



Rail Executive

West Midlands Prospectus



Supporting the Cities – Connecting Communities

December 2015



Rail Executive

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Contents

Ministerial Foreword	6
1. Introduction	9
1.1 Welcome to the West Midlands Franchise	9
1.2 The Purpose of this Document	12
PART A The West Midlands Franchise – the Existing Business	15
PART B The Passenger Perspective	32
PART C The Next West Midland Franchise	37
PART D The Competition	56
<i>Part A</i>	<i>15</i>
2. The West Midlands Franchise – the Existing Business	16
2.1 At a Glance	16
2.2 Overview/History	18
2.3 Financial Information	18
2.4 The West Midlands Franchise Markets	22
2.5 Fleet and Engineering	26
2.6 Stations	27
2.7 Operations	28
2.8 Local Authorities and Passenger Transport Executives	28
2.9 Community Rail	28
<i>Part B</i>	<i>32</i>
3. The Passenger Perspective	32
3.1 Transport Focus	33
<i>Part C</i>	<i>37</i>
4. The Next West Midlands Franchise	38
4.1 Improving Efficiency	41
4.2 Skills	41
4.3 Service Quality	42
4.4 Devolution	43
4.5 Partnerships/Collaboration/Network Rail	50
4.6 Operations	50

4.7	Stations	53
4.8	Fares and Ticketing	53
4.9	Sustainability	54
4.10	Innovation	55
	Part D	56
5.	The Competition	57
5.1	The Procurement Timetable	57
5.2	The Procurement Process	58
6.	Evaluation Process	60
6.1	Delivery Plans	60
6.2	Quality Aspects of Bids	60
6.3	Financial Deliverability	60
6.4	Contracting Committed Obligations	60
7.	Useful Links	61
	Glossary	62
	Important Notice	63

Ministerial Foreword

On 18th September the Secretary of State attended the reopening of the revitalised station at Birmingham New Street, following £750m of investment. This is one of Europe's largest station redevelopments and has transformed the station from a drab and dreary 1960s concrete building to an open, inviting, bright destination in its own right. It's a fantastic gateway for Birmingham that is breathing new life into the city and one that was created whilst the railway it serves kept on running. It shows what rail can do and is a perfect example of what a huge opportunity the next West Midlands franchise presents.

The West Midlands has long been at the heart of manufacturing in this country and, though its economy is changing, the region continues to be essential for the long term growth of the country. For it to continue to stay at the heart of Great Britain's economy though, the communities of the West Midlands need to be connected with a rail service that really meets their needs in the West Midlands and beyond. This means a rail franchisee that understands the importance of the West Midlands and takes the opportunity to drive it forward.

To make sure we have the best services for the people of the West Midlands, I am delighted that we are able to work with West Midlands Rail (WMR) – a group representing the 14 Metropolitan, Shire and Unitary authorities in the region – which exists explicitly to champion rail devolution to meet the needs of passengers and businesses. Representatives from WMR are embedded in the project team in my Department, meaning that they will be able to mould and shape the franchise specification directly. This will allow for a specification that delivers on the vision of an integrated public transport network for the whole of the West Midlands and increase the contribution it can make to the nation's economy.

The next West Midlands franchise will need to deliver punctual, reliable and comfortable services for its passengers to make this vision a reality. To do this it will need an operator that can identify the different markets that the franchise serves; recognise the many communities of the West Midlands franchise area and their specific needs; and deliver for them. The operator will need to work in partnership with these communities, and their leaders, to provide them with a safe and valued transport system. This means a franchise that provides more connectivity with frequent services on modern rolling stock, and takes innovative approaches to build on the investment in the region's infrastructure that it has already seen and will see in the future ahead of the arrival of HS2. It means a high quality railway that gets the economic arteries of the West Midlands working harder than ever.

We have seen how, across the country, rail services are making the connections that our economy needs to drive it forward. Our franchising programme will do this for the West Midlands too with a new railway that is revitalised, exciting and inviting, just like the new station at its heart.



A handwritten signature in black ink, appearing to read 'Ck'.

Claire Perry MP,
Parliamentary Under Secretary
of State for Transport



1. Introduction

This Prospectus accompanies a suite of documents issued by Rail Executive which includes:

- Passport Process Document;
- Passport Pre-Qualification Questionnaire;
- Franchise Pre-Qualification Process Document; and
- Franchise Expressions of Interest (Eoi) Questionnaire.

It is designed to give potential bidders information about the competition for the West Midlands franchise.

Potential bidders should note that the information contained in this Prospectus is an outline and is subject to a public consultation. The public consultation on passenger services for the West Midlands franchise will commence in December 2015, and a consultation document will be published at that time. Responses to the public consultation will inform the future specification of passenger services for the West Midlands franchise.

1.1 Welcome to the West Midlands Franchise

Our vision and objectives for the West Midlands franchise

The next West Midlands franchise will be expected to deliver a rail service that is fit for modern life and supports the sustainable growth of the West Midlands and the country as a whole.

Our new private sector partner should be as excited as we are about this franchise and the opportunities it presents. We expect them to be innovative and ambitious, not only meeting passenger requirements but actively seeking to exceed them. The needs and aspirations of passengers should be at the forefront of everything we do and we seek a partner who listens to what passengers want and takes action accordingly.

We expect our private sector partner to ensure that our customers and communities feel valued and safe. We want them to work in partnership with a wide range of local and regional stakeholders. This franchise will lay the foundations to enable the future of local rail services in the West Midlands to be managed by local authorities in the West Midlands: a real step towards full devolution to West Midlands Rail.

The West Midlands franchise serves a number of different markets and we want a private sector partner who can tailor their approach to serve each of these markets.

OBJECTIVES for the FRANCHISE

To achieve our objectives bidders will be expected to focus on:

- management structures that recognise that the different markets within the franchise are equally important but require a tailored approach and brand identity that also reflect the differences in markets; we are also interested in proposals that develop a brand which has longevity beyond the franchise period;
- developing a timetable that addresses the changes in demand and focuses on improving train performance, frequency and connections throughout the region;
- developing an efficient rolling stock strategy that provides sufficient quality and capacity to meet passenger expectations and anticipated growth;
- providing a customer experience proposal that will meet and where possible exceed passenger expectations in terms of the quality of products and services delivered; and
- embedding innovation, skills and sustainability within the franchise proposition; this will achieve an improvement of the West Midlands franchise in terms of the services and products it offers to passengers, the capability and skills of its workforce, and its environment and social impact, continuously improving throughout the franchise term.



1. Support economic growth through a market-focused approach:
 - West Midlands local services;
 - services to/from London including branch lines; and
 - long distance regional services.



2. Deliver improvements to the Public Performance Measures (PPM) so that train services perform to the highest practical reliability and punctuality standards.



3. Deliver significant improvements in passenger satisfaction.



4. Deliver a franchise which demonstrates a genuine pride in developing staff over the long term.



5. Increase engagement between the franchise and the communities it serves.



6. Support the journey to devolution of some services to West Midlands Rail.



7. Support the delivery of HS2 by being a delivery partner through the preparatory works.



8. Maximise the benefits from investment in infrastructure.

1.2 The Purpose of this Document

The principal aims of this Prospectus are to:

- communicate Rail Executive's franchise aspirations to inform potential bidders interested in the West Midlands franchise;
- give information about the West Midlands franchise that will help prospective bidders determine whether they wish to seek pre-qualification as a single entity or as part of a consortium; and
- provide guidance to potential bidders on franchise areas that will need to be considered when preparing bids.

Because passengers are our first priority, the Government's franchising programme puts passengers' and stakeholders' interests at its very heart. Therefore the competition for the West Midlands franchise includes significant public engagement where passengers' views are sought, heard and taken into account. Potential bidders are invited to contribute to Rail Executive's engagement and generate ideas for innovation.

As we move closer to publication of the Invitation to Tender (ITT), our aims are to:

- set out Passenger Services' intent for the West Midlands franchise; and
- provide relevant and detailed information to the market.

However, our thinking and the final position in a number of areas are still subject to consultation. Therefore the information in this document should not be relied upon as a statement of Rail Executive's final requirements for the West Midlands franchise. Accordingly we expect and will welcome feedback.



Figure 1: Franchise letting timetable



Franchise letting timetable

Public consultation starts	December 2015
Bidder Day	10 December 2015
Issue Franchise EoI	15 December 2015
Receipt of Franchise Applications in response to Franchise EoI	March 2016
Approval of Short Listed bidders	April 2016
Issue ITT to bidders	July 2016
Receipt of ITT submissions	November 2016
Contract Award	June 2017
Franchise Start	October 2017

Part
A

The West Midlands Franchise –
the Existing Business

Part
B

The Passenger Perspective

Part
C

The Next West Midland Franchise

Part
D

The Competition



PART

A

2. The West Midlands Franchise – the Existing Business

2.1 At a Glance



22% of the UK population resides in the area served by the franchise



14.2 million is the population of the area served by the franchise



1,304 train services per weekday



65.3 million passenger journeys in 2014/15 with a compound annual growth rate (CAGR) of 3.1% over 3 years



Types of journey – Commuter, local, regional and interurban journeys



173 Trains (of eight differing classes and 12 differing types) with an average age of around 11 years)



145 Stations managed, 170 served



2 Community Rail Partnerships covering 18 stations



Over 17,000 car parking spaces of which 47% are free



Performance – Public Performance Measure arrivals within 5 minutes 87.7% – Moving Annual Average (MAA) as at October 2015



Average fare £4.41



£337.9 million total revenue (excluding subsidy) consisting of £287.5 million passenger revenue and £50.4 million other income

