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Franchising paralysis heralds 2013 rail crunch

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Britain's rail franchising programme remains on hold while transport secretary Patrick McLoughlin awaits the results of investigations commissioned from Sam Laidlaw and Richard Brown.

Speaking in the House of Commons on Monday (15 October) the Secretary of State for Transport confirmed that commercial negotiations are now underway with Virgin Trains with a view to agreeing a nine to 13 month extension of the incumbent West Coast operator's franchise.

During his statement and subsequent questioning from MPs McLoughlin chose not to elaborate on the "significant flaws" or "unacceptable mistakes" which led to his decision on 3

October to cancel the West Coast franchise competition for which First Group had been declared the winner (TB 8778). He also gave scant detail about the future rail franchising programme with questioners instructed to await the results of the two investigations.

The first of these, the Laidlaw Inquiry, will focus on what went wrong during the West Coast competition. Centrica boss Sam Laidlaw has been asked by the transport secretary to make his initial findings available to the Department for Transport ahead of publication of his report by the end of November. House of Commons Transport Committee chair Louise Ellman has said she expects the review of what went wrong to be available by 31 October when McLoughlin and DfT permanent secretary Philip Rutnam are due to be questioned by the select committee she chairs.

A second investigation, the Brown Review, will look at the broader rail franchising picture and, in particular, how to resume the other franchise competitions as soon as possible. But with Richard Brown not due to complete his report until 31 December there is currently a rail policy vacuum as a series of franchise deadlines stack up.

McLoughlin's appearance in the Commons appeared to put paid to any hopes that the Brown Review could trigger a fundamental shake-up of the rail franchising system. "I would like to take this opportunity," said the transport secretary, "to restate the government's commitment to ensuring that we continue to have private sector innovation and investment in the railways."

However, when questioned directly about the possibility of renationalisation he appeared less direct. Conservative MP Alun Cairns asked "will he reassure me that renationalisation is off the cards for a range of reasons, including financial ones?" to which McLoughlin replied: "The truth is that both parties have agreed in the past that franchising is the proper way to go and gets better returns for the taxpayer. This particular episode is not acceptable and we need to learn the lessons from it. I am determined to do that."

In a further indication of the uncertainties surrounding the rail franchising programme the Secretary of State told MPs that state-owned Directly

West Coast: three stage approach to reletting franchise leaves DfT with another 2013 deal to conclude



FRANCHISING - WHAT HAPPENS NOW?

- By 26 October - Laidlaw initial findings to DfT
- 31 October - HoC Transport Committee questions transport secretary
- By 30 November - Laidlaw Inquiry Report published
- 9 December - Virgin West Coast franchise due to end
- By 31 December - Brown Report to transport secretary
- Early 2013 - Brown Report published?
- April 2013 - First Great Western franchise due to end
- May 2013 - C2C (Essex Thameside) franchise due to end
- Autumn-winter 2013 - West Coast interim franchise begins
- September 2013 - Thameslink franchise due to end

*Source: DfT/HoC Transport Committee
Details accurate at October 2012*

Operated Railways, currently responsible for the East Coast Main Line, will remain on standby should it be required to manage other franchise operations. "I am grateful to the team at Directly Operated Railways for all their preparations so far," he said. "DOR will continue to stand ready should it be required."

Assuming the DfT can agree terms with Virgin to continue operating the West Coast Main Line, the next franchising crunch points occur in 2013 with First Great Western's term due to finish in April, National Express owned Essex Thameside C2C's term expiring in May and GoVia's Thameslink franchise coming to an end in September.

As time runs out to resume and complete these competitions - the winners of the next Great Western and Essex Thameside franchises were due to be named in December 2012 and January 2013 respectively (TB 8389) - the DfT may need to arrange further extensions and interim terms. With discretionary extensions in these franchise terms already exercised the options could be limited by EU procurement rules and the precedent set by opting to pursue a West Coast extension of 9-13 months rather than for the full interim period required until a long term contract can be let.

In addition, the announcement on Monday of a three stage approach to reletting West Coast (TB 8811) leaves the DfT with a fourth franchising deal to conclude during 2013. The proposed 9-13 month Virgin extension will expire between autumn and winter 2013 by which time a contract for the interim West Coast franchise will need to be in place.

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