

# Statement to Parliament: South Western rail franchise

I am pleased to inform the House that following a rigorous competition I intend to [award the South Western rail franchise to First MTR South Western Trains Limited](#) pending the successful completion of a standstill period of at least 10 days.

The House will know that this government is determined to transform the way that the railways work to deliver a revolution in services for passengers. In December 2016, I set out my vision for achieving this through a [new era of joined up working between train operators and Network Rail](#). Earlier this month my Department announced a [consultation on the South Eastern franchise](#) which explained our ambition for bringing together the operation of track and train, so that one team of people is focussed on providing the best service to passengers. Today's announcement that First MTR South Western Trains Limited has been awarded the South Western franchise means we are a step closer to achieving that ambition.

The new franchise will see closer partnership working between track and train. A railway that is predominantly run by an integrated local team of people with a commitment to the smooth operation of their routes, improving services and performance is at the heart of my vision for the network, and First MTR South Western Trains Limited expects to work even closer with Network Rail with the shared aim of giving passengers exactly that. The joint teams will work to drive higher performance, achieve greater productivity in operations, improve maintenance delivery and infrastructure renewals, and support infrastructure improvement delivery, all for the benefit of passengers across the South Western network.

The new franchise will run for 7 years from 20 August 2017 to 18 August 2024, with an extension of 11 railway periods callable at my discretion.

This is the thirteenth franchise award since 2013: a rapid programme of renewal which represents the government's determination to transform the travel experience for rail passengers across the country. In the last 12 months alone, new franchise agreements have released private funding for brand new trains in the north and the east of England. The new South Western franchise will also see investment in brand new and refurbished trains.

This government is funding the biggest investment in rail since Victorian times, and the award of this new franchise is the latest step in making journeys better: simpler, faster and more reliable. Passengers across the South Western network will see improvements to their journeys, whether travelling into central London, or between the towns and cities in the southern and south-western counties of England. The new franchise will support the communities and boost economic growth in the regions it serves.

Passengers, local authorities, businesses and other stakeholders across the

area contributed to a highly demanding and challenging specification for the new South Western franchise. Bidders were invited to demonstrate how they would meet this specification, and I am delighted that First MTR South Western Trains Limited set out an exciting plan for the franchise that will not only meet but significantly exceed these expectations.

First MTR South Western Trains Limited will oversee a £1.2 billion investment programme to improve services for passengers on all parts of the network from London to the South West. There will be 22,000 extra seats into London Waterloo each morning peak and 30,000 extra seats out of Waterloo each evening peak, and a fleet of 90 new trains will provide more space for passengers on Reading, Windsor and London routes.

The plans were designed to make optimum use of our major investment to increase platform capacity at London Waterloo. First MTR South Western Trains Limited will use the experience of one of its major shareholders MTR, who operate the busy Hong Kong metro, to deliver smooth and rapid journeys for passengers travelling around London's suburban network. Faster journeys will be delivered through a consistent fleet of new suburban trains offering a regular, metro-style service. Passengers can look forward to more space, ensuring that the railway can support London's growth.

The train journey is only one part of the passenger experience, so we were very pleased with First MTR South Western Trains Limited's plans for significant investment in station improvements. They will deliver at least 1,500 new car park spaces, refurbished waiting rooms, more seats and new waiting shelters. There will be investment to make Southampton Central station a destination fit for the community it serves, with a new entrance canopy, improved retail, and better facilities for passengers.

The use of smart cards will be expanded, and there will be a new smart card product, automatically offering the cheapest walk-up single or day return fare. A new flexible season ticket will benefit people working fewer than 5 days a week, there will be a discount offered for people buying 12 consecutive monthly season tickets, and new discounts for student travel. Season, single and return tickets will be made available on smart cards across all of the franchise.

I am pleased to announce also that the new South Western franchise will introduce new delay repay compensation, including for delays of 15 minutes or more, and with automatic claims for smart card season tickets and advance purchased tickets bought through their digital channels.

There will be better information for passengers, so that they can make more informed decisions about their journeys. Real time information will be available on screens on trains and at stations, as well as on the website, and through the new customer app. Station staff will also be well informed through innovative use of smart devices so they can better help passengers, especially during times of disruption. There will also be live information about seating availability and crowding levels, so that passengers know the best place to stand to board the train.

Reflecting the government's commitment to create 30,000 apprenticeships across all transport modes by 2020, First MTR South Western Trains Limited will offer more than 100 apprenticeships each year. Their plans also include funding to support community rail partnerships, station adoption groups, and to encourage community use and regeneration of available station space. The franchisee will reduce energy use at stations and depots by over 40%, and water use by over 18%.

