franchise 2013](#), 19 December 2011

⁸ "[c2c extension awarded to National Express](#)", *Rail News*, 23 December 2010

⁹ DfT, [Essex Thameside franchise: Invitation to tender](#), 2 July 2012

procurement for a new franchise was suspended in October 2012 following the collapse of the West Coast let (see below). In January 2013 the Government announced that the competition for the Essex Thameside franchise would be resumed with a revised invitation to tender for a 15-year franchise issued to existing short-listed bidders over summer 2013. Negotiations would commence with current train operator c2c for an interim contract of up to two years.¹¹ In March 2013 the Government announced that there would be a 16 month extension/Direct Award, with a new franchise beginning in September 2014.¹² This was confirmed in May 2013.¹³

In September 2013 the Government published the ITT for the new Essex Thameside franchise.¹⁴ The winner is scheduled to be announced in May 2014.

2.2 Chiltern Railways

Franchisee: DB Regio

Dates: March 2002 – December 2021

Financial information: in 2012/13 received a subsidy of £6.8 million, equating to a subsidy of -0.6 pppkm (pence per passenger km).¹⁵

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

The franchise is scheduled 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;

¹⁰ DfT press notice, "[New rail franchise to deliver smart card tickets and encourage investment in better stations](#)", 2 July 2012

¹¹ DfT press notice, "[Rail franchising future programme](#)", 31 January 2013

¹² [HC Deb 26 March 2013, cc95-98WS](#)

¹³ DfT press notice, "[Essex rail contract agreement](#)", 17 May 2013

¹⁴ DfT, [Essex Thameside franchise 2013: invitation to tender](#), 26 September 2013; see also: [Stakeholder Briefing Document: Essex Thameside Franchise Replacement \(Updated\)](#), 26 September 2013

¹⁵ [ORR Data Portal](#) [accessed 23 April 2014]

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 the recent Uff/Cullen report - subject to agreement from Railtrack.¹⁶

The refranchising process for Chiltern is scheduled to begin in May 2020, with the new franchise to begin in December 2021.¹⁷

2.3 Cross Country

Franchisee: Arriva

Dates: November 2007 – November 2019 (initially to April 2016)

Financial information: in 2012/13 received £20.6 million in subsidy equating to a subsidy of 0.6 pppkm (pence per passenger km); total subsidy over the duration of the franchise was estimated to be £1.056 billion.¹⁸

The National Franchise Terms that apply to this franchise, the Franchise Agreement and Service Level Commitments 1 and 2 are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

40 extra train carriages for operation on long distance services, using High Speed Trains (HSTs), refurbished to the standard of the existing Voyager Trains. This, together with internal changes to the current fleet of Voyager trains, will provide nearly 3,000 more seats each day on the busiest routes at the busiest times. Internal changes on the Voyager trains will also provide for a 20-25% increase in luggage storage space;

Increased staff visibility with the busiest long distance services having at least three members of staff passing through the train;

A new web-based ticketing system which will be introduced from December 2009;

Refurbished Class 170 units on Birmingham - Stansted and Cardiff - Nottingham services including extra seats, and first class on all trains;

Help and advice for passengers who need to change trains.¹⁹

¹⁶ SRA press notice, "[Building a Better Railway: £370 Million Investment Programme for Chiltern Railways - 20 Year Deal Signed](#)", 18 February 2002

¹⁷ [HC Deb 26 March 2013, cc95-98WS](#)

¹⁸ [ORR Data Portal](#) [accessed 23 April 2014]; and: [DfT stock market statement](#), 10 July 2007

¹⁹ op cit., [DfT stock market statement](#)

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

In March 2013 the Government announced that the current franchise would be extended for three and a half years (via a Direct Award) from October 2016 to October 2019; the refranchising process for the new franchise is scheduled to begin in April 2018.²⁰

2.4 East Midlands Trains

Franchisee: Stagecoach

Dates: November 2007 – October 2017 (initially to April 2015)

Financial information: in 2012/13 paid a premium of £2.3 million, equating to a subsidy of - 0.1 pppkm (pence per passenger km); total premia paid to the government over the duration of the franchise was estimated be £133 million.²¹

The National Franchise Terms that apply to this franchise, the Franchise Agreement and Service Level Commitments 1 and 2 are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

An extra hourly Kettering - London service, with agreement to extend this to a new station at Corby

A new direct daily service between Lincoln and London

Two trains an hour between London and the new East Midlands Parkway station from 2008

A 9% increase in peak capacity into and out of London St Pancras, plus more carriages on the busiest trains between Liverpool and Nottingham.

More than £5m of improvements at stations and more than £20m on enhancing rolling stock;

Provision of at least 1250 new car parking spaces and 400 more bicycle spaces;

Forecast 90.4% punctuality and reliability by the end of the franchise²²

The refranchising process for East Midlands is scheduled to begin in March 2016, with the new franchise to begin in October 2017. There will be a Direct Award for the two and a half years between the end of the current franchise and the start of the new one.²³

2.5 Greater Anglia

Franchisee: Abellio

Dates: February 2012 – October 2016 (initially July 2014)

Financial information: in 2012/13 paid a premium of £139 million, equating to a subsidy of - 3.4 pppkm (pence per passenger km).²⁴

²⁰ [HC Deb 26 March 2013, cc95-98WS](#)

²¹ [ORR Data Portal](#) [accessed 31 October 2013]; and: [DfT stock market statement](#), 22 June 2007

²² *ibid.*, [DfT stock market statement](#)

²³ [HC Deb 26 March 2013, cc95-98WS](#)

The National Franchise Terms that apply to this franchise and the Franchise Agreement are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

... the new operator will extend Oyster pay-as-you-go services to ten stations on the Shenfield and Hertford East lines and introduce mobile phone and print-at-home ticketing facilities. Passengers will also get better access to information as the new operator is introducing a text messaging service to keep passengers informed if disruption occurs and new information desks at major stations including Liverpool Street, Cambridge, Norwich, Ipswich and Stansted Airport.

Other improvements to be delivered by the new franchise include:

- A new cycle hire scheme at Norwich station and cycle storage points at 15 stations, including space for 500 bicycles at Chelmsford.
- Up to 300 new car parking spaces, plus a further 300 at Shenfield and Wickford stations, subject to planning approval.
- Cleaning and painting of 141 stations across the franchise.

Other improvements to be made by the new operator will include updates to existing ticket machines to make them more user-friendly, the installation of 28 new ticket machines at stations across the network and the introduction of online season ticketing.