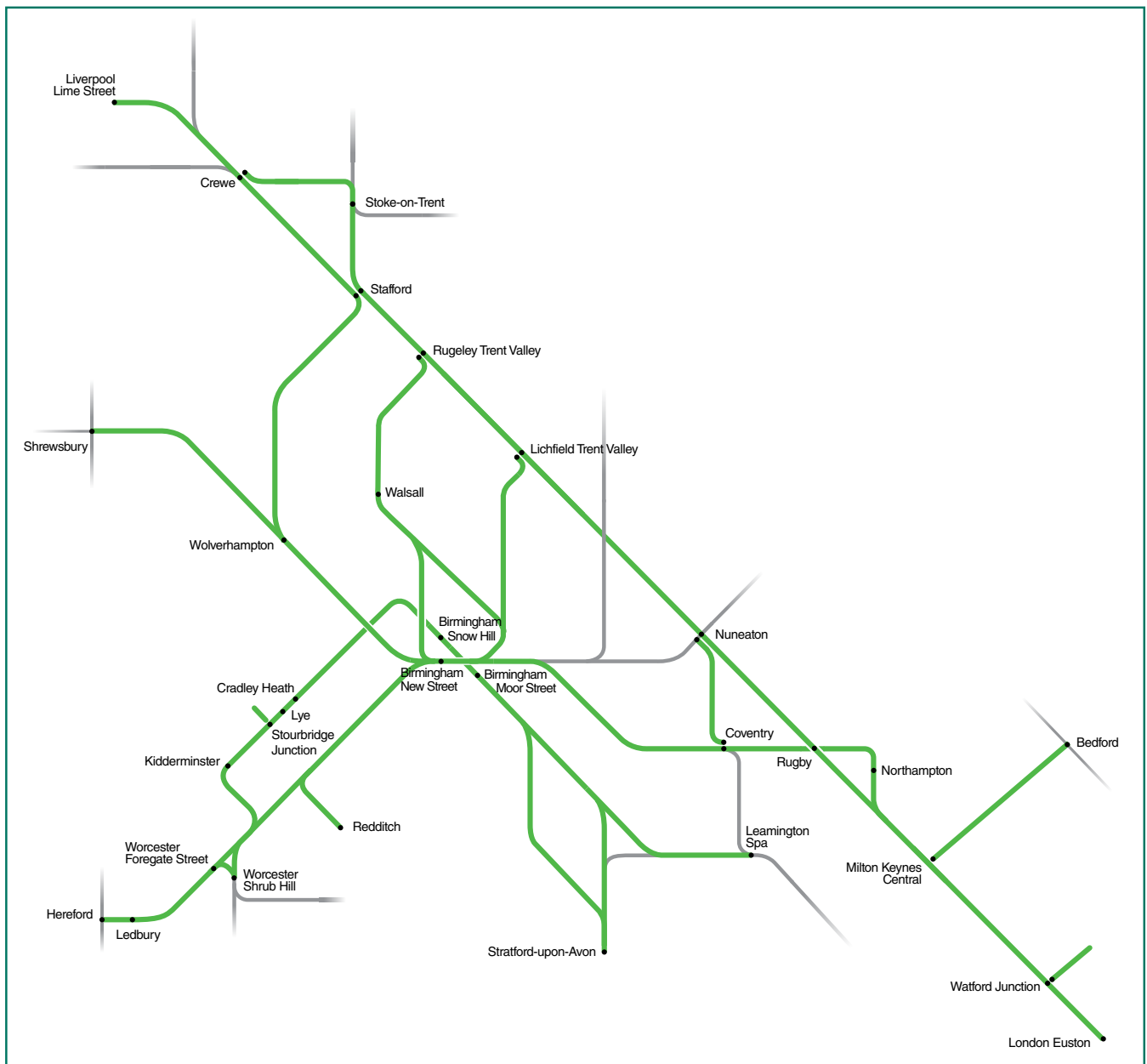


2,334 full-time equivalent employees (FTEs)

(Source – West Midlands Franchise Market Review dated 24 July 2015)

The West Midlands franchise provides a combination of commuting and longer-distance services in the West Midlands and on the West Coast Main Line (WCML). Spanning the Midlands, South East and North West England, the West Midlands franchise includes services to London Euston and Liverpool Lime Street train stations. The West Midlands franchise also serves Crewe, Stoke-on-Trent, Northampton, Milton Keynes, Birmingham and Bedford. Urban services operate in the Birmingham area, connecting the surrounding conurbation with the city centre.

Figure 2: Route Map



2.2 Overview/History

The existing West Midlands franchise was let in 2007, created from parts of the Central Trains and Silverlink franchises. Following a competition it was awarded to Govia, a joint venture between Go-Ahead (65%) and Keolis (35%), who have operated the franchise under the brand name of London Midland. Throughout the franchise, revenue growth has been stronger than expected and constrained capacity and crowding have become issues, particularly on commuter journeys to and from Euston and central Birmingham. To help meet this growth, new rolling stock in the form of 10 Class 350 EMUs were delivered to the franchise in December 2014.

The primary franchise term ended in September 2015 with an extension called to April 2016 when a replacement franchise was due to commence. However, due to the suspension of the franchising programme in 2012, it is now due to start in October 2017. In order to provide continuity of service, a short term Franchise Agreement has been put in place to cover the period from April 2016 to October 2017.

2.3 Financial information

The following financial information has been extracted from periodic management accounts as supplied to DfT and the published Go-Ahead Group annual report. All financial information is represented in nominal terms unless otherwise stated, and relates to DfT financial years (ending 31 March annually) unless otherwise stated.

Since the beginning of the franchise, fare-box income has continued to improve with revenues from passenger services increasing by almost 54% from 2009/10 to 2014/15.

Figure 3: Passenger Revenue

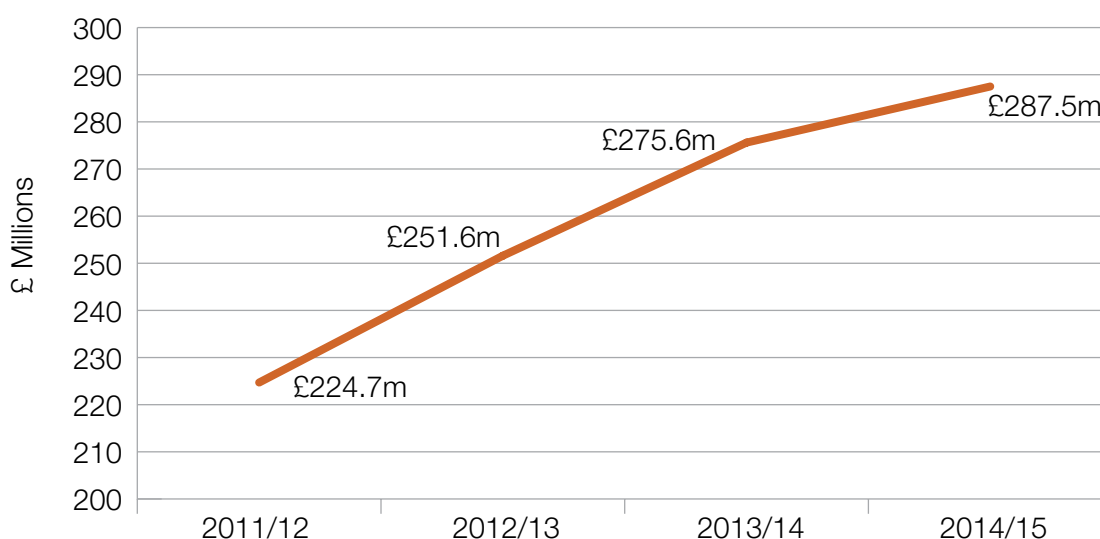
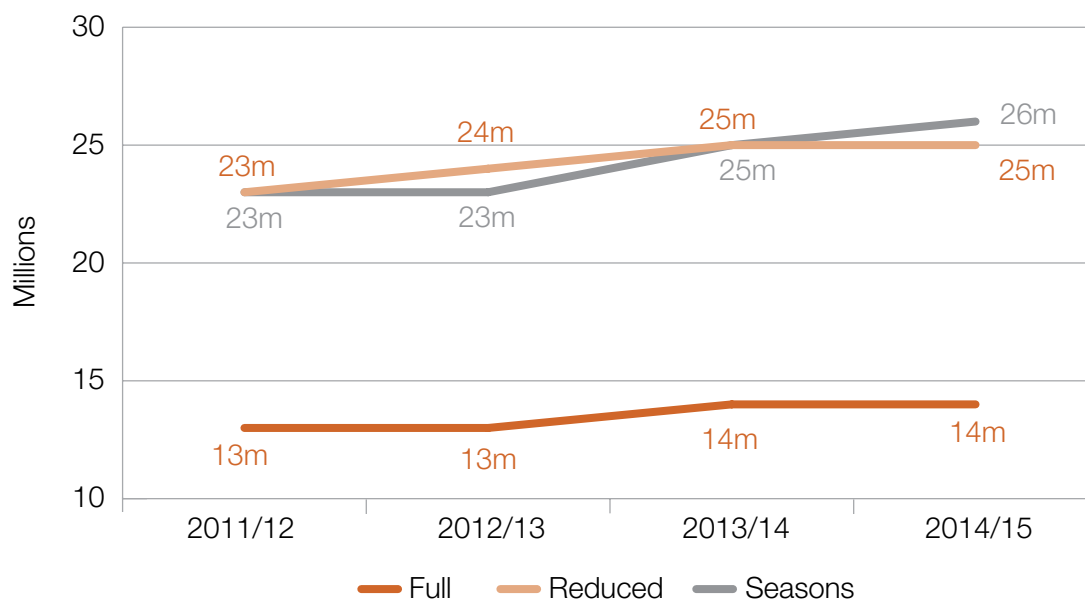


Figure 4: Passenger Journeys



For the year 2014/15 London Midland generated passenger revenue of £287.5 million, representing 85.1% of annual turnover (excluding subsidy).



Breakdown of total revenue for 2014/15

Fare box – £287.5m

Other income – £50.4m



Annual growth 2009/10 to 2014/15 (CAGR):

+4.5% Journeys

+9.0% Revenue (nominal)

The West Midlands franchise still relies on a subsidy though this has reduced by 38% between 2009/10 and 2014/15.

Headline costs (excluding performance regime) in 2014/15 were:

£114.2m

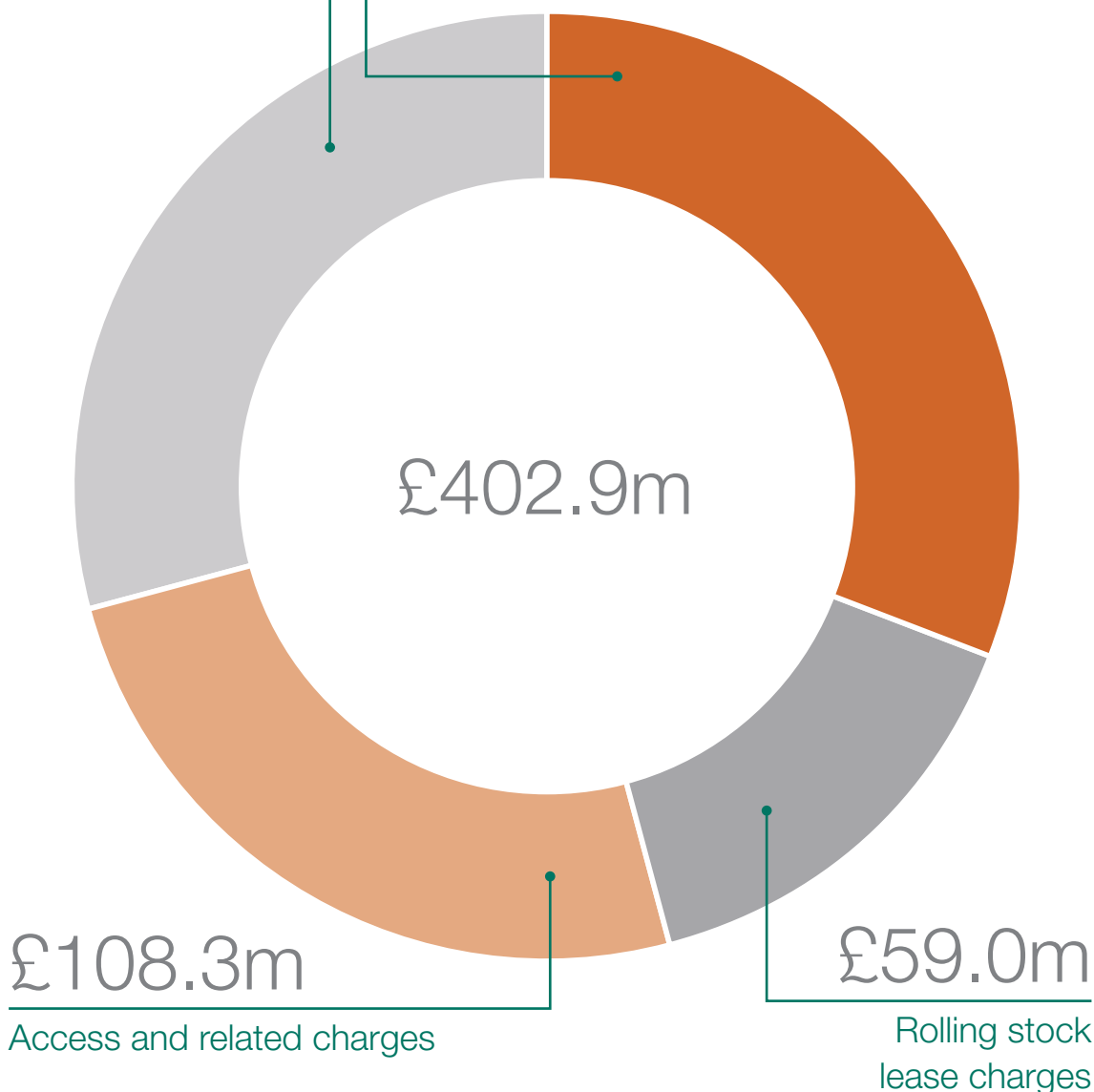
Other operating costs

(28.3% of the cost base covering costs such as rolling stock maintenance, stations and administration expenses).

