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for Transport

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*Dear Caroline*

Thank you for your letter of 27 November to Patrick McLoughlin, about the Intercity East Coast franchise. I am replying as Minister responsible for rail issues.

Last year marked the 20<sup>th</sup> anniversary of privatisation, a move that has turned an industry in decline into a resounding success story of sustained growth and improved services at lower costs to the taxpayer. Since privatisation annual rail passenger journey growth has averaged almost 4% compared to 0.58% over the past 60 years. On a network roughly the same size as 15 years ago there are now 4,000 more services a day – all delivered through dynamic private sector stewardship with the flexibility to respond to the needs of passengers. This Government, therefore, remains committed to benefiting from private sector innovation, and operational experience in its railways.

You will have seen that we let the franchise last week following the successful completion of the standstill period. We are confident that the winning bidder, Inter City Railways Limited, will build on the work done by the public sector operator; the investment planned by this Government; and provide a great long-term deal for the taxpayer and passenger alike.

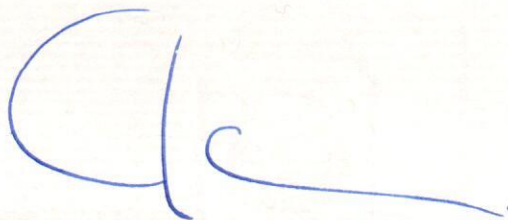
The new InterCity East Coast franchise that has been awarded to Inter City Railways Limited (ICRL), a joint venture of Stagecoach Transport Holdings Limited and Virgin Holdings Limited, will provide a host of benefits for passengers, taxpayers and the rail industry over the 8 years of the contract. These include more trains with the introduction of the new state of the art Intercity Express Programme fleet, which will see an increase in capacity on



the franchise of around 50%. ICRL will also deliver more services including the provision of direct services to London for 5 destinations that have not been served by the franchise before (Huddersfield, Sunderland, Middlesbrough, Dewsbury and Thornaby), with faster journey times to many destinations along the route.

ICRL will invest around £140m in passenger benefits including improving facilities at stations and on trains, and the taxpayer will benefit from around £3.3bn of premium to be paid to government over the life of the franchise. ICRL have great long term plans for the InterCity East Coast franchise and I am confident that passengers will see a transformation of services on this vital railway.

I am sure you will join me in recognising that Great Britain's railways are a great success story. Our railway is the busiest it has been since the 1920s, we have some of the safest and most punctual rail services in Europe and we are carrying out the biggest programme of railway modernisation in a generation. Network Rail will spend over £38 billion on the railways over the next five years, allowing it to continue maintaining and enhancing the railway, not counting the massive investment in the new HS2 rail link. It really is an exciting time for railway users and it is part of this Government's commitment to reinvest the proceeds of economic recovery in world-class British infrastructure.



**CLAIRE PERRY**