Oyster pay-as-you-go will be extended to cover the following stations: Theobalds Grove, Waltham Cross, Cheshunt, Brentwood, Shenfield, Broxbourne, Rye House, St Margarets, Ware and Hertford East.

Car drivers will see improvements with the provision of a total of 300 new car parking spaces at specific stations (subject to planning approvals). Meanwhile 300 new parking spaces will be provided at Shenfield and Wickford stations (subject to planning approvals) while 100 pay and display machines in station car parks will be replaced. The new operator will also be required to install electrical car points at 20 stations.

The new operator will also run a six month trial of a scheduled bus service between Saffron Walden and Audley End station, the introduction of a PlusCab service that will allow customers to book a taxi from 45 stations with pre-agreed fares based on a zonal pricing structure and a complimentary refreshments service for first class passengers on the London to Norwich and Stansted Express services.

Information desks will be built at Cambridge, Norwich and Stansted Airport, and six new kiosks will be built at Bishops Stortford, Chelmsford, Colchester (two), Ipswich and Stratford. A new information desk will also be installed at Liverpool Street Station.

Two new customer panels will be established and the new operator will also recruit a team of multi-lingual volunteers to provide information to customers in or around affected stations during the Olympics and Paralympics. Meanwhile a Smartphone App specifically for the Olympics will be developed which will provide real-time service information and directions to stations.

A total of 141 stations will be refreshed and the whole the train fleet will be deep cleaned (except the class 379s), including all surfaces and floor coverings, toilets and lighting. In addition the interior of the class 321 units will be refreshed and CCTV will be fitted to 68 class 321 vehicles.²⁵

The Greater Anglia franchise was formerly operated by National Express. When it got into difficulties with the East Coast franchise in 2009 (see 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.²⁶

Consultations on the franchise specifications for both Essex Thameside and Greater Anglia were published before the 2010 election. However, in June 2010 the new Coalition Government suspended the consultation until it had completed a review of franchising policy more generally.²⁷ Finally, in December 2010 the Government announced that there would be a short contract, openly competed during 2011, to run and improve services in the Greater Anglia franchise followed by a new long-term franchise.²⁸ In the event, in April 2014 the Government negotiated a Direct Award with Abellio to deliver:

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

[...] The agreement includes improvements to the intercity carriages on the Great Eastern Main Line (GEML) route between Norwich, Ipswich, Colchester and London. Passengers will benefit from new seat covers, new carpets and better lighting, improving the travelling environment. The deal also secures the addition of at seat power sockets, helping people on those services work and stay in touch.²⁹

The refranchising process for the longer term Greater Anglia franchise is scheduled to begin in March 2015, with the new franchise to begin in October 2016.³⁰ We do not know as yet what this will look like, though there has been speculation that the Government might consider splitting the franchise.³¹

²⁵ DfT press notice, "[Better services for East Anglian passengers under new franchise](#)", 20 October 2011

²⁶ [HL Deb 24 November 2009, c72WS](#) and [HL Deb 26 November 2009, cc100-101WS](#)

²⁷ [HC Deb 17 June 2010, c58WS](#)

²⁸ [HC Deb 7 December 2010, cc16-18WS](#)

²⁹ DfT press notice, "[Better services for passengers on the Greater Anglia franchise](#)", 16 April 2014

³⁰ [HC Deb 26 March 2013, cc95-98WS](#)

³¹ "[East Anglia: Government considers rail split when Greater Anglia franchise comes up for renewal](#)", *East Anglian Daily Times*, 12 July 2013

2.6 Greater Western

Franchisee: First Group

Dates: April 2006 – July 2016 (break point: April 2013; terminated October 2013; Direct Award to September 2015; further extension required)

Financial information: in 2012/13 paid a premium of £169.3 million, equating to a subsidy of -2.9 pppkm (pence per passenger km); total premia paid to the government over the duration of the franchise was estimated be £1.13 billion.³²

The National Franchise Terms that apply to this franchise, the Franchise Agreement, Service Level Commitments and associated ancillary documents are available on the [Gov.uk website](#).

The franchise was originally scheduled to deliver the following commitments:

First Group will deliver in excess of £200 million investment over the first three years of the franchise including -

- complete re-design of the HST fleet to include new interiors and increased capacity;
- installation of on-board CCTV throughout the franchise's local and regional Diesel Multiple Unit rolling stock fleet;
- an additional 1700 car parking spaces across the franchise with upgraded facilities, additional CCTV, information points and security with a commitment to improve Park Mark Safer Parking accreditation;
- introduction of new ticket vending technology including 124 new ticket vending machines;
- investment to raise the maximum speed on almost all sections of the 'slow' lines between Paddington and Reading up to 90 mph (there are currently sections where 90 mph is not achievable);
- extension of the Maidenhead station down 'fast' line platform to accommodate longer vehicles improving performance viability during periods of disruption;
- a range of security and revenue protection measures including automatic ticket gates at key stations, additional gateline staff and more community support officers;
- major investment to create integrated passenger facilities and improve the station environment and security at Bath Spa, Bristol Temple Meads, Burnham, Cheltenham Spa, Chippenham, Didcot Parkway, Ealing Broadway, Exeter Central, Exeter St Davids, Gloucester, Hayes & Harlington, Hungerford, Maidenhead, Newbury, North Camp, Oxford, Plymouth, Reading, Slough, Southall, Swindon, Taunton, Tiverton Parkway, Trowbridge, Truro, Twyford, Weston-super-Mare and Westbury;
- establishment of a Diesel Multiple Unit maintenance and servicing facility at St Philips Marsh depot and investment at Exeter and Old Oak Common depots;

³² [ORR Data Portal](#) [accessed 23 April 2014]; and: [DfT Stock Market Statement](#), 13 December 2005

- fitment of air conditioning in the driver cabs of all the Turbo (Class 16x) fleet;
- establish a Customer Information Centre to provide retailing and information provision with regard to timetable information, ticketing options, special offers and pricing options;
- a committed annual budget for Community Rail and agreement to liaise and co-operate with Community Rail partners to develop and promote partnerships;
- Delivery of better interchange facilities, better access for the mobility impaired and improved cycle storage facilities at stations

[...] The franchise has been awarded on the basis of the specification of the original ITT, consulted upon by SRA/DfT Rail Group this summer, which included the following service improvements:

- additional peak stopping trains between Paddington and Slough running every 30 minutes;
- additional morning and evening peak services at Twyford, Maidenhead and Slough;
- a regular hourly service between Westbury and London Paddington;
- Reading - Gatwick Airport off-peak services doubled from hourly to half hourly;
- New cross-Bristol, with through trains between Worcester and Taunton, Cardiff to Westbury/Southampton/Weymouth and Weston-super-Mare to Filton.