This government has set a clear vision for the future of rail travel and is investing to deliver on that vision for passengers across the country. Over the past few years the franchise renewal programme has resulted in significant new investment and exciting innovations for passengers. The new South Western franchise represents the next chapter in that journey and we look forward to working closely with First MTR South Western Trains Limited and Network Rail to ensure that passengers receive the improvements they have demanded as we transform their rail travel experience.

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## [News story: First MTR South Western Trains Limited wins South Western franchise](#)

We are determined to transform the way that the railways work to deliver a revolution in services for passengers. Two weeks ago we announced a [consultation on the South Eastern franchise](#) which explained our ambition for bringing together the operation of track and train, so that one team of people is focussed on providing the best service to passengers. And today (27 March 2017) we can announce that First MTR South Western Trains Limited has been awarded the South Western franchise which will run for 7 years from 20 August 2017. This is the first franchise awarded since the Secretary of State set out his [vision for the future of the railways](#) in a speech on 6 December 2016, and marks a new era in joined up working between train operators and Network Rail.

First MTR South Western Trains Limited will use the experience of one of its major shareholders MTR, who operate the busy Hong Kong metro, to deliver smooth and rapid journeys for passengers travelling around London's suburban network. Faster journeys will be delivered through a consistent fleet of new suburban trains offering a regular, metro-style service. Passengers can look forward to more space, ensuring that the railway can support London's growth.

Passengers travelling across the South Western network will also benefit from more space and faster rail services as the new 7 year South Western Franchise has been [awarded today to First MTR South Western Trains Limited](#).

Transport Secretary Chris Grayling said:

Following on from our announcement on the start of the South Eastern Franchise consultation, this deal is more great news for rail passengers.

First MTR South Western Trains Limited will deliver the improvements that people tell us they want right across the South Western franchise area, from Bristol and Exeter, to Southampton and Portsmouth, to Reading, Windsor and London.

We are delivering the biggest rail modernisation programme for over a century and this franchise will deliver real changes for passengers, who can look forward to modern trains, faster journeys and a more reliable service.

The new franchise will see closer partnership working between track and train. A railway that is predominantly run by an integrated local team of people with a commitment to the smooth operation of their routes, improving services and performance, is at the heart of Secretary of State's vision for the network and First MTR South Western Trains Limited expects to work even closer with Network Rail, with the shared aim of giving passengers exactly that.

First MTR South Western Trains Limited will oversee a £1.2 billion investment that will improve journeys for millions of train passengers, and provide a boost for the communities served. The next franchise will see:

- 22,000 extra seats into London Waterloo each morning peak and 30,000 extra seats out of Waterloo each evening peak
- a fleet of 90 new trains, providing more space for passengers on Reading, Windsor and London routes
- refurbished existing trains with charging sockets, new seat covers and refurbished toilets
- more frequent and additional services across the franchise
- faster journeys across the network; journeys to London will be:
  - 8 minutes faster from Southampton
  - 5 minutes faster from Portsmouth
  - 10 minutes faster from Reading
  - 12 minutes faster from Hounslow
  - 11 minutes faster from Salisbury
- earlier first and later last trains, including between London and:
  - Twickenham
  - Hounslow
  - Windsor
  - Reading
  - Epsom
  - Guildford
  - Portsmouth
  - Salisbury
- more Sunday services across the network, with many routes having the equivalent of a Saturday service after 1.00pm

The government is supporting record investment in rail that will not only deliver new world-class infrastructure but will create thousands of jobs opportunities across the country. The government is committed to creating 30,000 apprenticeships in the road and rail sector by 2020 and the new franchise will also see First MTR South Western Trains Limited offer more than 100 apprenticeships each year helping boost skills and jobs.

The new contract will see passengers provided with better information throughout their journey, on-board trains, on platforms and through a new mobile phone app, including live information on seating availability and crowding levels, so that passengers know the best place to stand to board the train.

The new contract will also see:

- investment to make Southampton Central station a destination fit for the community it serves, with:
  - a new look entrance
  - improved retail
  - better facilities for passengers
- new delay repay compensation, including for delays of 15 minutes or more, and with automatic claims for smart card season tickets and advance purchased tickets bought in advance through their digital channels
- free wifi at all stations and on-board mainland trains
- investment in station improvements including:
  - refurbished waiting rooms
  - additional seating
  - improvements for step-free access
  - 60 electric vehicle charging points
- new smart card, automatically offering the cheapest walk-up single or day return fare
- new flexible season tickets, offering a discount for passengers travelling fewer than 5 days a week
- season, single and return tickets on smart cards across all of the franchise
- new discount for purchasing 12 consecutive monthly season tickets
- new student connect smart ticket for 16 to 18 year-olds, offering one-third off weekly or longer tickets, and further term-time discounts for under 16s
- mobile phone barcode tickets will be available on the network for the first time
- better connections for the Island Line, and work with the Isle of Wight Council and other local bodies to develop a business plan and option for a more sustainable long-term future
- at least 1,500 new car park spaces
- over 40% reduction in energy use at stations and depots