£121.4m

Staff costs

(This represents 30.1% of the overall cost base and covers the salaries and associated employment costs of 2,334 employees. Of this figure, 57% are operating and safety related staff, accounting for 62% of the cost, and 21% are customer services staff at 14% of the cost. Fleet related staff represented 12% of the total staff cost).



£108.3m

Access and related charges

(26.9% of the cost base relating to fixed and variable elements, the quantum of which is set by the ORR under the Periodic Review Mechanism).

£59.0m

Rolling stock lease charges

(14.6% of the total cost base covering the lease costs of the rolling stock on the franchise).

Lichfield
Trent Valley

london midland



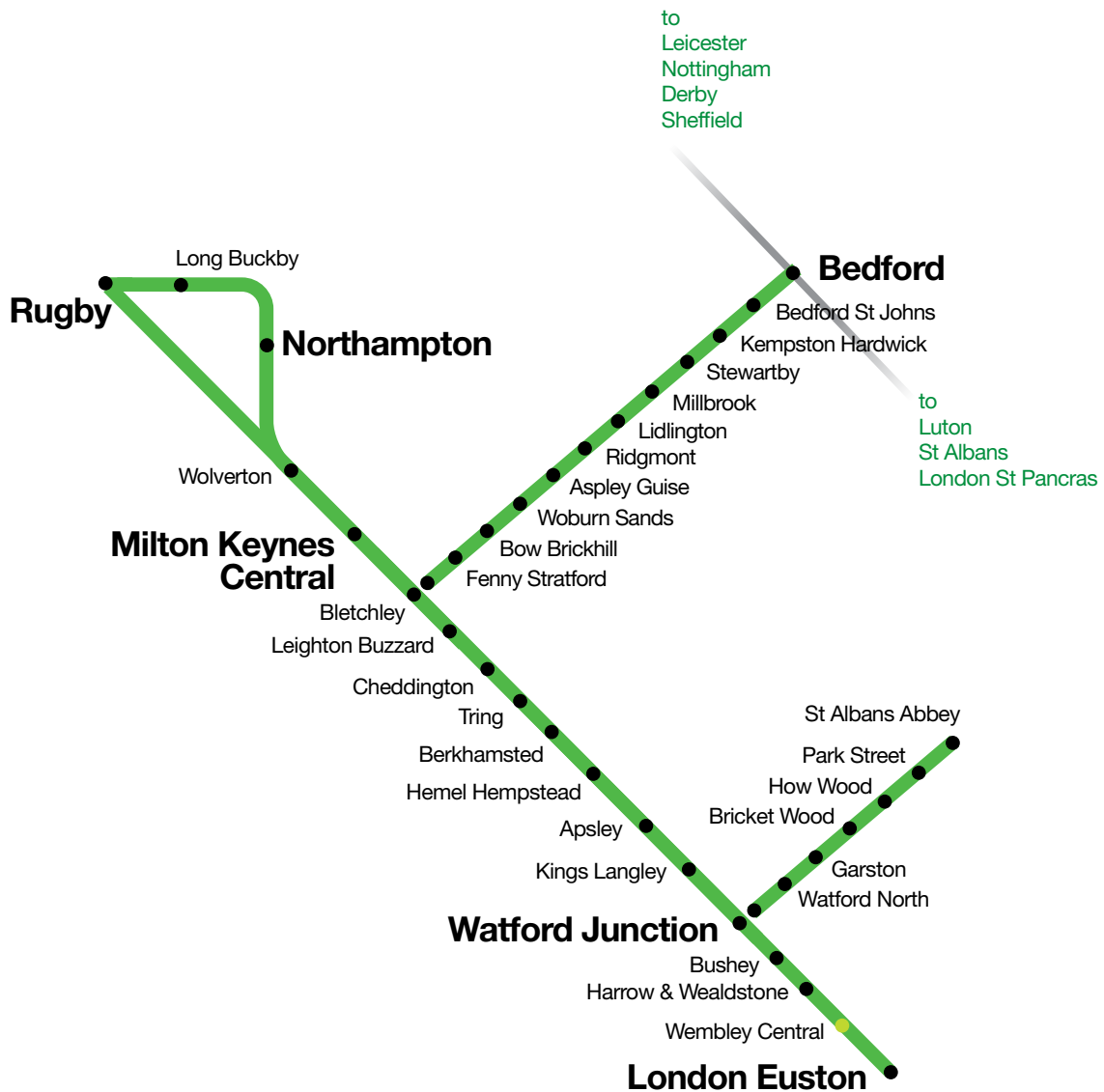
2.4 The West Midlands Franchise Markets

The West Midlands has three main markets:

1. London Commuter:

- London commuter (60% of ticket revenue, 37% of journeys); main travel on the London Euston to Northampton route is during the peak and shoulder peak times. This route attracts the highest yield on the franchise, though suffers from crowding issues during peak times.

West Midlands Franchise Route Map – London Commuter



- regular London Midland service
- limited London Midland service, but other operators may serve more frequently
- connecting service

2. West Midlands regional and local:

- West Midlands regional and local (26% of ticket revenue, 52% of journeys). Centred around Birmingham there are a large number of services with competition on various routes from Chiltern, InterCity West Coast, CrossCountry and Wales and Borders services. Season tickets are zonal within the Centro area where station car parking is generally free of charge and provided by Centro.

West Midlands Franchise Route Map – West Midlands regional and local



- regular London Midland service
- limited London Midland service, but other operators may serve more frequently
- connecting service

3. Long-distance West Coast mainline:

- West Coast and longer distance (15% of ticket revenue, 11% of journeys). Focused on a growing Trent Valley market, London to Birmingham and services from Birmingham to Liverpool. This market has developed well during the current franchise and has competition from the InterCity West Coast and Chiltern franchises on London to Birmingham services.
- Significant growth was seen in 2011/12 and 2012/13 as a result of an enhanced 110mph off-peak timetable serving Trent Valley stations from December 2012.

West Midlands Franchise Route Map – Long Distance West Coast mainline

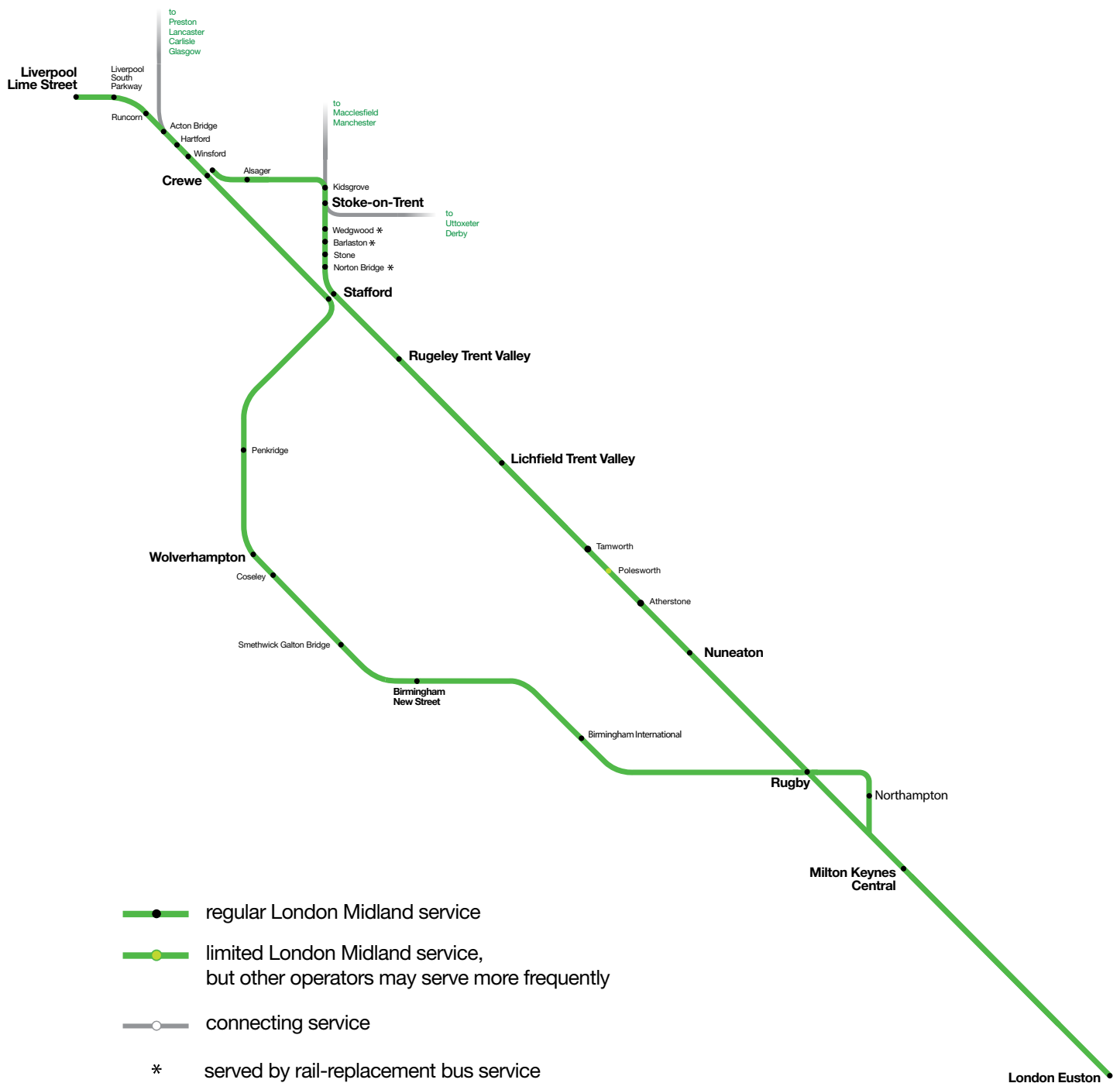
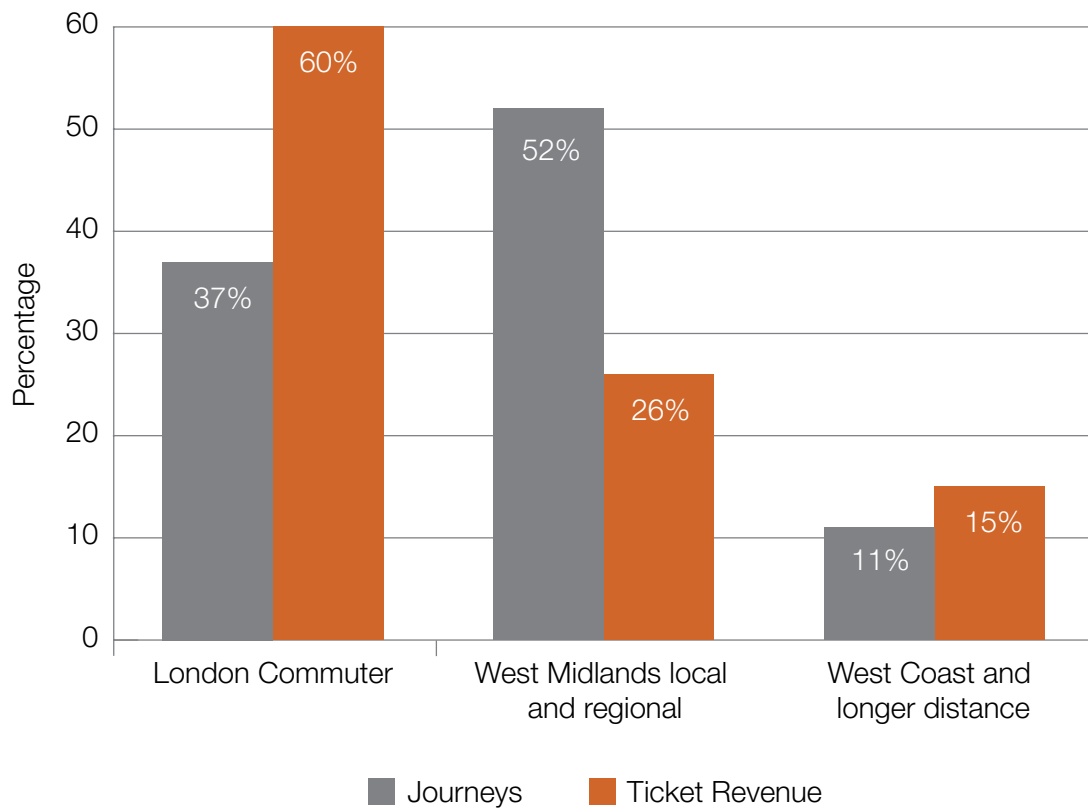