In addition, the following changes to the original specification have been agreed with the Franchisee;

- The London-Cardiff (and vv) off-peak half-hourly service is retained;
- A London-Penzance overnight service is retained and simplified with the separate Plymouth portion removed (the service will continue to call at Plymouth in both directions but will not have a dedicated sleeping coach);
- the current level of off-peak mainline stops at Slough will be retained. Slough branch line stops will be retimed to co-incide with mainline stops to/from London, thereby improving connectivity. The performance risks of stopping on the main line at Slough will be mitigated through robust timetabling and this approach has been agreed with Network Rail;
- in order to maintain London connections with off-peak stops at Slough (above), the Windsor - Slough services will remain a half-hourly service as now (20 minutes in the peak hours);
- 6 trains per weekday on the Oxford-Bicester line, with realistically timed peak hour services;
- faster journey times between London and Cheltenham;
- The quantum of off-peak Didcot calls will remain as current;
- A daily direct Frome-London return service is introduced;

- Better connections with mainline services from the branch lines in Devon and Cornwall;
- A direct 1 train per day London-Newquay service will only operate in the high peak of summer (July/August). Due to current track quality it is not possible to introduce a year-round service initially, however DfT, First Group and Network Rail will work together to deliver a year-round service in the future if possible.

[...] First Group are also committed to working with stakeholders to develop plans for the modernisation of Reading and Bristol Temple Meads stations, subject to funding availability, establish Area Integration Partnerships with Local Authorities and transport operators and, subject to necessary consents, introduce a Penalty Fares Scheme on the Bristol, Plymouth and Exeter commuter routes.³³

The recent history of this franchise has been somewhat complex – First Group continues to operate the franchise and will do so until September 2015 at the earliest, despite giving notice that it wanted to terminate it back in 2011.

In May 2011 First Group informed the Government of its intention to utilise the break point in its franchise agreement to terminate the Greater Western franchise in April 2013. As indicated above, 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.³⁴

An Invitation to Tender (ITT) for the new franchise was published in December 2011.³⁵ It stated that the new franchise would run for 15 years, from July 2013 to July 2028. The short-listed bidders were National Express, Stagecoach, First Group and GW Trains (Arriva and Deutsche Bahn).³⁶ However, this process was subsequently aborted following the suspension of the franchising process in late 2012 and in January 2013 the Government announced that the current franchise competition would be terminated.³⁷ On 3 October 2013 the Government announced a new 23 month Direct Award for First to operate the franchise until September 2015 with the intention of negotiating a further Award until July 2016.³⁸

The refranchising process is due to begin in October 2014. However, there have been reports that the Government is considering a five year Direct Award instead of a new franchise.³⁹ In May 2014 the Government published a consultation document on its future approach to the franchise. This stated that the DfT is: “considering options for successor contractual agreements to the current, first direct award which expires in September 2015 in order to best meet the needs of the franchise over a period of significant infrastructure and rolling stock change”.⁴⁰ This is particularly in light of the fact that the bulk of the changes brought about by electrification, new and cascaded rolling stock, the InterCity Express

³³ DfT, [Greater Western Franchise](#) [accessed 23 April 2014]

³⁴ “FirstGroup to pull out of rail franchise”, *The Times*, 12 May 2011

³⁵ DfT, [Great Western franchise 2013](#), 19 December 2011

³⁶ DfT, [Stakeholder Briefing Document, Great Western Franchise Replacement](#), June 2012, p7

³⁷ [HC Deb 18 December 2012, c673W](#)

³⁸ DfT press notice, [“Franchising deal to boost services on Great Western Main Line”](#), 3 October 2013

³⁹ [“Five-year direct award Great Western franchise proposed”](#), *Railway Gazette*, 11 March 2014

⁴⁰ DfT, [Great Western Specification Consultation](#), 8 May 2014, para 1.13

Programme (IEP), Crossrail and HS2 infrastructure will take place during the five year period from September 2015.

2.7 Integrated Kent Franchise/Southeastern

Franchisee: GoVia (as Southeastern Trains)

Dates: April 2006 – June 2018 (initially to April 2014)

Financial information: in 2012/13 received £82.3 million in subsidy equating to a subsidy of 2.0 pppkm (pence per passenger km); total subsidy over the duration of the franchise was estimated to be £585 million.⁴¹

The National Franchise Terms that apply to this franchise, the Franchise Agreement and Service Level Commitments are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

The IKF will include routes on the national rail network currently operated by South Eastern Trains throughout Kent, parts of East Sussex and South East London. It will also include new high speed commuter services from St Pancras making use of the Channel Tunnel Rail Link (CTRL) from 2009 [...] £250 million will be invested on new high speed trains for CTRL.

Given investment in the region the new operator will increase fares by 3% above inflation from January 2007 for five years to ensure there is a fair balance in cost between the taxpayer and fare paying passenger.

Govia has also committed to:

- Invest around £76 million in passenger and staff facilities.
- Oversee the construction of two depots in East Kent to maintain the new and existing fleet of trains.
- Improve performance with all day PPM train performance of 91.6% by March 2010 and 93.74% by March 2014.
- Provide services which are additional to the base line DfT asked for in the ITT, including a strengthened half-hourly service to Beckenham Junction to Victoria, an additional peak service between Faversham and Cannon Street, two additional peak trains between Ashford and Charing Cross and some extra mid-evening and late evening trains to suburban and Kent destinations from London.
- Run services to Dover if safety concerns at the Shakespeare Tunnel can be overcome.⁴²

In June 2012 the Government published a consultation on the proposed contents of the ITT for the new franchise, due to begin in April 2014. It said that the new franchise would run for only six and a half years so as to align its termination with the proposed new Thameslink franchise. The Department had expected to issue an ITT to shortlisted applicants in May

⁴¹ [ORR Data Portal](#) [accessed 23 April 2014]; and: [DfT Stock Market Statement](#), 30 November 2005

⁴² *ibid.*, [DfT Stock Market Statement](#), 30 November 2005

2013, and to announce the winning bidder in December 2013.⁴³ However, in March 2013 the Secretary of State indicated that he would instead serve notice on Southeastern to call seven period extensions available in its contract.⁴⁴ Thus the refranchising process for the IKF is scheduled to begin in November 2016, with the new franchise to begin in June 2018.⁴⁵

In November 2013 the Government announced that it had agreed a six month extension with GoVia until October 2014, at which point it intends making a Direct Award for the following 44 months until the new long term franchise begins.⁴⁶

This franchise (in a former guise) has something of a troubled past: the SRA became an operator of last resort when it terminated the franchise of Connex South Eastern and assumed the operation of South Eastern Trains from November 2003 until March 2006. The termination of the contract was a long and protracted process.

