

12th October 1999

Franchise Replacement

FRANCHISE REPLACEMENT

I want to follow up my letter of the 10th August, the presentation to the Association of Train Operating Companies on 13th September and Sir Alastair's speech to the Institution of Highways and Transportation at Chester on 17th September by formally inviting existing and would be franchise holders to offer proposals for franchise replacement for all the existing franchises which expire within the next 5 years.

I want to set out in this letter

- the kind of proposals I envisage receiving and from whom;
- what I will be looking for in proposals;
- some process issues.

As Sir Alastair mentioned in his speech in Chester, I anticipate proposals might be received from

- the current incumbent in relation to his existing franchise;
- the current incumbent in relation to a modified geographical version of his existing franchise;
- current incumbents in relation to any other existing franchise;
- would be franchise holders in relation to existing franchises,

but I wish to make it clear that in the absence of default I cannot terminate an existing franchise. Those parties that wish to make a proposal in relation to an existing franchise will have to reach agreement with the incumbent and myself as to the terms for giving up or transferring that franchise.

Interest from would be franchise holders has already been stimulated by Sir Alastair's speeches and resulting press content.

In selecting proposals to go forward I shall be looking for

- the commitment to performance, customer services, innovation, investment and efficiency;
- the extent to which extra or earlier investment can be obtained;
- the extent to which better performance can be secured;
- the extent to which integrated transport measures both within the rail network and between rail and other transport modes can be achieved, including integrated public transport information systems;
- affordability and value for money.

I shall also be looking for evidence of the proposals having been widely consulted on with local authorities, the CRUCC, RUCCs network and, if appropriate, LRPC and the Scottish and Welsh devolved bodies.

As I have said before I expect to start with only a small number of proposals as a first tranche - no more than four franchises. The proposals to be selected will be at my absolute discretion. Again I repeat what I said in my letter of the 10th August - there can be no guarantee of a successful renegotiation and I always have the option of allowing franchises to expire and offering them for re-tender.

Those parties who submit proposals will be expected to sign a 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 disclosure 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 purpose of evaluating variant offers proposed by me;
- supply a business plan supporting the initial proposal.

I expect to announce which franchise proposals will be taken forward in the first tranche by the beginning of November. Other parties will then have sixty days to bring forward alternative proposals for those franchises.

Yours sincerely

M J GRANT

Franchising Director

For further details contact the Department for Transport Rail Press desk: 020 7944 3108