Figure 5: Market split of Journeys and Ticket Revenue 2014/15



2.5 Fleet and Engineering

Figure 6: Rolling Stock

	Veh. per unit	Units	Vehicles	Max Speed (mph)	Build Dates	ROSCO
Flywheel/LPG						
139	1	2	2	20	2007–08	PPM – Porterbrook
Flywheel/ LPG Total		2	2			
DMUs						
150/2	2	3	6	75	1985–86	Angel Trains
153/1	1	8	8	75	1987–88	Porterbrook
170/5	2	17	34	100	1999–00	Porterbrook
170/6	3	6	18	100	2000	Porterbrook
172/2	2	12	24	100	2011	Porterbrook
172/3	3	15	45	100	2011	Porterbrook
DMU Total		61	135			
EMUs						
319/4	4	7	28	100	1987–88	Porterbrook
323	3	26	78	90	1992–93	Porterbrook/ CENTRO
350/1	4	30	120	110	2004–05	Angel Trains
350/2	4	37	148	100	2008–09	Porterbrook
350/3	4	10	40	110	2014	Angel Trains
EMU Total		110	414			
Overall Total		173	551			

Class 350 conversion to 110 mph

As part of the preparation for HS2, the Class 350/2 fleet will be converted to 110 mph capability, which will give a homogeneous Class 350 fleet for greater flexibility on services into and out of London Euston.

Walsall to Rugeley Trent Valley Electrification

The Walsall to Rugeley Trent Valley Line electrification (currently planned by December 2017) will release seven DMU (diesel multiple unit) vehicles for possible utilisation elsewhere.

Maintenance

The West Midland's main rolling stock depots are as follows.

- Northampton Kings Heath, operated by Siemens and purpose built for the Class 350 Desiro fleet. The Class 319 units are also allocated to Kings Heath but their diagrams are coded to Bletchley.
- Birmingham Soho, operated by London Midland and operating as the primary maintenance base for Class 323 fleet.
- Birmingham Tyseley, operated by London Midland and undertaking heavy maintenance and general servicing of London Midland's DMU fleet. It also undertakes third-party work for CrossCountry, Great Western, Angel Trains and Porterbrook.

In addition, London Midland operates depots at Bletchley, Camden (near London Euston), Shrewsbury and Worcester. It is expected that Camden will be temporarily unavailable as a result of enabling works for HS2 at London Euston; however sidings at Northampton will be available to be used for stabling, with new controlled-emission toilet facilities being provided.

2.6 Stations

London Midland serves 170 stations and is the Station Facilities Owner (SFO) for 145 of these. Of the top 20 busiest stations served, 6 are managed by London Midland: Watford Junction, Milton Keynes Central, Birmingham Snow Hill, University (Birmingham), Northampton and Selly Oak.

There are a number of new stations planned on the route:

- Bermuda Park (between Coventry and Nuneaton);
- Coventry Arena (between Coventry and Nuneaton);
- Kenilworth (between Coventry and Leamington Spa – due to open in 2017);
and
- Bromsgrove (a replacement station linked to additional electrification works between Barnt Green and Bromsgrove, with additional car parking of 350 spaces – due to open in April 2016); Centro is the SFO for this new station.

2.7 Operations

London Midland currently operates 1,304 train services per weekday, moving more passengers into and out of London Euston than any other Train Operating Company (TOC).

Performance

The Public Performance Measure (defined as trains arriving within five minutes of schedule) has seen mixed results since 2007 though it has improved to 87.7% MAA as at October 2015.

Timetabling

Capacity constraints on the key commuter routes that the franchise operates means there is limited space for additional services, particularly in the peak periods. Co-operation with other operators' services and transport modes to improve connectivity, punctuality and journey times for passengers will be a specific focus for this coming franchise.

2.8 Local Authorities and Passenger Transport Executives

The West Midlands franchise operates services within the West Midlands (Centro) and, to a small extent, Merseyside (Mersey Travel) Passenger Transport Executive areas. It also interacts with Transport for London (TfL). Centro represents the seven Metropolitan Authorities in West Midlands Rail (WMR).

2.9 Community Rail

Community Rail is a strategy for involving the local community in the delivery of rail services for the benefit of social and economic development around the railway. Government can designate lines or services as being 'Community Rail' to provide for more flexibility in their management. At present there are two of these lines on the West Midlands franchise:

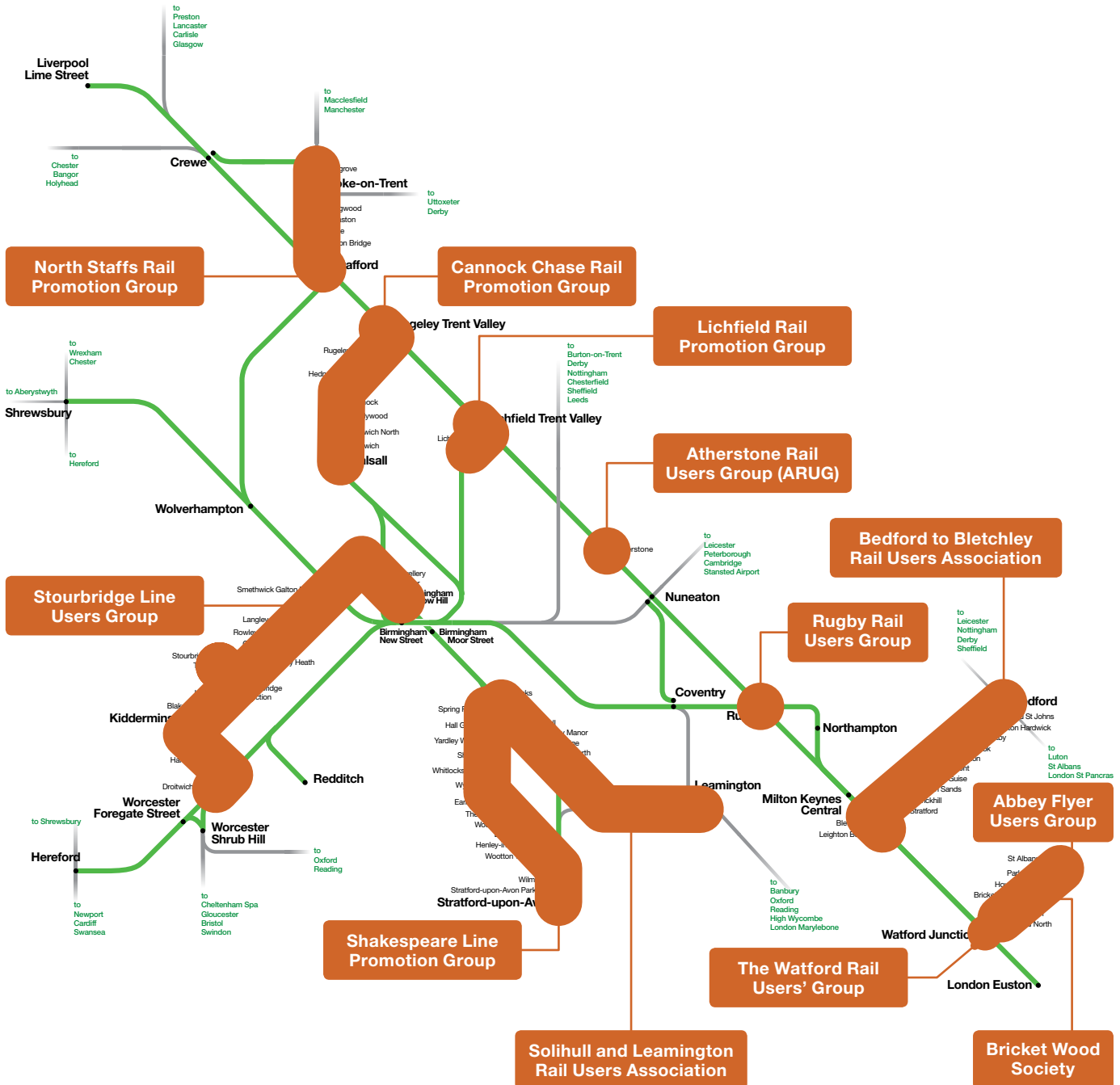
Abbey Line Community Rail Partnership: Watford Junction – St Albans Abbey;

Marston Vale Community Rail Partnership: Bedford – Bletchley.



There are also a number of Rail User Groups (RUGs) representing the needs and aspirations of specific parts of the West Midlands franchise. These RUGs have a great deal of knowledge and understanding of the relevant part of the railway and can provide useful advice to potential and future operators and Government. For the West Midlands franchise these are detailed in Figure 7 below:

Figure 7:



Birmingham
New Street Station





PART

B

3.1 Transport Focus



Promoting passenger perspectives in the West Midlands franchise competition

Transport Focus is pleased to contribute to this Prospectus for the next West Midlands franchise. In our capacity as the independent watchdog for Britain's rail passengers we want to stress the importance of a franchise that places passenger interests at the heart of planning and operations.

Our research identifies the issues that are important to passengers. In 2014, on behalf of DfT, we conducted focus groups with passengers across the West Midlands network to understand their experience of using the services and to explore their aspirations for the future. The findings from these structured conversations were fed into the recent Direct Award discussions and are also relevant to the next franchise competition. This qualitative research provides additional insight, and adds depth to the hard data derived from the National Rail Passenger Survey (NRPS) and the 2014 Rail Passengers' Priorities for Improvement study.

