

Rail Franchise

The Secretary of State for Transport (Mr Douglas Alexander): The Department announced last week that it has started a competition to find an operator to run train services on the InterCity East Coast Main Line from London to the North East and Scotland.

We expect a new operator will be in place in 12 to 18 months time. Until that date it has been agreed that the current operator, Great North Eastern Railway (GNER) will operate the franchise on the Department's behalf under a temporary management contract.

The agreement, which was announced to the Stock Exchange on 15th December, is backdated to the 10th December 2006, the start of the current railway accounting period.

Under this temporary contract, GNER will continue to deliver train services and will help ensure a smooth transition to the winner of the franchise competition.

Most of the net worth of the company passed to the Government and in addition GNER will cover the Department's costs of re-letting the franchise early. DfT has set GNER a challenging but achievable revenue target to incentivise a growth in the value of the franchise. If GNER beats this target, it will earn a share of that success.

For passengers and staff the new contract will mean that services will operate as normal. All tickets are valid and passengers can continue to book and reserve seats in exactly the same way as today.

This is in line with our intention in the Rail White Paper of July 2004, that if an operator falls into financial difficulty it should expect to surrender the franchise. To renegotiate a contract would set a precedent that we are willing to bail out operators at extra cost to the taxpayer.

Companies interested in operating the services in the future are being asked for Expressions of Interest. My Department is also consulting on the specification for the new franchise. Copies of that consultation have been placed in the House Library. It proposes that the current service levels are maintained and the additional Leeds half hourly services are included.

By ending the franchise early and putting this management contract in place we are protecting the interests of taxpayers, passengers and staff. It will ensure services continue to operate as normal.