2.8 InterCity East Coast

Franchisee: Directly Operated Railways (a subsidiary of the Department for Transport)

Dates: December 2007 – February 2015 (initially run by National Express to November 2009)

Financial information: in 2012/13 paid a premium of £190.5 million, equating to a subsidy of -3.9 pppkm (pence per passenger km).⁴⁷

The National Franchise Terms that apply to this franchise and the Franchise Agreement are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

An end to charges for seat reservations from January 1, 2010;

£12 million for improvements at stations, including enhancements to Newcastle, York, and Peterborough. The focus of investment in stations is designed to add significant benefits for customers, these include the provision of 200 new cycle spaces at Newcastle, 100 at York and 150 at Peterborough;

An immediate review of on-board catering in both standard and first-class, with a view to improvements from next year;

Better standards of cleanliness on board trains and at East Coast managed stations;

Further service improvements including a new Saturday evening service from King's Cross to Leeds and an additional Sunday morning service from Leeds to King's Cross;

The withdrawal of the planned gating of York station in order to maintain the existing through access for non-passengers, while accelerating the completion of gating at King's Cross to deter fare dodgers.⁴⁸

⁴³ DfT, [South Eastern Franchise Consultation](#), June 2012

⁴⁴ [HC Deb 26 March 2013, cc95-98WS](#)

⁴⁵ DfT, [Rail Franchising Programme - Prior Information Notice](#), March 2013

⁴⁶ DfT press notice, "[Boost for high speed rail services to Sandwich and Deal](#)", 13 November 2013

⁴⁷ [ORR Data Portal](#) [accessed 23 April 2014]

⁴⁸ DfT press notice, "[East Coast main line company pledges to improve services and invest for the future](#)", 13 November 2009

The East Coast franchise has been a continuing problem for a number of years. Most recently, further to a [pre-close statement by National Express Group plc](#) on 1 July 2009, the then Labour Secretary of State, Lord Adonis, announced that the group's East Coast franchise would be taken into public ownership.⁴⁹ The Government took over the running of the renamed East Coast franchise on 13 November 2009.⁵⁰ Before the 2010 General Election Labour indicated that their intention was to let a new East Coast franchise to the private sector in late 2011.⁵¹

Following a number of delays,⁵² the Government announced that it expected to re-let the East Coast franchise to the private sector in December 2013,⁵³ and it published a consultation on the new ICEC franchise in June 2012.⁵⁴ This process was delayed by the fallout from the West Coast re-let in 2012 (see below) and in March 2013 the Government finally announced that the new franchise would begin in February 2015.⁵⁵ The East Coast OJEU notice, pre-qualification documentation and prospectus were published on 25 October 2013⁵⁶ and the Invitation to Tender (ITT) was published in March 2014.⁵⁷ The three shortlisted bidders are Stagecoach and Virgin; Keolis/Eurostar; and First Group plc.⁵⁸

This decision to re-let the East Coast franchise in the private sector – particularly just before the 2015 General Election – is not without controversy: the Labour Party and rail unions have all called for the ICEC to remain in the public sector as a 'comparator' for the franchised services run by the private sector.⁵⁹ 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.⁶⁰

Problems with this franchise go back to 2006 when Sea Containers, the parent company of GNER (the franchisee at the time), was reported to be in financial difficulties. GNER was said to have approached the Department to request a change to its premium payments.⁶¹ While the Labour Government repeatedly said that it would not renegotiate the franchise terms, many commentators considered that it would be left in an embarrassing position if GNER surrendered its franchise, worth £1.3 billion to the Treasury. Finally, in December 2006 the then Secretary of State, Douglas Alexander, announced that the Department was inviting expressions of interest to operate services on the ECML.⁶² As stated above, in August 2007 the franchise was awarded to National Express and services began operating under the new

⁴⁹ [HL Deb 1 July 2009, cc24-25WS](#)

⁵⁰ op cit., "[East Coast main line company pledges to improve services and invest for the future](#)"

⁵¹ DfT, [InterCity East Coast franchise consultation](#), 21 January 2010

⁵² the delays were caused by the new government's plans to reform rail franchising, the industry-wide implications of the McNulty rail value for money study and the desire to avoid letting more than one long-distance franchise at a time (see: [HC Deb 17 June 2010, c58WS](#) and [HC Deb 7 December 2010, cc16-18WS](#))

⁵³ DfT press notice, "[New franchising programme](#)", 5 August 2011

⁵⁴ DfT, [InterCity East Coast franchise consultation](#), 26 June 2012

⁵⁵ op cit., [Rail Franchising Programme - Prior Information Notice](#)

⁵⁶ DfT press notice, "[Transforming rail travel on the East Coast](#)", 25 October 2013; [InterCity East Coast \(ICEC\) franchise 2013: OJEU Notice and pre-qualification documentation](#); and [InterCity East Coast \(ICEC\) franchise 2013: prospectus](#)

⁵⁷ DfT, [InterCity East Coast franchise: invitation to tender](#), 21 March 2014

⁵⁸ DfT press notice, "[East Coast on course for improved rail services](#)", 21 March 2014

⁵⁹ 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

⁶⁰ RMT press notice, "[Rail Unions Seek Judicial Review Over Intercity East Coast](#)", 7 April 2014

⁶¹ "[Legal battle looms if GNER renegotiates east coast franchise](#)", *Scotland on Sunday*, 20 August 2006

⁶² DfT press notice, "[Competition commences for operator of InterCity East Coast franchise](#)", 15 December 2006

franchise on 9 December 2007.⁶³ During the period before the National Express franchise began operation, GNER ran the franchise under a temporary management agreement on behalf of the DfT; GNER also agreed to cover the Department's costs of re-letting the franchise early.

2.9 InterCity West Coast

Franchisee: Virgin Trains

Dates: March 1997 – April 2017 (extensions: (1) to December 2012; (2) to November 2014; and (3) 29 months to April 2017)

Financial information: in 2012/13 paid a premium of £96.8 million, equating to a subsidy of -1.6 pppkm (pence per passenger km); total premia paid to the government over the duration of the franchise was estimated be £933.5 million.⁶⁴

The National Franchise Terms that apply to the franchise, the Franchise Agreement and Service Level Commitments are available on the [Gov.uk website](#).

