

Text of letter from the Secretary of State to Richard Brown
15 Oct 2012

Following my decision to cancel the competition for the InterCity West Coast franchise, I am asking you to lead an independent Review into the Department's wider rail franchising programme.

I would like your Review to look in detail at the implications for the remainder of the rail franchising programme, in particular, whether changes are needed to the way risk is assessed and to the bidding and evaluation processes, and at how to get the other franchise competitions back on track as soon as possible

Terms of Reference of the Review are enclosed.

Decisions on how to run the Review and who to involve in it are for you as leader of the Review. You may want to draw on independent advice from outside the Department.

I ask that you report your findings to me by the end of December 2012.

In addition, an independent Inquiry, into the lessons learned from InterCity West Coast, is being undertaken by Centrica Chief Executive Sam Laidlaw. I have asked Sam Laidlaw to provide initial findings before the end of October.

Terms of Reference: Brown Review of the Rail Franchising Programme

1. The review should consider the implications for the remainder of the rail franchising programme of the position reached on the InterCity West Coast competition.
2. This review should take careful account of the points and lessons learned identified in the Laidlaw Inquiry and should also consider:
 - How to structure risk transfer between the Department and rail franchisees in order to create optimum incentives in the long-term interests of passengers and taxpayers, and the ability to adapt to changing circumstances.
 - How to structure the bidding and evaluation processes to ensure a robust and fair competition, including evaluation of the risk presented by different bids as a basis for decisions that take these risks appropriately into account.
 - The timing of the remainder of the franchising programme, so that it can be resumed on a robust basis as soon as possible.
 - How the Department can take the learning points from the Laidlaw Inquiry and facilitate a clear and proportionate framework for franchising which balances Government's administrative and commercial judgements with the need for the market to have predictability, transparency and a proportionate application of legal rules.
3. The review should make recommendations on the basis of its findings.
4. The Terms of Reference may be refined further following the publication of the Laidlaw Inquiry. The review shall be completed by 31 December 2012 and published thereafter.
5. The review will be led by Richard Brown, Chairman, Eurostar.
6. The review team should include external expertise as well as expertise from within Whitehall, and some cross-membership as appropriate with the review of lessons learned.