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12 October 1992

CONSULTATION DOCUMENT ON THE FRANCHISING OF PASSENGER RAIL SERVICES

I am enclosing a copy of the consultation document on the franchising of passenger services which the Government is issuing today to those parties who may have an interest either as a potential franchisee or as a rolling stock lessor. As this makes clear, we now need to make some decisions on the implementation of the proposals for franchising first announced in the White Paper, 'New Opportunities for the Railways' (Cm 2012), published in July.

We have already made it clear that we want to be as flexible as possible in our approach, so that we can take full account of the private sector's views on:

- the ways in which the franchising of passenger services might best be carried out, and
- ▶ the areas, geographically and in terms of specific activities, which would be of most interest to you.

We hope to learn through this consultation process not only what services the private sector would be interested in operating under a franchise, but also what information prospective franchisees would need in order to bid for a franchise. In addition, we hope to hear from financial institutions and other organisations engaged in leasing who might be interested in acquiring and leasing rolling stock to franchisees.

The franchising of passenger services will be undertaken progressively, rather than in a single 'big-bang'. Decisions on phasing will take account of the responses to this consultation exercise.

The Government wishes to see a substantial proportion of passenger services franchised within the lifetime of the current Parliament. That means taking early decisions on the grouping of the first services, so that arrangements can be made to reorganise the current activities, and ensure that the necessary financial and other information on the services covered by an individual franchise can be made available to bidders.

There is obviously a trade-off between our desire to move swiftly, the time it will take to package up the service groups in question and the private sector's need for a track record of financial information. That is why it is so important that we get your views now.

If, having read the attached document, you think that you may be interested either as a franchisee or as a lessor whose intentions would be to lease rolling stock to franchisees, or if you would like to find out more before registering an interest, then I hope that you will respond, detailing your interest and letting us have comments on the process of franchising as outlined. Annexed to this letter is a list of questions we would particularly like you to address. All responses will be treated as strictly confidential.

A T Baker
Assistant Secretary
Railways 2A

Responses

In responding to this document, it would be particularly helpful if you could address the following questions -

General Questions

1. Is your interest as a potential franchisee, or as a potential lessor whose intention is to lease the rolling stock to franchisees?
2. What is the nature of your existing business?

Questions on franchising

3. Which services are of particular interest to you (ie where in the country)? What are your views on the grouping of services?
4. In terms of business activity, the Government hopes that franchisees will assume as much responsibility as possible for delivering the specified service to passengers. In general, therefore, a franchisee might expect to employ and manage drivers, employ other staff (traincrew and ticketing staff), and provide on-train services. He might provide (by purchasing or leasing privately) the necessary rolling stock. The franchisee might also wish to cover other aspects of service provision, such as the operation of stations along the franchised route. How does that accord with your interests as a financier or lessor?
5. Do you have views on how long a franchise contract should be and on what factors contract length should depend?
6. What information would you need before you would decide to apply for pre-qualification for a franchise competition? What information would you need in order to make a formal Tender submission?
7. Do you have any suggestions on how the franchising process as described in this document might be improved or simplified?

Rolling Stock

8. Do you have a potential interest in purchasing outright any of BR's existing passenger rolling stock that is used on passenger services which are franchised to the private sector?
9. Can you give any indication of the scale of investment in rolling stock that you might be likely to wish to undertake?
10. What do you consider are the main factors that will influence the price which you are prepared to pay for any rolling stock that you purchase from BR?

11. Are there any steps that you consider could be taken by the Department of Transport or BR to encourage the development of a secondary market in rolling stock in the private sector?
12. Are there any steps that you consider could be taken by the Department of Transport or BR to encourage the placing of new orders for rolling stock by private sector franchisees and lessors?