Initial commitments

The franchise was scheduled to deliver the following commitments:

From May 1998, making use of refurbished trains, Virgin will speed up London-Birmingham and some peak London-Manchester services by five minutes. Virgin will re-time the North Wales services to provide better connections with the fast ferries.

In addition, Virgin is committed to replace virtually the entire rolling stock fleet with a brand new fleet of high speed 225km/h trains for delivery from 2011 onwards, with services operated at 200km/h starting in 2002. These will bring significant time savings [...] London-Glasgow journey times will be reduced below four hours and London-Manchester/Liverpool journey times below two hours [...]

Virgin is also committed to examine the potential for new direct regular services between London, Telford and Shrewsbury, and to Blackpool. Target journey times are 2h 45m for London-Shrewsbury and 3h 15m for London-Blackpool trains.

In addition, Virgin has agreed to undertake studies into the viability of electrification of the Manchester-Preston-Blackpool and Crewe-Chester routes, which would provide further opportunities for direct London and other services [...]

Virgin also intend to introduce the following customer service enhancements:

- At seat video systems after 2002 on the new train fleet
- 'In flight' customer services
- Fixed price pre-booked taxis from home to selected stations
- Dedicated coach links between Watford Station and Heathrow Airport
- Improved information systems/points at all major stations

⁶³ DfT press notice, "[National Express awarded contract for growth on InterCity East Coast](#)", 14 August 2007

⁶⁴ [ORR Data Portal](#) [accessed 23 April 2014]; and: OPRAF press notice, "High speed tilting trains to slash West Coast Journey times", 19 February 1997

- Integrated travel information with Virgin CrossCountry

[...] Virgin is committed to spend at least £2 million on station improvements to include improved lighting, waiting facilities and access, including an integrated train-taxi facility, new coach links to Heathrow Airport and better station car parks.

[...] Virgin is committed to moving quickly to restore customer confidence in the service, by achieving 90% punctuality for most services within a year from take-over.⁶⁵

There were difficulties achieving some of this due to the overrun on the West Coast Main Line upgrade.⁶⁶

In October 2011 the Government confirmed that it had reached agreement with Virgin to extend the franchise from April 2012 until the beginning of a new franchise in December 2012.⁶⁷

2012 re-let and award to First Group

A draft Invitation to Tender (ITT) for the new ICWC franchise was published in May 2011.⁶⁸ As at that date the short-listed bidders were Virgin, Abellio, First Group and SNCF/Keolis.⁶⁹ The final ITT was issued in January 2012.⁷⁰ The franchise was awarded to First Group on 15 August 2012. It was intended that the franchise would run for 13 years, 4 months, until spring 2026, with an option to extend the franchise to the end of 2027. The DfT press notice set out the improvements that the new franchise was expected to deliver over that period:

As part of the deal First West Coast Limited will introduce 11 new six-car electric trains which will enable more seats to be provided across the franchise, including greater capacity on the Birmingham to Scotland route. New services are planned from Blackpool, Telford, Shrewsbury and Bolton to London. First West Coast Limited has also committed to cut the cost of its 'Standard Anytime' fares by an average of 15% within the first two years.

The franchise stretches from London to Glasgow, connecting many of the UK's major cities including Manchester, Liverpool, Birmingham, Wolverhampton, Edinburgh, Lancaster and Chester. The franchise deal is worth £5.5 billion (net present value) over the lifetime of the contract.

[...] Benefits the new franchise will offer passengers include:

- **More Seats:** The new 11 six-car electric trains will deliver circa 12,000 extra seats a day, from December 2016 with the cascade of existing rolling stock to bolster capacity on West Coast routes. This is in addition to the 106 extra 'Pendolino' carriages which are currently being introduced into operation on to the franchise, which will deliver over 28,000 extra daily seats.
- **More Services:** Initially First West Coast Limited will operate the timetable they will inherit from the current franchise but are seeking to introduce a number of new services including a London Euston to Blackpool service from

⁶⁵ *ibid.*, "High speed tilting trains to slash West Coast Journey times"

⁶⁶ for more information, see HC Library note [SN364](#)

⁶⁷ [HC Deb 27 October 2011, c20WS](#)

⁶⁸ DfT, *Draft Invitation to Tender*, May 2011

⁶⁹ DfT, *Stakeholder briefing document: InterCity West Coast Re-franchising*, May 2011, p4

⁷⁰ DfT, *InterCity West Coast Franchise: Invitation to Tender*, 20 January 2012

2013 and from 2016 services from London to Telford Central, Shrewsbury and Bolton.

- **Improved Services:** Journey time improvements between London and Glasgow are planned, as well as additional services from London to Preston.
- **Fares:** First West Coast Limited is changing its Standard Anytime fares and reducing them by an average of 15% over the first two years of the franchise.
- **Improved Stations:** First West Coast Limited is taking over responsibility for maintenance at 17 of their stations and will spend at least £22m on a station investment programme.
- **Smart ticketing technology:** First West Coast Limited will introduce ITSO based smart ticketing. This will offer speed and convenience as well as new ticket types more tailored to individual needs.⁷¹

Cancellation of the award to First and the Laidlaw inquiry

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 Virgin chief Sir Richard Branson and First Group chief executive Tim O'Toole appeared before the Transport Select Committee to discuss the franchise after Virgin announced that it would take the Department for Transport to Judicial Review over the award of the franchise to First Group.⁷²

However, before the hearing could take place the new Secretary of State for Transport, Patrick McLoughlin, announced that the competition to run trains on the West Coast Main Line has been cancelled following the "discovery of significant technical flaws in the way the franchise process was conducted". These relate to "the way the level of risk in the bids was evaluated. Mistakes were made in the way in which inflation and passenger numbers were taken into account, and how much money bidders were then asked to guarantee as a result". As a consequence, the Department "cannot be confident that these flaws would not have changed the outcome of the competition or that any of the four bidders would not have chosen to submit different offers". The franchising process will therefore be re-started. The Government has asked Sam Laidlaw, Chief Executive of Centrica, to examine what happened during the West Coast procurement and why, with the aim of establishing the lessons to be learned. He was scheduled to report by the end of November.⁷³ The final report was published on 6 December. **Further information can be found in HC Library note SN6521.**

Extension of franchise to Virgin and future lets, 2012-

In October 2012 the Government announced its intention to secure a short term Direct Award with Virgin to continue operating the franchise.⁷⁴ A 23-month Award was announced in December 2013, taking the franchise to November 2014. In return Virgin will receive a margin of one per cent on revenue for operating services. DfT and Virgin may also agree revised commercial terms that would see Virgin take greater revenue and cost risk over the