Over the coming months we will share all our research evidence with the Department, West Midlands Rail and potential bidders, and will continue promoting passenger interests to help shape a successful passenger-orientated franchise.

Passengers' priorities for improvement are remarkably consistent. They want better value for money for the price of their tickets and sufficiently frequent, punctual and reliable services on which they can get a seat. These factors make up the core offer – the things passengers expect to receive when they pay for, and make, their journey.

Some of the key concerns for passengers on West Midlands are the punctuality and reliability of the train service, overcrowding, and the frequency of trains later in the evening and at weekends. More broadly, it is important that passengers can easily access information about their services, whether at the journey planning stage, at the station or during travel, particularly if there is any disruption.

The overall passenger experience is influenced by a wide range of factors, so it is important that the franchise specification recognises the full spectrum of passenger needs and the importance of quality in all aspects of service provision. We will be looking to bidders to respond positively and creatively to the opportunities presented by a new franchise as they develop their proposals for the future.

Our research into passengers' understanding of franchising indicates that passengers want a greater say in the process. They want to know what is being purchased on their behalf and they want their views reflected in holding the operator to account for the quality of service delivered.

Our recent Rail Passenger Trust Survey¹ found that, whilst passengers are fairly positive about rail and their last journey experience, few would recommend it as a way to travel. To build greater trust and confidence amongst passengers it is important not only to deliver a punctual and reliable service, but also to build a stronger relationship with passengers, this being based on communicating openly and honestly and treating customers fairly.

Looking ahead, we are pleased that the NRPS can play a role in harnessing passenger feedback to drive improvements for the future. Positive plans for passenger engagement and a commitment to transparency of information will also help build trust and confidence.

Passenger fares represent nearly two-thirds of the income of the rail industry and the West Midlands franchise plays an important role in the local economy and many peoples' lives as they travel for work, business and leisure. On behalf of all current and future users of these services, we ask that passenger interests are placed squarely at the heart of the new franchise.

¹ <http://www.transportfocus.org.uk/research/publications/passengers-relationship-with-the-rail-industry>

Transport Focus Research

In December 2014, as part of the preparatory work for the anticipated Direct Award to London Midland and to inform this subsequent franchise competition, Transport Focus undertook qualitative research, on behalf of the DfT, to understand passengers' current experiences and their aspirations for the future of the franchise.

A series of focus groups were held across the West Midlands, as well as a number of in-depth interviews with disabled users of the service. The research explored a number of key areas:

- the environment at the station and on board the train;
- the frequency of the train service and capacity that the train runs at;
- the reliability and punctuality of trains;
- customer service and staff; and
- value for money.

Research participants described the current service as one that is reasonably priced, but offering a 'no-frills' service compared to other train operating companies. Staff are considered friendly, helpful and always willing to assist when sought out at stations and on trains. Areas where passengers feel the service falls short and where improvement is most desired include overcrowding on the train, the frequency of disruption and delays, and a lack of communication about disruption at stations.

Key issues:



Reliability and punctuality



Train service levels – notably increased capacity and increased frequencies.



Improved information during delays

These aspirations chime with the findings of Transport Focus research into Rail Passengers' Priorities for Improvements,² which highlighted these factors, along with value for money and information during delays, as the most important.

The following sections summarise the main findings of the qualitative research, with relevant spring 2015 NRPS results referenced for context where appropriate.



Train reliability and punctuality

- Passengers across the network report frequent delays and cancellations, especially commuters who often experience short delays of around 5–10 minutes.
- Some passengers have been left waiting as delayed trains 'skip' intermediate stations in order to make up time.
- Poor weather and staff shortages are perceived to be frequent, often unacceptable, excuses for delays.
- Communication during disruption is considered poor.
- London Midland NRPS scores for punctuality and reliability and dealing with delays are 77% and 35% respectively. This compares with scores of 73% and 30% for the London and South East (LSE) sector, and national averages of 75 and 34.



Train service level

- Passengers report problems with overcrowding and difficulty moving through the train on many lines during peak hours. Their belief is the situation is worsening with nothing being done about it.
- Complaints of overcrowding on the train are reflected in low NRPS satisfaction scores regarding sufficient space for all passengers to sit/stand. Overall, 67% of London Midland passengers are satisfied with this factor. This is higher than the LSE sector score of 63% and the national average of 65%. However, the London Midland score for peak passengers is only 46%, whilst the off-peak score is 69%.
- Frequency is largely considered adequate as long as services are reliable. However, there are perceived to be too few services later at night and at the weekends and a lack of services during large-scale events.
- Passengers want to see clearer timetabling and better co-ordinated connections.

2 <http://www.passengerfocus.org.uk/research/publications/rail-passengers-priorities-for-improvements-october-2014>



Customer service and staff


- Staff are seen to be helpful and friendly but they are considered to lack up-to-date knowledge. During disruption they are not always able to provide adequate information about the problem or its impact.
- For business and leisure passengers, staff are seen as important in helping to buy the right ticket and to increase feelings of security.
- London Midland scores for the attitude and helpfulness of staff at stations and on trains are 71% and 65% respectively, compared to LSE sector scores of 72% and 56%.



Stations and trains

- Station experience is largely dependent on size. However, all passengers express a desire for more working ticket machines and increased car parking. Security can be a concern at smaller stations.
- Facilities on board are seen as basic and outdated; the environment is not considered comfortable enough for longer journeys.
- Passengers want to see cleaner carriages and on-board toilets.
- The NRPS score for the overall station environment is 65%, whilst upkeep and repair of the train scores 78%. The LSE sector comparisons are 67% and 73% respectively.

Further details of this research, and other publications exploring passenger perspectives on a range of issues, can be found on the Transport Focus website (www.transportfocus.org.uk). The Transport Focus team are happy to discuss their research, and implications for the West Midlands franchise, with any prospective bidders.



PART
C

4. The Next West Midlands Franchise

This section presents in greater detail the services and outcomes that Rail Executive currently wishes to procure, and outlines some of the important intentions that we have made about the franchise requirements. It sets out our vision and objectives for the franchise, and describes some of the key qualities we will look for in a new private sector partner. It sets out a framework for a commercially viable proposition that aspires to deliver Government policy and desired outcomes from the rail network, and represents value for money to the fare paying passenger and the taxpayer.

The franchise specification will be set out in detail in the ITT following consideration of the responses to the public consultation.

At present Rail Executive is considering the following:



Franchise Length: we expect this to be between 7 and 9 years. Rail Executive is currently reserving its position in relation to setting an extension period for the franchise and will discuss with interested parties the options for duration, pertinent to aligning the interests of the franchise and delivery of passenger benefits with the shape of emerging major programmes during the franchise term that might bear upon these. In addition, we are also considering the approach to the extension period in terms of evaluation, rebasing and Parent Company Support (PCS).



Geographical area: the geographical area to be served under the franchise, is currently expected to remain unchanged. However, there may be some remapping of services and stations in England from the Wales and Borders franchise into this franchise as a result of the agreement in principle to devolve the Wales and Borders franchise to the Welsh Government.³ The extent will be confirmed at ITT stage. Our next private sector partner will also be required to work with West Midlands Rail to support future devolution of rail services.



The impacts on the franchise of key events/projects including:

- High Speed 2 works at London Euston and Handsacre Junction;
- Chase Line electrification (currently due for completion in December 2017).

³ See pages 30–31 in https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/408587/47683_CM9020_ENGLISH.pdf



The Capital requirements of the franchise, which we currently expect to comprise:

- Season ticket bond: likely to be at least £16 million;
- Performance bond: of around £15 million; and
- PCS (referred to in the EoI Questionnaire and PPD as “the Guarantee”) comprising of a fixed PCS amount of £20 million for the EoI stage (or such higher amount as the Department may decide at the tender stage), plus a further variable PCS amount which will depend on the level of the franchise payments bid. It is likely that up to 50% of the PCS will be required to be bonded.



Maintenance of Liquidity Ratios: We currently anticipate that the liquidity ratio tests to be applied to the new franchise will be the same as those set out in Schedule 12 of the Franchise Agreement used for recent franchises and will define trigger points for lock-up (where the operator will be prevented from making distributions) and for an event of default.



Residual Value Mechanism: The current short term Franchise Agreement contains a residual value mechanism in respect of certain Committed Obligations. The next franchisee will be required to acquire the outputs of these Committed Obligations at a transfer price to be determined by that residual value mechanism. It is currently anticipated that the transfer price of the outputs of these Committed Obligations may be between £9m and £14m.



Risk and reward: the level and share of risk and reward in the franchise. It is currently anticipated that this will be a revenue risk transfer contract and the Rail Executive is considering a revenue risk sharing mechanism. We also expect to include profit sharing arrangements to ensure the franchise is compliant with European Law.⁴



Change mechanism: an appropriate change mechanism is also being considered to ensure that the franchise is able to react appropriately to changes in circumstances and technology.

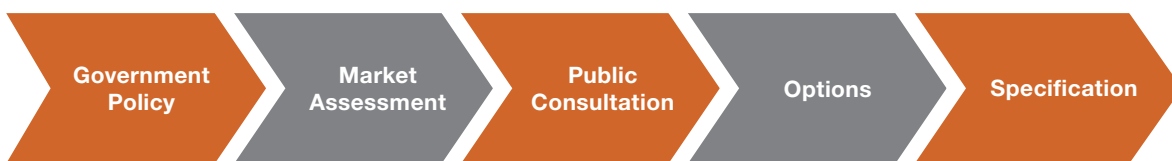
Developing the Franchise Specification

Franchise specification

The development of the specification for the West Midlands franchise involves systematic and detailed analysis of answers provided from the public consultation. The figure below shows the elements that make up and the process for developing the franchise specification.

⁴ EU Regulation 1370/2007, which requires that there is no “over compensation” for the provision of public services.

Figure 8: Franchise Specification Development



Government policy

The starting point for the West Midlands franchise specification has been the consideration of wider Government policy as it provides an opportunity to embed and secure these benefits as part of a new Franchise Agreement. These have included policy areas such as:

- sustainability and environment;
- equality and diversity;
- smart ticketing; and
- working with small to medium enterprises in the franchisee supply chain.

Market assessment

We have undertaken a market review to understand the current franchise operating environment. This is part of our process and enables us to align policy options in areas such as performance measures, passenger satisfaction, and capacity.

Public consultation and stakeholder engagement

In developing the franchise specification we have undertaken stakeholder engagement and will be running a public consultation to seek views and aspirations of stakeholders, including rail industry partners, elected representatives at local and national levels, local interest groups and passengers.

A public consultation document will be published in December 2015. Responses to this will inform the future specification of passenger services for the West Midlands franchise.

We will undertake a detailed analysis of the responses to the public consultation, which will be fed into the optioneering process for the design of the West Midlands franchise. A response to the public consultation will be published alongside the ITT.

In conjunction with the detailed public consultation we will undertake an option, assessment and selection process. This process will focus on the market sectors and issues that we have identified. This process will be conducted according to the Department's published Franchise Process Guide. A copy can be found at:

<https://www.gov.uk/government/publications/rail-passenger-franchise-competition-guide>

4.1 Improving Efficiency

Government is committed to promoting a railway which makes a greater contribution to the prosperity of the Midlands. This underpins the investment in new infrastructure and commitments to increased capacity in the Rail Investment Strategy. However this needs to be done in an efficient and affordable way. Rail Executive sees improved efficiency as a key element in transforming the franchise; bids that do not offer significant change in support of this objective are unlikely to succeed.

