



**Department
for Transport**

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Andrew Murray
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Rail Commercial
Department for Transport
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SW1P 4DR

Copy to: Jonathan Cooper Head of Contracts
Alliance Rail Holdings

Web Site: www.gov.uk/dft

4th September 2013

Dear Dan,

Grand Central Railway Co. Ltd. Proposed Section 17 Application

The Department welcomes the stability and potential savings that may be realised through securing a TAA of 10 years, as recognised within our own latest Franchise propositions.

Furthermore, whilst the Department has concerns over the potential financial impact on the taxpayer of increased Open Access Passenger operations in the current form, it recognises that the application is to extend the current rights that Grand Central employs as an established Train Operating Company.

The Department seeks clarification on the performance arrangement between Network Rail and Grand Central. The Government HLOS seeks 92.5% industry PPM by end of CP5 and the ORR has proposed a floor level of 90% PPM by TOC for end of CP5 (although we are aware the industry is challenging the feasibility of this in relation to long distance services). I would like confirmation that Grand Central will deliver a comparable trajectory of operational performance to that of other franchised operators on the route, in order not to adversely affect the performance of the route as a whole.

In addition, there does not appear to be a specific date for all Class 180 operation. Until then, it is recommended that the Timing load is both HST and Class 180, which will eventually modify to all Class 180 and release space for improved performance/additional paths.

The Grand Central investment proposals would prioritise Hartlepool to benefit the network flexibility at this location, but are currently caveated in relation to the availability of funds, and future decisions from stakeholders/shareholders and Network Rail. It would be helpful to know at what point in or alongside the TAA process Grand Central would propose to give a firm commitment to implement their investment proposals, and in turn, what contractual mechanism would be employed to ensure that any such commitments

would be delivered in practice. We also look forward to Grand Central explaining in more detail the nature of their additional/alternative investment, including whether this would involve network infrastructure (as opposed to car parks and other off-track assets). There is already a £240m Network Rail fund for ECML improvements which is likely to confer benefit on Grand Central as a route user and we would expect Grand Central to be open about investment plans they may have.

As you will no doubt be aware, the Department has recently concluded a deal with Agility Trains for a new fleet of InterCity Express Trains for use on the East Coast Main Line (ECML). We welcome assurance from ORR, Network Rail and the applicant that returns on the investment made by Taxpayers in these new trains and in the CP4 and CP5 infrastructure enhancements would not be jeopardised by the approval of this application.

Yours sincerely,



Andrew Murray



Andrew Murray
Deputy Director Rail Performance and
Operations
Department for Transport
33 Horseferry Road
London
SW1P 4DR

10 September 2013

Dear Andrew,

**GRAND CENTRAL RAILWAY Co. Ltd. - PROPOSED SECTION 17
APPLICATION**

Thank you for your response dated 4th September 2013, and for your support for the stability that it is seeking to provide. There are a number of issues that you raised which I have responded to below.

In paragraph 3 you ask for clarification on the performance arrangements in place between Network Rail and Grand Central. Grand Central has been an active participant in industry initiatives to improve performance on the East Coast Mainline as a whole, which includes Grand Central's own services. Grand Central will continue to contribute in this manner under the new Contract sought here. As a smaller operator, the performance of the ECML and of Grand Central's own services is of vital importance to Grand Central and its customers. Therefore, Grand Central firmly intends to deliver a

performance trajectory in line with that of other operators and the ECML Route as a whole.

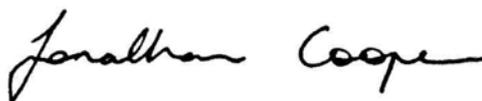
In paragraph 5 you ask “*at what point in, or alongside the TAA process Grand Central would propose to give a firm commitment to implement the investment proposals*”. The investment proposals will become a commitment at the point when the new Contract is approved, with the investments being delivered in accordance with an agreed programme.

In your final paragraph you ask for assurances that the investment made by Taxpayers in the fleet of New Intercity Express Trains and the CP4 and CP5 infrastructure enhancements would not be jeopardised by the approval of this application. Grand Central indeed hopes that these investments are not jeopardised and does not believe that they will be.

Of course, having had no involvement in the procurement of the IEP fleet of Super Express Trains, this project is very much one that the DfT itself has a particular understanding of.

With regard to infrastructure enhancements in CP4 and CP5 Grand Central is an active industry participant and engages fully in the industry processes relating to investments. The main change expected from the CP4 and CP5 investment is for increased capacity (as outlined in the initial business cases and further statements from the industry), whilst this application only seeks to carry forward a popular train service that has been operating successfully for a number of years.

Yours sincerely

A handwritten signature in black ink that reads "Jonathan Cooper". The signature is written in a cursive, flowing style.

Jonathan Cooper
Head of Contracts