

9th December 1999

Franchise Replacement

I wrote to you on the 7th October 1999 formally inviting you to offer proposals for franchise replacement for all existing franchises which expire within the next five years.

On November 24 1999 I announced the first three franchises where I intended to start renegotiations for replacement. I also indicated that I would announce during the first quarter of next year which franchises would form the second tranche of the replacement process.

My purpose in writing to you now is to outline the process for taking forward the second stage of the Franchise Replacement programme.

The aims of franchise replacement remain as stated in my press release of 24 November 1999. However this time I intend to select no more than four franchise areas, which may not necessarily be based on the existing franchise map, which would bring forward innovative ideas and improved services in the following strategic areas of interest:-

Planning and implementing the Thameslink 2000 network of services North, South and through central London;

Improving London commuter services and easing capacity restraints at Waterloo, Liverpool Street and Paddington;

Relieving regional capacity bottlenecks around Birmingham and Manchester;

Introducing new services "around" London making use of the East, North and West London lines;

Serving the interests of Wales and the North West more effectively;

Recognising the value of inter urban trans-Pennine services;

The criteria for selecting proposals to go forward remain as stated in my letter of the 7 October, as does the need for wide consultation with representative bodies. Again I emphasise there can be no guarantee of a successful renegotiation and I always have the option of allowing existing franchises to expire and offering them for retender.

As before those parties who submit proposals that are selected to go forward will be expected to sign a Franchise Replacement Process Agreement, which, inter alia, will require them to:

Disclose to me financial and other information about their proposal on an 'open book' basis;

(For existing incumbents) give their consent to the eventual disclosure to qualified bidders of historic, financial and performance information relating to the existing franchise to third parties;

Prepare such disaggregated financial and performance information as I may deem reasonably necessary for the purposes of evaluating variant offers proposed by me;

Supply a business plan supporting the proposal.

I expect to announce which franchise areas to take forward in the second tranche by the end of February 2000. Again other parties will then have sixty days, after a short prequalification period, to bring forward alternative proposals for those franchise areas.

If you have already submitted proposals to me, you may want to revise them in the light of what I have said above. All proposals should be with me by the 1st February 2000.

I am placing a copy of this letter on the SSRA 's web site and will be taking a number of other steps to publicise this opportunity.

Yours sincerely

Mike Grant

Franchising Director