

**Text of letter from the Secretary of State to Sam Laidlaw
15 Oct 2012**

Following my decision to cancel the competition for running the InterCity WestCoast franchise, I am asking you to lead an independent Inquiry into the Department's handling of the competition.

I would like your Inquiry to identify the lessons to be learned for the Department and for you to recommend what measures the Department should implement to ensure the sound running of future competitions. Terms of Reference of the Inquiry are enclosed.

Decisions on how to run the Inquiry and who to involve in it are for you as leader of the Inquiry. You may want to draw on independent advice from outside the Department and from other Non-Executive Board Members.

I ask that you report your initial findings to me on Friday 26 October and to provide a final report by the end of November.

Terms of Reference: Inquiry into the Lessons Learned for DfT from InterCity West Coast (“ICWC”) competition

1. The Inquiry shall identify the lessons to be learned from the Department’s handling of the franchising process for ICWC in order to ensure the Department maximises benefits to transport users and value for money for taxpayers in future franchise competitions.
2. The Inquiry will comprise an immediate study of the lessons learned following the discovery of significant technical flaws in the way the franchising process for ICWC was conducted which resulted in the cancellation of the ICWC franchising process on 3 October 2012, in particular:
 - a. The course of events in DfT that led to these technical flaws in order to identify what happened and why it happened up to the point that the intention to award the contract was announced on 15 August 2012;
 - b. The roles and responsibilities of different advisory and decision-making parties within DfT and externally in relation to these flaws, including the Board Investment and Commercial Committee, the Contract Awards Committee and the Rail Refranchising Programme Board; how well these committees performed their roles, and what can be learned from this about the appropriate structure for governance and assurance of major contract awards;
 - c. The arrangements for ensuring appropriate review of the technical elements of contract award and appraisal and appropriate quality assurance.
3. The Inquiry should make recommendations on the basis of its findings.
4. The Inquiry will be led by Sam Laidlaw, DfT’s lead Non-Executive Board Member who also leads on procurement among Government Non-Executives. He will draw on others as he sees fit, including from other Non-Executive Board Members. By agreement, Linklaters and Ernst & Young have been appointed to provide an external perspective to the Inquiry.
5. The Inquiry should be completed as soon as possible. Initial findings shall be made available to the Department by 26 October.
6. The Inquiry will be taking place in parallel with the Department’s HR investigations. The Laidlaw Inquiry Report will be published no later than end November 2012.