Whilst we expect bidders to generate their own ideas and plans, the following areas are likely to offer opportunities.

Train services

Sunday working is not currently part of the working week for some grades and it can be difficult to secure volunteers, and this can lead to cancellations, higher costs and a service that does not meet the demands of passengers, particularly affecting retail workers who rely on public transport to get to work. The new operator would be encouraged to deliver a reliable and appropriate Sunday service that is not subject to such disruption to passengers.

Ticketless travel

In recent years, there has been evidence of a high level of ticketless travel, particularly in areas where there are ungated stations and on busy train services where the conductor has to undertake door control and despatch duties on a frequent basis. This both damages the finances of the operation and leads to criticism from fare paying passengers. We will look to undertake a ticketless travel survey in the spring of 2016.

4.2 Skills

Research by Transport Focus shows that passengers value the presence and availability of staff, for example to provide reassurance to infrequent travellers, assistance when services are disrupted, and as a deterrent to fare evasion and antisocial behaviour on trains. We will encourage bidders to develop proposals which will ensure a more appropriate staff presence with the right skills than currently provided, whilst realising efficiencies in areas that contribute less to meeting this passenger need, such as:

- All passenger trains within the West Midlands franchise are currently operated by a driver and conductor. In areas with high ticketless travel we will be considering whether to encourage bidders to give the driver full responsibility of the train to enable the second member of staff to become more passenger focused. Making such changes, where applicable, would develop skills, could enhance efficiency and improve the service to passengers; and
- More modern approaches to smart ticket retailing, making greater use of new skills and new technology and reviewing the duties that staff perform.

Rail Executive believes that investment in workforce, building skills and capability, improving employee engagement and developing staff over the long term, are central to the delivery of a world-class railway.

We will be looking for a franchise delivery partner who maintains overall capability to deliver all aspects of the business throughout the franchise term.

We want a franchise that employs and retains people in fulfilling, worthwhile and contractually secure roles, improving skills and competence, and providing real opportunities for progression and promotion. We want to foster inclusivity and engagement where skilled staff are customer facing, particularly on board trains demonstrating a strong brand culture throughout the organisation and supply chain.

We want diversity and equality to be promoted across the workforce. We will want the franchise delivery partner to attract and recruit people who are new to the rail industry, particularly from historically under-represented groups. We will want to see apprenticeships, traineeships and graduate schemes in all areas of the business.

4.3 Service Quality

Rail Executive expects improved quality will be afforded to passengers and will look to explore an output-based requirement within the West Midlands regional area. Rail Executive may also specify requirements to ensure that station and infrastructure assets are managed economically, sustainably and are in line with passenger needs.

Accessibility

We welcome proposals for improving access for all sections of society who want to use the railway but need assistance to do so. This includes people with disabilities, the elderly and young, those with carer responsibilities, and passengers with luggage, bicycles and baby buggies.

We also welcome proposals for improvements to personal security and crime prevention and reduction both on trains and at stations at all times.

Facilitating change and investment

Rail Executive wishes to see continued long-term development of railway services in the Midlands. There may be opportunities to enhance the customer experience beyond the investments already planned through investment in areas such as stations, rolling stock, integrated transport facilities and passenger information.

The ITT may identify particular areas where bidders are asked to make proposals for investments. Bidders may be invited to put forward their own investment proposals in other areas. We expect that the Franchise Agreement will include provision to:

- encourage the operator to propose investments through alternative benefit-sharing arrangements for approved investments that improve efficiency, reduce costs and enhance the revenue-earning potential of services where the timescales for implementation limit the benefit to the operator, or the payback period is longer than the franchise term;

- incentivise the operator to propose changes that achieve savings and improved financial performance during the term of the franchise; and
- co-operate in seeking ways to encourage greater use of the residual value mechanism in appropriate situations.

4.4 Devolution

A key part of the Government's localism agenda is to devolve decision making about rail services to appropriate local and national governments. In 2014 a consortium of Centro (West Midlands Passenger Transport Executive) and local authorities across the West Midlands, subsequently formed as West Midlands Rail (WMR), made a submission to the Secretary of State to devolve rail services in the West Midlands. The Secretary of State has confirmed his support for rail devolution in the West Midlands and set out the expectation that WMR will work with the Rail Executive in developing the specification for the re-letting of the next franchise. Bidders will be expected to deliver a franchise that will enable devolution to take place in the following franchise.

The competition will require the next franchisee to create a separate business unit for the West Midlands travel-to-work area which could potentially be re-franchised separately after the next franchise period and managed thereafter by WMR. It is anticipated that the business unit will:

- enable identification of revenue, and costs;
- be measured using separate performance metrics;
- be managed in parallel with WMR through appropriate agreements with DfT; and
- have a separate brand identity.

There is a potential requirement that this business unit will need to be operationally separated at some point towards the end of the franchise.





West Midlands Rail – Our Aspirations for the West Midlands Franchise

West Midlands Rail (WMR) and its partner authorities are delighted to be playing a full role working alongside the DfT in the specification and development of the West Midlands franchise, and we are looking forward to having an ongoing relationship with the successful bidder with regards the operation of passenger rail services in the West Midlands region.

WMR is highly supportive of the Government's devolution agenda, and sees major opportunities for the West Midlands region from WMR having a strong influence over the new franchise, which could ultimately lead to a fully devolved local rail franchise in the future. This will build on the historic strong investment in rail made by many of the WMR authorities, who have had a key role in shaping the current network and services in the region.

Rail usage in the region has increased faster than any other part of the country and has also been steadily increasing its market share. This is especially noticeable for commuting into Birmingham city centre where rail now accounts for over 30%⁵ of all morning commuter journeys. Rail growth is expected to continue to be strong – the Network Rail Regional Market Study suggests this figure will increase to 49%⁶ by 2023 – and therefore meeting the capacity challenge will be essential for the successful bidder.

The franchise is of critical importance to the economy of the West Midlands region and its services will be essential for supporting the ambitious regeneration proposals that local authorities and Local Enterprise Partnerships (LEPs) have. Many of the regeneration plans rely on good connectivity with the rail network and we are looking for the successful bidder to partner with WMR and its authorities to make sure that there is strong alignment between developing improved rail services and driving economic growth.

Many of these plans are linked to HS2 coming to the region and the further regeneration this will unlock – WMR sees this West Midlands franchise as an important stepping stone to the transformational impact that HS2 will have on the region. Some of the regeneration and growth plans that are currently underway or planned are shown below.

WMR's main objectives for rail devolution are better outcomes for the economy, for passengers, for taxpayers and for the environment, for the region as a whole, through greater local accountability.

⁵ 2013 Centro West Midlands Travel Trends report, found at <https://www.centro.org.uk/media/17241/WestMidsTravelTrends2013.pdf>

⁶ Network Rail Long Term Planning Process: Regional Urban Market Study dated October 2013, found at <http://www.networkrail.co.uk/improvements/planning-policies-and-plans/long-term-planning-process/market-studies/regional-urban/>



Specifically for the franchise, WMR's objectives are for the successful bidder to deliver:



Better services

Enhancing connectivity and plugging gaps in service provision.



Enhanced capacity

To support growth.



Better stations and access

Considering new approaches to the delivery of stations, recognising changing passenger needs and our desire to maximise community value and involvement.



An easy-to-use network

Having a distinct local identity, easy-to-use fares and good integration into other transport networks.



A high-quality network

Having high performance and quality standards, with a strong customer service culture.



A well-managed business

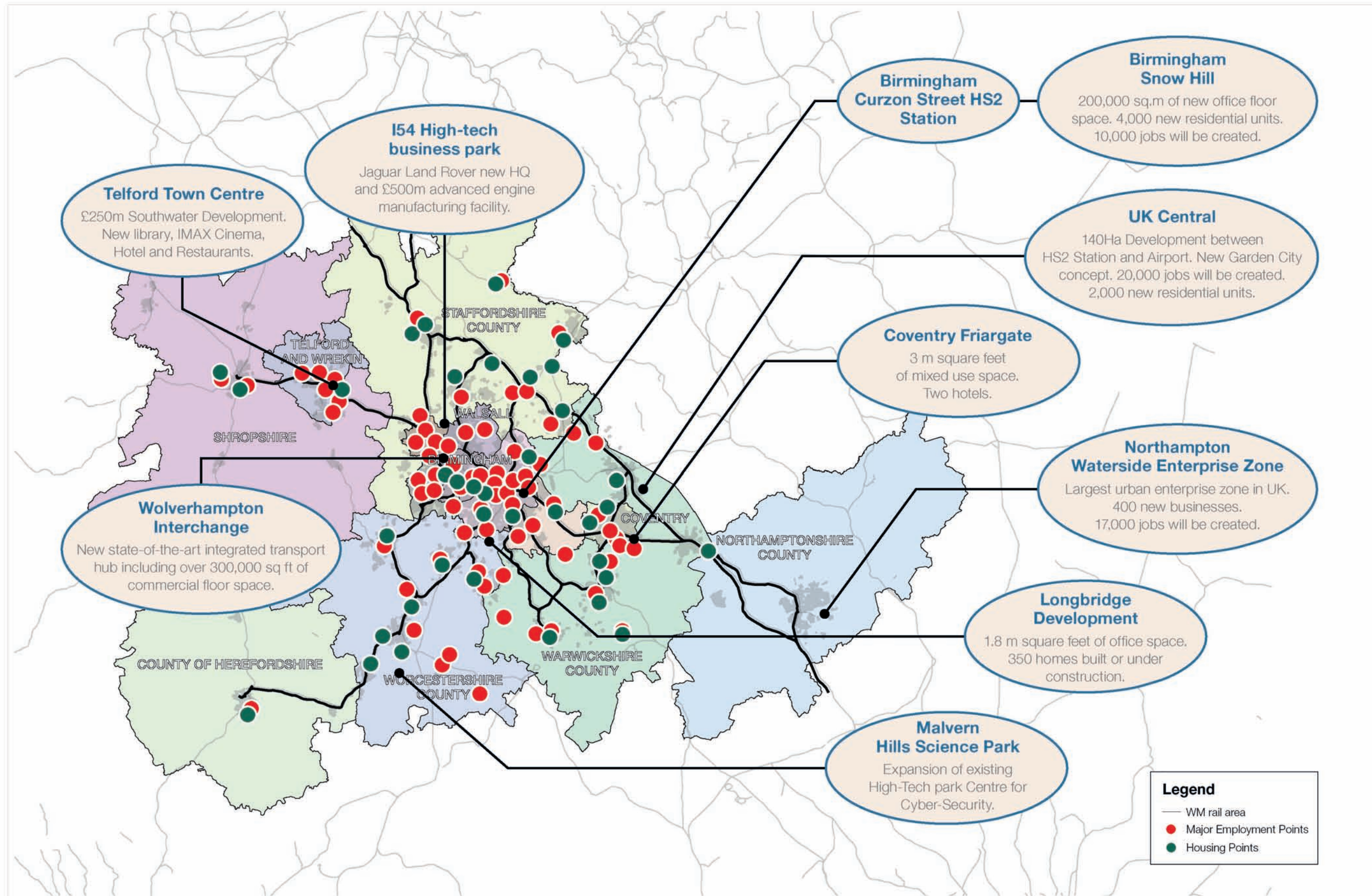
With a locally focused culture of partnership working and openness.