⁷¹ DfT press notice, "[New operator for West Coast rail passengers](#)", 15 August 2012

⁷² "[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: Minutes of Evidence*, HC 329-ii, 10 September 2012 [published in report 7 January 2013]

⁷³ DfT press notice, "[West Coast Main Line franchise competition cancelled](#)", 3 October 2012

⁷⁴ [HC Deb 15 October 2012, cc6-8WS](#)

course of the contract.⁷⁵ Virgin also agree to offer an hourly service between London and Glasgow for the first time. Virgin stated that it “will add improvements to services, including better station facilities, onboard enhancements and an improved compensation scheme for customers who suffer delayed journeys. The detail will be discussed with the DfT in the coming weeks”.⁷⁶ The Government intends to negotiate a further Direct Award until the new franchise begins in April 2017.⁷⁷

2.10 London Midland

Franchisee: GoVia

Dates: November 2007 – June 2017 (initially April 2016)

Financial information: in 2012/13 received £57.3 million in subsidy equating to a subsidy of 2.6 pppkm (pence per passenger km); total subsidy over the duration of the franchise was estimated to be £1.127 billion.⁷⁸

The National Franchise Terms that apply to this franchise, the Franchise Agreement and Service Level Commitments are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

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

A fleet of 37 new electric Desiro trains by July 2009

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

£11.5m investment in stations

1033 more car parking spaces

Forecast 90.7% punctuality and reliability by the end of the franchise.⁷⁹

Following severe service disruption caused by driver shortages in 2012, the Secretary of State announced in December of that year that London Midland would provide a “substantial package” of passenger benefits by way of compensation for the inconvenience that was caused.⁸⁰ The DfT also agreed to revise the profile of performance benchmarks for 2013, to include additional measures that could penalise London Midland financially in the event of further poor performance and agreed financial measures to ensure that the reduction in revenue as a result of the free and discounted tickets was borne by the company, and not by the taxpayer.

⁷⁵ DfT press notice, “[Virgin Trains to run improved west coast services](#)”, 6 December 2012; there were reports that Virgin would give its share to good causes, see, e.g. “[Virgin Rail gets west coast mainline for two more years](#)”, *The Guardian*, 6 December 2012

⁷⁶ Virgin Trains press notice, “[Virgin Trains to continue running West Coast services](#)”, 6 December 2012

⁷⁷ op cit., *Rail Franchising Programme - Prior Information Notice*

⁷⁸ *ORR Data Portal* [accessed 23 April 2014]; and: DfT press notice, “[New trains and more services for the Midlands](#)”, 21 June 2007

⁷⁹ *ibid.*, “[New trains and more services for the Midlands](#)”

⁸⁰ [HC Deb 20 December 2012, cc128-130WS](#)

The refranchising process for the London Midland franchise is scheduled to begin in November 2015, with the new franchise to begin in June 2017. There will be a Direct Award covering the intervening period from the end of the current franchise in April 2016 to June 2017.⁸¹

2.11 Northern

Franchisee: Serco/Ned Railways

Dates: December 2004 – February 2016 (initially to April 2014)

Financial information: in 2012/13 received £151.7 million in subsidy equating to a subsidy of 7.1 pppkm (pence per passenger km); total subsidy over the duration of the franchise was estimated to be £2.434 billion.⁸²

The National Franchise Terms that apply to this franchise, the Franchise Agreement and Service Level Commitment are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

Contractual targets to reduce cancellations and delays by over 15% in the first 5 years;

A new incentive/penalty regime to ensure the maintenance of station and train facility standards;

A more local focus on performance, with monitoring and enforcement based on each of five sub-regions⁸³

The Government had extended the end date of the Northern franchise to align with the re-let of the TransPennine Express in April 2014 with the intention that this could allow these franchises to be combined or split in different ways.⁸⁴ In March 2014 the Government announced that it had agreed a Direct Award with the incumbent operator to continue to provide services until the beginning of the new franchise in February 2016. The DfT said that:

The deal marks the start of the transformation of rail services across the north, and will help support the government's £600 million of investment in the region.

This will see a significant amount of the network electrified, delivering cleaner, quicker and more reliable journeys for passengers travelling between key strategic cities including Leeds, Liverpool, Manchester, Newcastle and Sheffield.⁸⁵

The Direct Award was co-signed by the five passenger transport executives serving the north of England.⁸⁶

⁸¹ op cit., *Rail Franchising Programme - Prior Information Notice*

⁸² *ORR Data Portal* [accessed 23 April 2014]; and: SRA press notice, "New Northern Rail franchise signed", 19 October 2004

⁸³ *ibid.*, "New Northern Rail franchise signed"

⁸⁴ op cit., "New franchising programme"; and DfT, *Northern Franchise: Notice of Continuation (7 Period Extension)*, 1 May 2012

⁸⁵ DfT press notice, "New deal for rail in the north", 27 March 2014

⁸⁶ Manchester, Liverpool, Tyne and Wear, South Yorkshire and West Yorkshire

2.12 Southern

Franchisee: GoVia

Dates: September 2009 – July 2015

Financial information: in 2012/13 paid a premium of £215.1 million, equating to a subsidy of -4.9 pppkm (pence per passenger km); total premia paid to the government over the duration of the franchise was estimated be £534 million.⁸⁷

The National Franchise Terms that apply to this franchise, the Franchise Agreement and Service Level Commitments are available on the [Gov.uk website](http://www.gov.uk).

The franchise is scheduled to deliver the following commitments:

Longer suburban services made up of ten car trains, with delivery starting in 2011 and being completed by 2013.

Four trains per hour on most routes in South London until around 2300 Monday to Saturday and new late night services in South London on Friday and Saturday nights with most routes running trains until 0030

Additional services in South London on Sundays with four trains per hour on most routes.

A new hourly Brighton to Southampton service on Sundays and additional late night services from Brighton to Worthing.

Later services on the London to Uckfield route.

A new service to Southampton Airport and an additional Gatwick Express service from Brighton at peak times.

Under the new franchise agreement, all stations and trains on the South Central network will be fitted with CCTV by June 2011 and all stations across the franchise will be required to maintain or increase the presence of customer-facing staff, leading to a safer and improved passenger-friendly experience.

In addition, new ticket gates will be installed at 22 stations (on top of the 14 South London stations being gated prior to the franchise commencement) and almost all South London stations will be staffed from the first to last service of the day.

