



# Department for **Transport**

From the Secretary of State

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19 May 2011

Having considered the responses to the consultation on the InterCity West Coast franchise, and having considered the views of the short listed Bidders for the franchise, I have today published a Stakeholder Briefing Document and a draft Invitation to Tender (ITT). Within this draft ITT, I have laid out the train service requirement I am minded to procure.

## **The Government's approach in principle**

The Government's role is to achieve an outcome that balances the public interest in affordable train services, the reasonable needs of passengers, the need for responsible train service providers to assess and respond to customer demand rather than for central government to prescribe services in disproportionate detail and the desirability that service providers should make a proportionate profit. As we stated in our statement of Franchising Policy in January<sup>1</sup>, we propose to significantly simplify train service specifications, so that bidders have greater flexibility in how they develop the service offered to passengers. In summary, we need to balance operator flexibility with the requirement to protect a core level of service for passengers.

## **Aspects of the consultation relevant to this letter**

A number of responses were received from consultees and I am grateful for the constructive response that we have had.

Specifically as to the train service requirements, responses have highlighted matters that reflect each consultee's own concerns. A summary of the responses received are contained in the Stakeholder Briefing Document that has been published on the DfT website today.

In the event, several priorities have been identified by consultees not all of which can be reconciled. Some consultees have sought a greater level of stops in services; others have suggested a reduced number of stops to reduce journey times; many have sought improved connectivity, enhanced frequencies and the serving of new markets. Not all of these can be achieved in a manner that would satisfy each consultee's own concerns.

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<sup>1</sup> Response to the consultation on Reforming Rail Franchising, 19 January 2011

Discussions with the bidding community have suggested that greater flexibility in service requirements would allow better development of service propositions over the life of the franchise by matching the capacity available to the demand they are predicting and that evolves.

### **The Government's preliminary conclusions**

Having considered all these points, the Government's proposed service specification for the InterCity West Coast Franchise is based on a weekly number of stops at each station (which is the same total for each as now<sup>2</sup>), with flexibility for the franchisee to vary the daily quantum by approximately 10%, or one station stop, at the majority of locations, and to make some changes between the balance of northbound and southbound stops. Bidders will still be expected to achieve a sensible balance of services in northbound and southbound directions and to provide, broadly, a standard pattern timetable. This specification has been designed to allow bidders flexibility to maximise the capacity provided on days of the week to cater effectively for the variations in daily demand.

My reasons for suggesting this proposal are that firstly, responses from bidders, and some of the responses from consultees suggest that a more flexible service requirement should give bidders the opportunity to deliver better premium for taxpayers and a better service for passengers; secondly I believe that operators are far better placed to react to the changing demands of their customers in the creation of train services and timetables than central Government; and thirdly that the level of flexibility I am proposing strikes a sensible balance between allowing more commercial freedom and protecting the quantum of station calls currently available.

However, in providing this level of flexibility, it has not been possible to model a detailed business case analysis of the change from the current more detailed franchise specification – because that will depend on how the winning bidder chooses to use the flexibility proposed. This represents a change from what was in the Intercity West Coast Consultation Document issued in January. Before contract award the Department will consider the affordability, benefits and costs of the proposed franchise.

I have today again asked my officials to write to the 325 local authorities, agencies, user groups and rail industry stakeholders who were formally consulted, along with the 154 respondents to the consultation, to communicate my preliminary views on this train service.

For this reason, I have published the ITT in draft format and am allowing a consultation to take place on the train service requirement proposed. Interested parties should also note that this train service requirement will allow a range of services to be provided flexibly over the life of the franchise, and that the benefit to cost ratio of the services that may be provided by the successful operator cannot therefore be provided. Further details on how bid evaluation is conducted are contained in the Department's A Guide to the Railway Franchise Procurement Process and Franchise Evaluation Process Charts, available on the DfT website.

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<sup>2</sup> Except for Wrexham and Carstairs, which are served on a commercial basis by the current TOC and were not part of the previous franchise specification.

The Department is therefore seeking comments on:

- i) the proposed train service requirement, and
- ii) the proposition that we should not have a business case on the change from the more detailed specification but would instead assess the affordability, benefits and costs of the proposed franchise at a later stage.

This consultation will be conducted in line with the Government's Code of Practice on Consultation and the criteria outlined in section 8 of the original InterCity West Coast Consultation Document.

The closing date for consultation responses is 17<sup>th</sup> August 2011.

Responses should be sent to:

InterCity West Coast Franchise Consultation Manager  
Department for Transport  
Zone 5/26  
Great Minster House  
76 Marsham Street  
London SW1P 4DR

Or by email to: [intercitywestcoast@dft.gsi.gov.uk](mailto:intercitywestcoast@dft.gsi.gov.uk)

### **Impacts on the franchise competition**

Having carefully considered and decided to allow an additional period of consultation on the train service requirement, I have also decided to extend the timeline of the franchise competition.

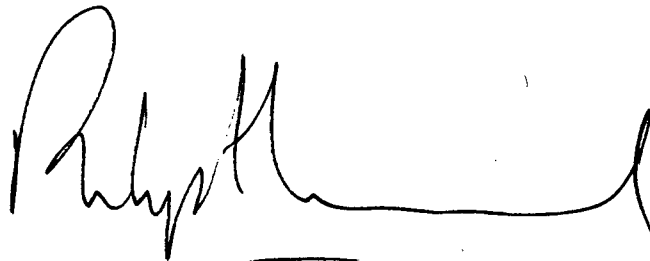
In considering the appropriate length of such an extension I have been mindful of the reformist and modernising findings and opportunities coming out of the emerging conclusions of the Rail Value for Money Study. I have in addition considered the Olympic Games taking place in 2012 and have decided that mobilisation for the new franchise during the main body of the Games would be inappropriate. The amended indicative plan below has been devised to allow operators to concentrate on the delivery of the services required over this main Olympic Games period.

19 May 2011	Publish draft ITT
17 August 2011	ITT consultation closes
17 January 2012	Publish final ITT
01 May 2012	Bids received
13 August 2012	Franchise Award
09 December 2012	New franchise commences

I have also considered the implementation of the 106 additional Pendolino carriages that have been programmed to be available to go into passenger service by December 2012.

This has led me to conclude that the most appropriate start date for the new franchise should be 09 December 2012. The new franchise will run until 31<sup>st</sup> March 2026 as originally planned, and will have an option to be extended by up to 20 months.

The Department is therefore entering into a dialogue with the incumbent franchisee to seek an affordable, compliant and value for money continuation of their operations beyond the existing expiry date. In parallel, contingency plans will be developed to enable the Department to take over responsibility for the continuity of services through a subsidiary such as Directly Operated Railways if a satisfactory conclusion with the incumbent is unable to be reached.

A handwritten signature in black ink, appearing to read 'Philip Hammond', with a horizontal line underneath the name.

**PHILIP HAMMOND**