WMR aspires to take on responsibility for a fully devolved local rail franchise for the West Midlands travel-to-work area at the expiry of the next West Midlands franchise, and we will be looking for an operator to co-operate with us in facilitating this change. In particular this will require the creation of a business unit within the franchise, focused on the West Midlands, which will form the nucleus of a stand-alone future franchise. WMR will look to take the lead on managing the relationship with the operator for the provision of services within this business unit during the life of the next franchise.

WMR recognises that there are some significant challenges that the successful bidder for the franchise will need to overcome if current and future passengers are going to receive the best possible service, and we look forward to working with bidders throughout the competition process and beyond.



Growth In the West Midlands



4.5 Partnerships/Collaboration/Network Rail



Network Rail

Investment in the route

Network Rail's CP5 investment programme in the West Midlands includes the following.



Bromsgrove Electrification – Extension of electrification from Barnt Green to Bromsgrove, enabling the extension of three trains per hour from Longbridge to a relocated Bromsgrove station.



Walsall to Rugeley Electrification – Electrification of the route between Walsall and Rugeley, combined with targeted line-speed improvements, will enable an all-day half-hourly service to run. It will also provide an electrified diversionary route between Wolverhampton and Stafford.



Birmingham area resignalling – Resignalling of Birmingham New Street and surrounding area, with control transferred to West Midlands Signalling Centre. Opportunities are being explored to enhance headways, speeds and operational flexibility alongside the renewal.



Stafford Area Improvement Programme – the programme will provide additional capacity and improve performance through resignalling and construction of a grade-separated junction at Norton Bridge.



West Coast Power Supply Upgrade – Phase 3a of project to upgrade sections of the West Coast Main Line to a 12kV autotransformer (AT) system, to enable a more consistent electricity voltage to be provided along the route.



Long Term Planning

The ongoing Long Term Planning Process, through the West Midlands and Chilterns Route Study, is looking at concepts to increase capacity and improve journey times and connectivity. These concepts include additional capacity in central Birmingham, through longer trains and targeted infrastructure interventions, and improved connectivity between Birmingham and the East Midlands.

An industry technical study called Capacity Plus (phase 1 West Coast Main Line) is looking at train-service options for the West Coast Main Line in the period between HS2 Phase 1 in 2026 and HS2 Phase 2 in 2033, including potential options for enabling infrastructure interventions. A formal West Coast Main Line Route Study is scheduled to begin in 2017.

Working Together with Network Rail

We would encourage bidders to engage with Network Rail on a number of topics, and would expect them to investigate a number of joint tasks which span the range of Network Rail and the franchisee's business, including the following:



System Safety – further improving safety and security for passengers and staff.



Improving train service **performance**.



Working with collaboratively to manage the implications for passengers of **HS2** construction, including at Euston.



Robust timetable planning and development.



Collaborative approaches at **stations**.



Joint working on systems interfaces and monitoring.



Integrated access planning – taking a strategic and collaborative approach based on whole-industry costs and impacts.



Opportunities for aligning people, culture and leadership-development initiatives.



Any other opportunities to reduce **whole-industry costs**.

These areas will be the focus of initial meetings Network Rail will arrange with each shortlisted bidder prior to ITT, and subsequent bilateral discussions that Network Rail will facilitate through the nominated Single Point of Contact during the bid period.

Communities, businesses and local government

The West Midlands franchise serves England's two largest conurbations as well as providing economically important services to communities across the region. Partnership working between the train operator and the local community stimulates interest in and use of the railway, and enables improvements in quality which would not otherwise have been affordable.

Rail Executive intends the community to be placed at the heart of the railway that serves it, so that those who depend on and benefit from the railway can play a greater part in supporting and improving it. Bidders will be encouraged to expand Community Rail Partnerships and station adoption as well as supporting local social enterprise schemes through perhaps the provision of out-of-use station buildings.

4.6 Operations

Health and safety

The PQQ Passport will assess applicants' performance and policies on health and safety. Rail Executive intends that our new private sector partner should have a proactive, positive, open and inclusive health and safety culture, with each staff member feeling that he/she has an important part to play in achieving the highest levels of health and safety for customers, staff and suppliers.

Train services

As a key part of the development of the specification for the franchise, Rail Executive will be considering, changes to service patterns and service levels that should be made in support of our objectives for the West Midlands franchise.

The West Midlands and InterCity West Coast franchises operate over the West Coast Main Line providing both competing and complementary services. Options for both franchises will be considered in parallel to ensure that they complement each other to produce a coherent overall network. Co-ordinating timetables across the two franchises is the best way of realising the benefits of these changes, particularly in terms of meeting capacity and providing robust interchange, whilst continuing to offer passenger choice. Rail Executive anticipates that it will provide guidance in the ITT to enable bidders to timetable services to fit in with other operators. This may apply, in particular, to the InterCity West Coast franchise.

Track access rights for London Midland's current service pattern exist up to the 11 December 2016 timetable change. The closing date for submitting proposals to Network Rail for access rights beyond that date is the 'Priority Date' – 4 March 2016 – and we plan to arrange for the current operator to bid for a roll-over of existing rights, to ensure continuity. Potential bidders should be aware that rights beyond 10 December 2017 may be expressed as quantum rights, in line with the ORR's current approach.

Performance

The punctuality and reliability of trains is an area of significant passenger concern and a key driver of demand. The performance of West Midlands trains not only impacts on its own customers, but also on those of the many other operators with which they interact on the rail network. Rail Executive expects that there will be incentives on bidders to achieve and exceed the target for the PPM of reliability

of train service, reflecting the proportion of services arriving within five minutes of timetabled time, set by the ORR. We will be consulting on separate targets for the three markets in the franchise.

Crowding and capacity

Rail Executive will require bidders to produce plans that meet its capacity standards, based on their own forecasts of demand. We expect these standards to stipulate that, generally, passengers should expect to secure a seat during the off-peak, should not have to stand for more than 20 minutes in the peak period, and the numbers standing should not exceed defined train capacities.

The franchise has seen significant growth in passenger numbers, and this is anticipated to continue over the course of the new franchise. It is unlikely to be possible to operate additional service paths on the southern end of the franchise and therefore, bidders will be expected to provide alternative solutions that may require additional investment in rolling stock.

Rolling stock issues and opportunities

London Midland's passengers are generally satisfied with the trains that they travel on. The spring 2015 NRPS survey shows an 81% satisfaction versus 76% for similar train operating companies. The main areas of dissatisfaction for trains are toilets, sufficient space and the availability of on-board staff. We will be seeking a private sector partner that can enhance the passenger experience through the provision and deployment of sufficient suitable modern rolling stock.

Bidders will be encouraged to propose a fleet that will meet the current and future capacity requirements on the franchise.

The European Technical Specification for Interoperability for Persons with Reduced Mobility (PRM TSI) came into force on 1 July 2008. This sets standards for accessible trains, stations and other facilities, and applies to all trains used on Europe's railways. Unless granted a derogation, all rail vehicles must meet these standards of accessibility by no later than 1 January 2020.

Proposals for how these requirements will be met by the future West Midlands fleet will form an essential element of bids. Of the existing West Midlands fleet, 78% is compliant with the new standard. Bidders will wish to engage with the rolling stock industry to explore options for meeting the new standards, taking into account the remaining whole-life costs of any necessary capital investments. The new franchise provides opportunity for bidders to make changes to the existing fleet and introduce new trains in support of their proposals.

Electrification on the Walsall to Rugeley Trent Valley route would enable bidders to offer benefits through electric rolling stock and redistribution of the current diesel stock to enhance capacity elsewhere on the network.

Wi-Fi

Government has committed to ensuring that passengers on all rail services will have access to free Wi-Fi. Free Wi-Fi should be available on all enabled trains from the start of the Franchise, with additional trains fitted by end of 2018. Bidders will need to ensure that this commitment is reflected in their bids.

European Rail Traffic Management System (ERTMS)

ERTMS is not currently planned to be implemented on the West Midlands area during this franchise. Bidders may be required to support 'First-in-class' fitments of rolling stock.

High Speed 2

High Speed 2 (HS2) is the new north–south railway connecting London with the West Midlands (Phase One) before running on to Manchester, Leeds and Sheffield (Phase Two). Construction begins in 2017. Phase One will open in 2026 followed by Phase Two in 2033.

The HS2 project is part of a wider road and rail investment programme worth a total of £73 billion for the period 2015–20. This rail investment responds to the doubling in demand for rail travel over the last 20 years and HS2 is a key part of that response which will deliver a step change in the number of trains and passenger capacity on our main north–south routes. It will provide a new spine for the railway network and enable significant improvements in intercity, commuter and freight services. This increased capacity, combined with reduced journey times between our major towns and cities, will stimulate economic growth with the balance of benefits in the Midlands and North rather than London.

We are looking for a franchisee who will work collaboratively to deliver the best possible outcome for passengers during the HS2 enabling works at Euston and at other points on the WCML, which will take place during this franchise.

The Additional Provision 3 (AP3) scheme for Euston was deposited in September 2015 and is scheduled to progress through petition, consultation and select committee process through to early 2016. AP3 describes the planned scheme at Euston and construction phasing.

In addition to Euston, there will be works impacting the franchise at Handsacre junction, near Rugeley Trent Valley and potentially elsewhere in the West Midlands.

Bidders for this franchise will be provided with assumptions for the infrastructure interactions with HS2 construction on which to base their bids. It is anticipated that normal industry mechanisms will be used to compensate the franchisee for possessions and associated performance impacts.

To optimise the outcome for passengers we require a franchisee who will work collaboratively with industry partners to deliver joined up and cohesive station management, particularly during periods of construction blockades when changes to operations may be required to deliver continuity of service for passengers.

4.7 Stations

Stations are an important part of the rail travel offer, and effective management in this area will be a crucial element of any franchise bid.

The next operator will take over as SFO at the existing 145 stations on the franchise. Part of this undertaking will be to work in co-operation with Network Rail for the long-term management of the assets. We will therefore look for closer collaboration in:



Strategic asset management.



Delivery of projects to provide the greatest benefit in the most efficient manner.



Elimination of duplicated effort, and streamlining of costs.

With relatively low footfall stations, it can be hard to justify significant expenditure on them when considering the railway in isolation. However where local partnerships, with local government and/or voluntary groups, have taken an active role, station condition has improved and the station has sometimes come to play a wider role in the community it serves. Passenger Services will expect the new operator to find ways of extending community involvement in stations, and introducing more third-party trading activity, so that stations provide a better experience for passengers.

Where a business and operational case can be demonstrated, new stations may be opened. Where scheme development has been sufficiently advanced Rail Executive may specify stops at new stations in the ITT; otherwise it will be for bidders to engage directly with the scheme promoters.

We do not expect to require the operator to take long (e.g. 99-year) leases on West Midlands stations (as we have on some other franchises), however we expect the operator to work closely with Network Rail to manage these assets efficiently and effectively, in particular demonstrating the foresight for managing the assets over the longer term.

Our 'service quality' specification will embrace station quality as it is perceived by passengers. We may also specify requirements supported by an inspection-based regime to ensure that these assets are managed for the longer term at the required quality level.

4.8 Fares and ticketing

Passengers must expect to get the best possible deal when booking rail journeys. It is clear that ticket-buying habits are changing with more and more people purchasing their tickets online and at ticket machines. Rail Executive expects the future operator to improve passenger satisfaction in relation to fares, ticketing and retail, deliver efficiency savings, and provide passengers with widespread and easy access to the full range of tickets and to ensure that passengers have the information they need to select and purchase the most appropriate ticket for their journey.