The franchise will also deliver at least 1,000 extra car parking spaces and 1,500 additional secure bicycle spaces. Every station across the network will be cleaned and refreshed, while there will also be enhancements to 34 stations in the region, including major refurbishments at Brighton, Haywards Heath, Hove, Lewes, Redhill, Three Bridges and Worthing.⁸⁸

From July 2015 Southern will be amalgamated with Thameslink/Great Northern to form a combined franchise. A consultation document on the new combined franchise was published in May 2012.⁸⁹

⁸⁷ [ORR Data Portal](#) [accessed 23 April 2014]; and: DfT press notice, “[More frequent and more secure rail services for London and the South East](#)”, 9 June 2009

⁸⁸ *ibid.*, “[More frequent and more secure rail services for London and the South East](#)”

⁸⁹ DfT, [Consultation on the combined Thameslink, Southern and Great Northern franchise](#), May 2012

The combined franchise will bring together all of the services currently operated by two franchisees: First Capital Connect (FCC), in September 2014 and Southern (including Gatwick Express) from July 2015. In addition, some services will transfer from Southeastern in 2014 and 2018. The combined franchise will be the biggest franchise that has ever been let. When all the services have been incorporated, it will have the largest income, the most trains and the most staff of any franchise in the GB rail market.⁹⁰ The franchise will run until September 2021 with a possible extension.

In January 2013 the Government announced that the Thameslink, Southern and Great Northern franchise competition will be resumed with the Department working towards awarding a seven-year contract.⁹¹ In March 2013 the Government announced its intention to serve notice on FCC to call seven period extensions available in its contract. This means that the FCC franchise, due to expire in September 2013, would be subject to a 12 month extension to September 2014, at which point the new Thameslink, Southern and Great Northern franchise will begin.⁹² In September 2013 the Government published the ITT for the new Thameslink, Southern and Great Northern (TSGN) franchise.⁹³

In May 2014 the Government announced that Govia would operate the new franchise from 14 September 2014. It is intended that amongst other things the new franchise will deliver a 27 per cent increase in train carriages by 2019.⁹⁴

2.13 South Western

Franchisee: Stagecoach

Dates: February 2007 – April 2019 (initially January 2015)

Financial information: in 2012/13 paid a premium of £314.7 million, equating to a subsidy of -5.4 pppkm (pence per passenger km); total premia paid to the government over the duration of the franchise was estimated be £1.191 billion.⁹⁵

The National Franchise Terms that apply to this franchise, the Franchise Agreement and Service Level Commitments are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

Capacity will be increased on both mainline and suburban services by around 20%. More rolling stock will be added to the fleet.

Smartcard technology will be rolled out across the franchise area by 2009. Fare structures will change to incentivise travel outside the busiest periods of peak time. The timetable that operates today will remain in place with few changes.

The franchise will provide £40m investment in enhancements at stations. Waterloo station and 13 other stations in the franchise area will be gated. Extra security

⁹⁰ *ibid.*, p4

⁹¹ DfT press notice, "[Rail franchising future programme](#)", 31 January 2013

⁹² [HC Deb 26 March 2013, cc95-98WS](#)

⁹³ DfT, *Thameslink, Southern and Great Northern 2013: invitation to tender*, 26 September 2013

⁹⁴ DfT press notice, "[New rail franchising deal set to transform passenger services across London and south east](#)", 23 May 2014

⁹⁵ [ORR Data Portal](#) [accessed 23 April 2014]; and: DfT press notice, "[Department for Transport announces winner of South Western Franchise](#)", 22 September 2006

measures, including more visible staff, will be brought in and significantly more passengers will be travelling through stations with Secure Stations accreditation.

[...]

Train Services and Timetable: The timetable will remain largely unchanged from today. Main improvements include:

- trains per hour between Waterloo and Weymouth from December 2007 (currently one train an hour operates on this service)
- A new hourly service linking Salisbury, Romsey, Southampton and Southampton Airport Parkway (also serving Eastleigh and Chandlers Ford) in December 2007
- Services will run west of Exeter (to Plymouth and Paignton) as today, to be reviewed when the hourly Waterloo - Exeter service commences
- Additional late evening trains on the routes to Windsor, Reading and Hampton Court
- Additional Sunday services to Reading, Kingston, Dorking and Guildford

Smart Ticketing: Stagecoach will put in place a smart ticketing system across the franchise area that will accept existing Oyster products in London zones 1 - 6. This means that passengers on South Western services in London can use Oyster Pay as You Go products as well as newly available smart tickets.

Fares: There will be some changes to rail fares. New ticketing systems in place by January 2009 will mean that Stagecoach can offer flexible tickets to encourage passengers to travel outside of the very busiest times in the peak period. Further details will be announced by Stagecoach in due course, although it is expected that:

Many regulated season tickets into London will be discounted for passengers travelling outside the height of peak times.

Any increases will be consistent with Government fares policy. As today, train operating companies have the flexibility to make changes to unregulated fares.

Capacity: The franchisee is contracted to increase capacity. This will include:

- 21% more mainline peak seats by the end of the franchise and 20% increased capacity on peak time suburban trains
- An extra 10 vehicles to operate 10-car operation on peak time Windsor Line services
- Refurbishment of existing fleet to boost capacity

Stations: £40m will be spent on enhancements at 15 stations and public information and overall station environment improvements elsewhere in the franchise area.

Personal safety: Guards will be present on all trains. CCTV will be installed throughout the fleet of trains and at all stations. Additional plain clothes British Transport Police (BTP) officers will be present on the network. 95% of passengers across the franchise area will be travelling through stations with Secure Station Accreditation.

Performance: Stagecoach are contractualised to increase the passenger performance measure from the current level of 89.7% to 92.5% by 2009/10 and 93.3% by the end of the franchise

Priced Options: DfT will buy the following priced options in addition to the base case. These are:

- Bristol - Waterloo services will be retained throughout the franchise, operating as today
- A new hourly Waterloo - Exeter service will be operated on completion of a Network Rail funded infrastructure project
- Further increase in station security such that 95% of passengers across the franchise area will be travelling through stations with Secure Stations Accreditation⁹⁶

The refranchising process for the South Western franchise is scheduled to begin in September 2017, with the new franchise to begin in April 2019. A Direct Award will be negotiated with the incumbent operator to cover the period from the end of the current franchise in January 2015 to the start of the new franchise.⁹⁷

2.14 Thameslink/Great Northern

Franchisee: First Group (as First Capital Connect)

Dates: April 2006 – September 2014 (initially April 2014)

Financial information: in 2012/13 paid a premium of £187.3 million, equating to a subsidy of -5.1 pppkm (pence per passenger km); total premia paid to the government over the duration of the franchise was estimated be £808 million.⁹⁸

The National Franchise Terms that apply to this franchise, the Franchise Agreement, Service Level Commitments and associated ancillary documents are available are available on the [Gov.uk website](http://Gov.uk).

