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██████████ MSP
The Scottish Parliament
██

February 2017

PUBLIC SECTOR BIDDER FOR FUTURE RAIL FRANCHISES

Thank you for attending the meeting that I convened on 1 December 2016 to discuss how the Scottish Government is fulfilling its manifesto commitment to enable a public sector body to bid for future rail franchises. I found the meeting very helpful and was pleased to note the positive comments you made afterwards. A further meeting has been arranged for 23 February and I look forward to sharing my views on our broad approach to the public sector bidder work at that time.

At the December meeting, you wanted to know more about Transport Scotland's role in taking forward the public sector bidder work. I advised that I would write to you separately on this. I have set out below some detail on the action that Transport Scotland officials plan to take.

As a first step, they will scope out what they need to do in order to set up a new public sector body, and to assess the feasibility of using an existing body. When proposing options for the public sector bidder, they will consider useful comparator organisations, including CalMac; Strathclyde Partnership for Transport; Transport for London; and Lothian Buses.

In taking the work forward, they will also take account of relevant legislation and regulations, including the Railways Act 1993, the Scotland Act 2016 and relevant procurement regulations.

Throughout the process, they will be engaging with Local Authorities and wider stakeholders including the railway unions and Regional Transport Partnerships.

In the first half of this year, I intend to convene further meetings of the stakeholder group and to present a series of options papers which will illustrate how we are refining the options. I plan to make a robust decision in the autumn as to whether an existing public sector body or a new body is the most suitable option. Thereafter, further developmental work will begin and this will continue until the bid process for the next franchise is initiated – including the formation of a professional bid team.



I hope you find this response helpful.

Humza Yousaf

Cabinet Secretary for Transport, Infrastructure
and Connectivity

Michael Matheson MSP



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Convenor

Rural Economy and Connectivity Committee

Scottish Parliament

Edinburgh

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August 2018

I am writing to update the Committee on progress towards delivering the manifesto commitment to enable public sector operators to bid for future rail franchises and to ensure that there is a public sector body able to do so.

The consistent view of this Government over many years has been that there ought to be a level playing field between the private and public sector in bidding for rail franchises.

In late 2016, Transport Scotland officials undertook a review of a broad range of existing public bodies to assess their potential to bid. They also considered the possibility of creating a new public body to bid.

Having reviewed many organisations and possible scenarios, officials produced a short list based on the evidence available and a set of validated criteria. Initial findings were presented to a Stakeholder Reference Group, which was chaired by the then Minister for Transport and the Islands, and which comprises representatives from all political parties in the Chamber, the rail unions, Transport Focus and regional transport partnerships.

It was recognised that it was important for any public sector bidder to have the appetite to bid; the capacity to see the bid through; and the constitution, capability and resources to operate the franchise should the bid be successful.

A range of existing public sector bodies were considered and have been ruled out at present for various reasons – including, for example, a lack of powers to operate a

national transport system or not having the operational capacity to absorb an additional rail function.

After further analysis, the short list was refined to generate a narrower range including David MacBrayne Limited (DML). Since then, DML has contacted Transport Scotland to express an interest in a possible bid.

I welcome DML's interest, noting the company's history of providing ferry services to Scottish islands and remote rural communities. Its subsidiary, CalMac, is a known and trusted brand. It supports island communities, rural business activities and tourism; has an excellent safety record and rates highly for reliability and punctuality; and was recently successful in securing the Clyde and Hebrides Ferry Services contract – worth nearly £1 billion.

I am satisfied that there is evidence that DML may have the capacity and constitution to make a robust bid. It is now for the Board of DML to explore the relevant issues carefully, including the detail of how a rail subsidiary could be structured within the DML Group.

But I also want to be clear that the interest shown by DML in a potential bid does not preclude other public bodies from bidding, ensuring equal treatment for all bidders whether public or private sector. Any other public sector body that wishes to consider submitting a bid is able to do so - that is a decision for them. Future Scottish rail franchises will continue to be let in a fair, transparent and accountable way.

As for the timing of the next franchise bidding competition, there is a contractual possibility for an end to the current ScotRail franchise in 2022, which would require the competition process to start in 2020. However, I fully expect the current franchise to continue to its planned expiry date of 2025. The next franchise competition would therefore begin in 2023.

I will invite the members of the Stakeholder Reference Group to meet with me later this year, to continue discussions on creating the conditions necessary for a competent public sector bid, and I will keep the Rural Economy and Connectivity Committee informed of progress.

MICHAEL MATHESON

Rail

Buchanan House, 58 Port Dundas Road, Glasgow G4 0HF
Direct Line: 0141 272 7444



Your ref:

Our ref:
2018/0010320

Date:
23rd April 2018

Dear [REDACTED],

Thank you for your letter of 1st March to Mr Humza Yousaf, Minister for Transport and the Islands (received at the Scottish Government on 13th March) about franchising of railways in Scotland. Your letter has been passed to Transport Scotland, an Agency of the Scottish Government to reply.

Thank you for taking the time to share your views on this matter. I thought it might be helpful to set out some background to rail franchising in Great Britain.

Rail franchising and competition policy are matters reserved to the UK Government. Existing legislation (the Railways Act 1993) does not allow for rail nationalisation – it requires us to tender the franchise for passenger services through open competition. However, a recent amendment to that legislation now allows public sector bodies to participate alongside private sector businesses in franchise competitions where the franchise is let by Scottish Ministers – meaning the ScotRail franchise and the Caledonian Sleeper franchise. The Scottish Government is committed to enabling a public sector operator to bid for future rail franchises in Scotland in order to ensure a level playing field between private and public bidders so that rail services in Scotland can be provided which maximise economic and social benefits. Consideration is currently being given to the suitability of a range of existing Scottish public bodies and the steps required to create a new public sector body, if it is necessary to do so.

A number of options exist and, while this work is underway, we continue to listen carefully to those working and travelling on our railways. Indeed, a model with joint ownership between Scottish Ministers and the private sector (very like your suggestion) is under consideration.

I hope this is helpful.

Yours faithfully,

[REDACTED]

Rail

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Direct Line: [REDACTED]
[REDACTED]



Your ref:

Our ref:
2018/0002389

Date:
29th January 2018

Dear [REDACTED],

Thank you for your letter of 28 December 2017 to the “Permanent Secretary, Transport and Islands” in the Scottish Government in which you propose that a not for profit model is introduced in respect of the rail franchise in Scotland. Your letter has been passed to Transport Scotland, an Agency of the Scottish Government to reply.

I am grateful that you have taken time to write to the Scottish Government to pass on your thoughts about this matter, based on your experience in Canada and proposing that a not for profit (NFP) model would be appropriate for the Scottish Rail Franchise.

The Scottish Government is committed to enabling a public sector operator to bid for future rail franchises in Scotland. Consideration is currently being given to the suitability of a range of existing Scottish public bodies and the steps required to create a new public sector body, if it is necessary to do so.

A number of options exist and, while this work is underway, we continue to listen carefully to those working and travelling on our railways. Indeed, a NFP model and the principles that underlie it form part of the consideration. I would therefore be interested in hearing more about why you think that the Canadian NFP concept would form a suitable basis for managing the rail network. If you have the time to write to me with fuller details, then I would be pleased to hear from you.

I hope this is helpful,

Yours sincerely,

[REDACTED]