This Government has capped regulated fare increases to the retail price index (RPI) until the end of this Parliament (2020) and RPI+1 (RPI plus 1%) from then. In addition, the Government has removed the flex mechanism which allowed operators to increase individual regulated fares by an additional 2%. Rail Executive expects bidders to create new, more flexible products that could benefit passengers, including introducing tickets that will benefit those who work or commute part-time. We also expect the future operator to make use of unregulated fares to tackle anomalies such as removing split ticketing.

Rail Executive is seeking improved retailing of products and services, from ticket search and acquisition to on-board and at station services. Tickets should be easily accessible on the widest variety of media (smartphones, tablets, print at home etc.) and their pricing, availability and time of use transparent in order to facilitate seamless travel across boundaries with other transport authorities.

We expect potential operators to set out how they will introduce modern approaches to retail tickets such as making greater use of new technology at train stations, review the opening hours of ticket offices and consider how best to deploy station staff and the duties they perform. Efficiencies in back-office and support functions are also expected from the new operator. It is our intention that the operator will commit to significantly increase the usage of smart ticketing across the franchise, working with the Department, Local authorities and other stakeholders to consider the potential to withdraw magnetic stripe ticketing as soon as possible. We will be looking to bidders to suggest ways of accomplishing this.

4.9 Sustainability

The sustainable development of rail is a key focus for Rail Executive. We strongly support the Rail Industry Sustainable Development Principles and wish to see them embedded as part of a Corporate Responsibility strategy within the West Midlands franchise. Within the ITT we are likely to ask for consideration of some or all of the following.

Environmental impact



A focus on waste avoidance and increasing the proportion of waste sent for recycling.



Improved energy and carbon management performance, with respect to both traction energy and non-traction energy.



Increased focus on reducing water and resource consumption.



Adoption of sustainable procurement policies and practices.

Socio-economic impact



Demonstrable support for local economic growth.



Ensuring services are accessible to all regardless of age, disability and ethnicity.



Engagement and empowerment of local communities, involving them in decisions which affect their lives.

End-to-end journeys



Investment in information and infrastructure to enable passengers to make sustainable end-to-end journeys.



Working in partnership with other transport operators and Local Authorities to achieve better integration between rail services and other modes of transport.

Workforce development



Supporting equality, diversity, health and wellbeing of the workforce.



Developing skills including apprenticeship schemes so that rail has the right people with the right skills for the long term.

Freight



Building a closer relationship between passenger services and freight/logistics businesses in order to promote carriage on the railway.

4.10 Innovation

Improving innovation has been identified as a priority for the Rail Industry, in particular in learning and developing tools, techniques and ideas from other industries. Rail Executive will look for a private sector partner that will be proud to benchmark themselves against the best in UK industry, setting the bar for the rail industry in all areas. As a minimum we will look for commitments that demonstrate exceptional customer service, efficient operation, and the reduction in whole-industry costs.



PART

D

5. The Competition

5.1 The Procurement Timetable

An indication of the proposed franchise letting timetable for the West Midlands franchise is given below. This is intended as a guide and we reserve the right to depart from the timetable, including omitting one or more stages, or adding one or more additional stages at any time.

Figure 9: Franchise letting timetable



Franchise letting timetable

Public consultation starts	December 2015
Bidder Day	10 December 2015
Issue Franchise EoI	15 December 2015
Receipt of Franchise Applications in response to Franchise EoI	March 2016
Approval of Short Listed bidders	April 2016
Issue ITT to bidders	July 2016
Receipt of ITT submissions	November 2016
Contract Award	June 2017
Franchise Start	October 2017

5.2 The Procurement Process

The Secretary of State is required under Section 26(3) of the Railways Act 1993 not to issue an ITT to any person unless it considers that such person has the appropriate financial position and managerial competence, and is otherwise suitable to be the franchisee.

Rail Executive will hold a two-part pre-qualification process to determine, amongst other things, financial position, managerial competence and suitability. The first part of this pre-qualification process requires applications for 'Passports'. Further detail of this part is in the Passport System Notice and the Passport PQQ Pack.

Bidders that have applied for a Passport in time, and have not been notified that their application was unsuccessful, may participate in the second part of the pre-qualification process, involving responses to the Franchise EoI (a set of further questions that are specific to the West Midlands franchise). A bidder that is subsequently notified that their Passport application was unsuccessful will not be eligible to participate further in the process, regardless of the quality of their Franchise Application submitted in response to the Franchise EoI. Further detail of this second part of the pre-qualification process will be in the Franchise EoI Pack (to be issued shortly).



The second part of the pre-qualification process will result in a shortlist of pre-qualified bidders to whom the ITT will be issued.

The procedure that Rail Executive intends to adopt to evaluate bids will be set out in more detail in the ITT.

The Franchise Agreement to be let is a 'public services contract' (currently envisaged to be in the form of a services concession contract) for the purposes of Regulation 1370/2007. The re-franchising process for the West Midlands franchise will be conducted in accordance with the requirements of Article 5(3) of Regulation 1370/2007, which requires that "the procedure adopted for competitive tendering shall be open to all operators, shall be fair and shall observe the principles of transparency and non-discrimination". Article 5(3) also permits negotiations in order to determine how best to meet specific or complex requirements.

Regulation 1370/2007 does not prescribe the detailed procedures which are to be followed when selecting a new private sector partner. It is therefore open to Rail Executive to set its own process for the West Midlands re-franchising, provided that the process meets the principles of transparency and equal treatment and non-discrimination and otherwise complies with the requirements outlined above.



6. Evaluation Process

Rail Executive currently intends that the Franchise Agreement will be awarded to the bidder who submits the most economically advantageous offer. The award criteria will take into account the price, quality and deliverability of the bid. More details about the award criteria will be published in the ITT.

6.1 Delivery Plans

Rail Executive anticipates that bidders will be required to demonstrate, through submission of a number of Delivery Plans, how they will meet our specification for the franchise. We will use these plans and other supporting evidence submitted by bidders in accordance with the ITT to assess quality and deliverability. The specific requirements for Delivery Plans will be published in the ITT.

6.2 Quality Aspects of Bids

Rail Executive is seeking bids that combine ambition, innovation and deliverability. If appropriate, the evaluation criteria for the competition may offer bidders the opportunity to exceed our minimum requirements in certain areas. The evaluation of bids is likely to take into account quality (in terms of the credibility of meeting and, if appropriate, exceeding Rail Executive requirements), the benefits that will be delivered, and the robustness and resilience of the plans. The 'quality' requirements and process for evaluating them will be set out in the ITT.

6.3 Financial Deliverability

The evaluation process will include an assessment of the financial robustness of each bid. Rail Executive is finalising the details of this assessment but we currently envisage that it may include provision for risk adjustments within the evaluation process, if appropriate, to take into account our assessment of the financial risk arising from the bid. The details of the financial robustness assessment will be included in the ITT.

6.4 Committed Obligations

Rail Executive will wish to contract initiatives taken into account in scoring Delivery Plans, to ensure that the Franchise Agreement includes factors taken into account when awarding the franchise. Our current intention is that Rail Executive will be responsible for the drafting of committed obligations based on bidders' submissions. The process and detail of this will be set out in the ITT.

7. Useful Links

Department for Transport <https://www.gov.uk/government/organisations/department-for-transport>

Office of Road and Rail <http://orr.gov.uk>

Rail Safety and Standards Board <http://www.rssb.co.uk>

Rail Delivery Group <http://www.raildeliverygroup.com/>

Association of Train Operating Companies <http://www.atoc.org>

Network Rail <http://www.networkrail.co.uk>

West Midlands Rail <http://www.westmidlandsrail.com/>

High Speed 2 Ltd <http://www.hs2.com>

Transport Focus <http://www.transportfocus.org.uk>

London Travel Watch <http://www.londontravelwatch.org.uk>

Association of Community Rail Partnerships <http://www.raildeliverygroup.com/>

Disabled Persons Transport Advisory Committee (DPTAC) <https://www.gov.uk/government/organisations/disabled-persons-transport-advisory-committee>

Glossary

ACoRP	Association of Community Rail Partnerships
ATOC	Association of Train Operating Companies
CAGR	Compound Annual Growth Rate
CP	Control Period
CST	Common Safety Target
DfT	Department for Transport
DMU	Diesel Multiple Unit
EMU	Electric Multiple Unit
EoI	Expression of Interest
ERA	European Railway Agency
ERTMS	European Rail Traffic Management System
ETCS	European Train Control System
GVA	Gross Value Added
ITT	Invitation to Tender
MAA	Moving Annual Average
MPC	Miles per Casualty
NRPS	National Rail Passenger Survey
OJEU	Official Journal of the European Union
ORR	Office of Road and Rail
PCS	Parent Company Support
PIN	Prior Information Notice
PPM	Public Performance Measure
PQQ	Pre-Qualification Questionnaire
PRM	Persons with Reduced Mobility
PTE	Passenger Transport Executive
ROSCO	Rolling Stock Company
RSP	Rail Settlement Plan
RSSB	Rail Safety and Standards Board
SFO	Station Facility Owner
TOC	Train Operating Company
WMR	West Midlands Rail

Important Notice

This document is issued by the Secretary of State pursuant to his functions and duties under the Railways Act 1993. It forms part of a competitive procurement conducted in accordance with relevant legal requirements including Regulation 1370/2007.

This document is not a recommendation by the Secretary of State, or any other person, to enter into any agreement or to make any investment decision. In considering any investment in a franchise, recipients should make their own independent assessment and seek their own professional financial and legal advice.

Neither this document, nor any other information provided to a prospective franchisee or shareholder or any of its affiliates at any time in connection with the West Midlands franchise, purports to contain all of the information that a prospective franchisee or shareholder may require, nor has it been independently verified. Neither the Secretary of State, nor any of his employees, agents or advisers, makes any representation or warranty (express or implied), and no such representatives have any authority to make such representations and warranties, as to the accuracy or completeness of the information contained in this document or other information provided.

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The only information which will have any legal effect and/or upon which any person may rely will be such information (if any) as has been specifically and expressly represented and/or warranted in writing to a successful franchisee in the Franchise Agreement or in any other relevant agreement entered into at the same time as the Franchise Agreement is entered into or becomes unconditional.

Legal, technical and financial advisers will be acting for the Secretary of State in relation to the re-franchising process for the West Midlands franchise and will not regard any other person as their client or be responsible to anyone other than the Secretary of State for providing the protections afforded to their client or for advising any other person on the contents of this document or any matter referred to in it, or any other information provided to a prospective franchisee or shareholder or any of its affiliates at any time in connection with the West Midlands franchise.

The Secretary of State is not and shall not be liable for any expenses, costs or liabilities incurred by those expressing an interest, submitting a Franchise Application in response to the Franchise EoI, or negotiating or bidding for the Franchise Agreement or any other agreement entered into in connection with the Franchise Agreement, or any such costs incurred by their associated entities or any other person. In particular, the Secretary of State is not and shall not be liable for any expenses, costs or liabilities incurred by those making a Franchise Application in response to the Franchise EoI without knowing the outcome of their Passport application.

The Secretary of State reserves the right not to award the Franchise Agreement, or any contract, to make whatever changes it sees fit to the structure and timing of the re-franchising process for the West Midlands franchise (including issuing updates and amendments to this document or any other information provided), to cancel the process in its entirety at any stage and, where it considers it appropriate to do so, to make a Direct Award pursuant to Regulation 1370/2007.

For the avoidance of doubt, this document is not a 'Prospectus' to which the Prospectus Rules as enforced by the Financial Conduct Authority apply.



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