The franchise is scheduled to deliver the following commitments:

First Group will improve the timing and capacity of services to Bedford and over £40m of private sector investment will be made in the first three years. This will help improve the reliability and quality of the rolling stock, improve stations and provide 600 additional car parking spaces. First Group has also committed to continual performance improvements throughout the life of the franchise.⁹⁹

From July 2015 Thameslink/Great Northern will be amalgamated with Southern to form a combined franchise. A consultation document on the new combined franchise was published in May 2012.¹⁰⁰ In February 2014 the DfT announced a Direct Award to FCC to continue operating the franchise until September 2014 when the new combined franchise will begin.¹⁰¹

⁹⁶ op cit., “[Department for Transport announces winner of South Western Franchise](#)”

⁹⁷ op cit., [Rail Franchising Programme - Prior Information Notice](#)

⁹⁸ [ORR Data Portal](#) [accessed 23 April 2014]; and: [DfT Stock Market Statement](#), 13 December 2005

⁹⁹ *ibid.*, [DfT Stock Market Statement](#)

¹⁰⁰ Op cit., [Consultation on the combined Thameslink, Southern and Great Northern franchise](#)

¹⁰¹ [HC Deb 24 February 2014, c10WS](#)

The combined franchise will bring together all of the services currently operated by two franchisees: First Capital Connect (FCC), in 2014 and from July 2015 Southern (including Gatwick Express). In addition, some services will transfer from Southeastern in 2014 and 2018. The combined franchise will be the biggest franchise that has ever been let. When all the services have been incorporated, it will have the largest income, the most trains and the most staff of any franchise in the GB rail market.¹⁰² The franchise will run until September 2021 with a possible extension.

The procurement for a new franchise was suspended in October 2012 following the collapse of the West Coast let. In January 2013 the Government announced that the Thameslink, Southern and Great Northern franchise competition would be resumed with the Department working towards awarding a seven-year contract.¹⁰³ In March 2013 the Government announced his intention to serve notice on FCC to call seven period extensions available in its contract. This means that the FCC franchise would run until September 2014, at which point the new Thameslink, Southern and Great Northern franchise begins.¹⁰⁴ In September 2013 the Government published the ITT for the new Thameslink, Southern and Great Northern (TSGN) franchise.¹⁰⁵

In May 2014 the Government announced that Govia would operate the new franchise from 14 September 2014. It is intended that amongst other things the new franchise will deliver a 27 per cent increase in train carriages by 2019.¹⁰⁶

2.15 TransPennine Express

Franchisee: First Group/Keolis

Dates: February 2004 – February 2016 (initially April 2015)

Financial information: in 2012/13 received £41.3 million in subsidy equating to a subsidy of 2.6 pppkm (pence per passenger km).¹⁰⁷

The Franchise Agreement, Passenger Service Requirement and ancillary documents associated with the franchise are available on the [Gov.uk website](#).

The franchise is scheduled to deliver the following commitments:

The introduction of a new fleet of 100 mile/h diesel multiple units leading to improved capacity, service quality, performance and the reliability of rail services on these routes, together with the construction of associated new maintenance facilities

Introduction of a new timetable in December 2004 which delivers a regular hourly service pattern, together with some increases in frequency and reductions in journey times, together with some increases in capacity during peak hours. The new timetable also supports the growth objectives of Manchester International Airport

Improvements to the Passenger's Charter commitment that compensates passengers for the late running of individual trains

¹⁰² *ibid.*, p4

¹⁰³ *op cit.*, “[Rail franchising future programme](#)”

¹⁰⁴ *op cit.*, [Rail Franchising](#)

¹⁰⁵ DfT, [Thameslink, Southern and Great Northern 2013: invitation to tender](#), 26 September 2013

¹⁰⁶ *op cit.*, “[New rail franchising deal set to transform passenger services across London and south east](#)”

¹⁰⁷ [ORR Data Portal](#) [accessed 23 April 2014]

Comprehensive staff training and development schemes, with particular focus on improving customers' experience¹⁰⁸

The Government announced that it had reached agreement with First to extend the current franchise. This would incorporate the flexibility to terminate the franchise between April 2014 and March 2015. The Government indicated that this could allow the TransPennine and Northern franchises to be combined or split in different ways.¹⁰⁹

The refranchising process for the TransPennine franchise is scheduled to begin in May/June 2014, with the new franchise to begin in February 2016.¹¹⁰

2.16 Wales & Borders

Franchisee: Arriva

Dates: December 2003 – October 2018 (subject to five-year Performance Review assessments)

Financial information: in 2012/13 received £140.3 million in subsidy equating to a subsidy of 12.2 pppkm (pence per passenger km); total subsidy over the duration of the franchise was estimated to be £1.68 billion.¹¹¹

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

The franchise is scheduled 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;

¹⁰⁸ SRA press notice, "[SRA Announce Preferred Bidder For TransPennine Express Franchise](#)", 28 July 2003

¹⁰⁹ op cit., "[New franchising programme](#)"

¹¹⁰ op cit., [Rail Franchising Programme - Prior Information Notice](#); and DfT, [Rail Franchise Schedule](#), April 2014

¹¹¹ [ORR Data Portal](#) [accessed 23 April 2014]; and: SRA press notice, "[Wales and Borders Franchise Signing](#)", 20 October 2003

£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.¹¹²

The refranchising process for the Wales & Borders franchise is scheduled to begin in March 2017, with the new franchise to begin in October 2018.¹¹³

In November 2012 the Co-operative Party published a paper calling for the future Wales & Borders franchise to be mutually owned and run by a not-for-profit enterprise called Rail Cymru.¹¹⁴ In March 2014 the Silk Commission recommended that the Wales & Borders franchise be entirely devolved to the Welsh Assembly Government.¹¹⁵

¹¹² *ibid.*, "[Wales and Borders Franchise Signing](#)"

¹¹³ *op cit.*, [Rail Franchising Programme - Prior Information Notice](#)

¹¹⁴ Co-operative Party, [Rail Cymru: A People's Railway for Wales](#), November 2012

¹¹⁵ Commission on Devolution in Wales, [Empowerment and Responsibility: Legislative Powers to Strengthen Wales](#), March 2014, p70