

**Rob Plaskitt**

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Ian Yeowart

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Alliance Rail Holdings

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**Via e-mail only**

2 March 2017

Dear Ian,

**Alliance Rail (Grand Southern) open access application**

1. Thank you for your application of 16 December 2016 made under section 17 of the Railway Act 1993, relating to the introduction of new train services between London Waterloo and Southampton, and your business case which followed on 13 January 2017.
2. We have been considering the process and timescales for handling your application and also have some questions for you.

*Process*

3. In accordance with the statutory process for dealing with s17 applications we sent a copy of your application to Network Rail and asked for its representations. In response Network Rail advised that:

*“prior to PCD 2018, Network Rail cannot currently support The Application as it has not yet found capacity for the train slots sought by Grand Southern alongside the firm rights of other operators. Beyond PCD 2018, whilst capacity exists for the train slots sought by Grand Southern if considered in isolation, it is currently not possible for Network Rail to confirm whether the rights could be accommodated alongside the rights that might be requested in association with a future South West franchise nor alongside any potential freight growth.”*

4. As you know, the DfT is currently considering bids for the new South Western franchise and is due to announce the winning bidder in early April. In its response to your consultation on your application, DfT also raised concerns that there would not be sufficient capacity, particularly during the peak, for your proposed services alongside those in the franchise train service specification, or additional services which the bidders may have proposed as part of their bids. Network Rail has given similar advice and said that it will not be able to give us a developed view on the capacity position until July.
5. In your letter of 24 February to David Reed you also acknowledge that bidders may have included options that compete directly with your proposals and, if so, it will be for ORR to decide which is the best use of capacity, bearing all other factors in mind.



6. We have concluded that, as with Alliance's east coast main line applications in 2014, we will need to await the outcome of the franchise competition before we can decide your application. This is to ensure we are able to decide the best overall use of capacity on this route. We therefore plan to consider your application alongside the application from the next South Western franchisee. We will press DfT and the next franchisee to ensure that this application is submitted promptly.

#### *Questions*

7. In the meantime, we will progress our analysis of your application. We will have more questions once we have completed our analysis of your business case and have more clarity from Network Rail on capacity and performance but, to assist us in our review, it would help if you could answer some initial questions:

- a) You propose to use Class 442s and say you have an 'indicative offer' from Angel Trains. What is the extent of this offer and what further negotiations will be necessary before being able to reach an agreement and sign a leasing contract?
- b) If we approve your application, how long after approval would you expect to sign the rolling stock leasing contract?
- c) As the rolling stock will require refurbishment before being brought into service, how long do you expect this to take?
- d) At what stage are discussions with the company who will carry out the refurbishment?
- e) What internal company sign-offs have you received so far, and for what? What further sign-offs would you need before committing to proceed and when would you expect to secure them?
- f) Considering the lead times on acquiring and refurbishing the units, recruiting and training staff and setting up the business, how long after ORR's approval of your application would you realistically expect to be able to start operating the services? Any project plans you may have showing milestones would be helpful.

#### *Use of Section 17*

8. You have explained to us that you used the section 17 process because of confidentiality concerns given the alliancing history on the Wessex Route. Section 17 is intended to be used by people who have tried and failed to reach agreement with Network Rail on an application. Network Rail, as a competent system operator, should have mechanisms in place to manage confidentiality issues, and the existence of alliance arrangements is not a good reason for applicants to bypass the usual process. In future we would expect you to discuss your concerns with Network Rail at an appropriate level of seniority in advance of an application, and if necessary raise any concerns with us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Robert M Plaskitt', with a stylized flourish at the end.

**Rob Plaskitt**