FirstGroup Chief Executive Tim O'Toole said:

We are delighted that our partnership with MTR has been selected by

the DfT to run the South Western rail franchise, a key part of the country's railway network which millions of people rely on every day. Our successful bid will deliver the tangible improvements that customers and stakeholders have told us they want from this franchise. Passengers can look forward to new and better trains, more seats and services, quicker journey times, improved stations and more flexible fare options.

Jeremy Long, CEO – European Business, MTR Corporation said:

MTR is known across the world for the excellent quality of its rail services, and we look forward to working with FirstGroup to provide a best-in-class travel experience for passengers in London and the South West. Together we will deliver a major programme of upgrades, including improvements to both rail services and customer experience, for passengers travelling across the South Western network.

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## **Statement to Parliament: NDA Settlement, Contract Termination, and Inquiry**

I would like to inform the House that the Nuclear Decommissioning Authority (NDA) has today announced its decision to terminate its contract with Cavendish Fluor Partnership (CFP) for the management and decommissioning of 12 redundant Magnox sites (including 2 research sites) which, together with the Calder Hall reactor on the Sellafield site, formed the UK's first fleet of nuclear power stations.

The NDA ran a £6.1 billion tender process from April 2012 which resulted in a 14 year contract being awarded in September 2014 to the Cavendish Fluor Partnership – a joint venture between the British firm Cavendish Nuclear, a subsidiary of Babcock International, and the US company Fluor Inc. This decision was approved by the then Department for Energy and Climate Change and HM Treasury.

CFP started work on the Magnox estate on 1 September 2014. There then started a process to ensure that the scope of the contract assumed in the 2012 tender matched the actual status of the decommissioning to be done on each site – a process known as consolidation.

It has become clear to the NDA through this consolidation process that there

is a significant mismatch between the work that was specified in the contract as tendered in 2012 and awarded in 2014, and the work that actually needs to be done.

The scale of the additional work is such that the NDA Board considers that it would amount to a material change to the specification on which bidders were invited in 2012 to tender.

In the light of this, the NDA Board, headed by a new Chair and Chief Executive, has concluded that it should exercise its right to terminate the contract on two years' notice. The contract will be terminated in September 2019, after 5 years rather than its full term of 14 years. This termination is made with the agreement of CFP.

Dealing safely with the UK's nuclear legacy is fundamental and non-negotiable. It is important to emphasise that this termination is no reflection on the performance of Cavendish Nuclear or Fluor, and work on decommissioning at all the sites will continue with the management of CFP for a further two and a half years.

During this period, the NDA will establish arrangements for a replacement contracting structure to be put in place when the current contract ends. This work will be led by the NDA's new Chief Executive, David Peattie.

I have every confidence that CFP will continue to deliver to high standards during the remainder of the contract.

Although this decision is one made by the Board of the NDA, it requires the consent of myself, the Chief Secretary to the Treasury and the Accounting Officer of my Department. That consent has been given.

We have a responsibility to ensure that the NDA's decisions reflect its legal obligations, including under procurement law, that further risks to taxpayers' money are contained and that robust arrangements are put in place to deliver this essential decommissioning programme.

In addition I can announce today that the NDA has settled outstanding litigation claims against it by Energy Solutions and Bechtel, in relation to the 2014 Magnox contract award.

The NDA was found by the High Court in its judgment of 29 July 2016 to have wrongly decided the outcome of the procurement process.

As part of the settlements, NDA has withdrawn its appeal against the judgment. While these settlements were made without admission of liability on either side, it is clear that this 2012 tender process, which was for a value of up to £6.1 billion, was flawed. The NDA has agreed settlement payments with Energy Solutions of £76.5m, plus £8.5m of costs, and with Bechtel of \$14.8m, plus costs of around £462,000 – approximately £12.5m in total.

These are very substantial costs and had the potential to rise much further if the case had proceeded to trial.

Taxpayers must be able to be confident that public bodies are operating effectively and securing value for money. Where this has not been achieved such bodies should be subject to rigorous scrutiny.

I am therefore establishing today an independent Inquiry into the conduct of the 2012 procurement process and the reasons why the 2014 contract proved unsustainable. These are separate issues but both need to be examined thoroughly by an authoritative and independent expert.

I have asked Mr Steve Holliday, the former Chief Executive of National Grid to lead the Inquiry. The Inquiry will take a 'cradle to grave' approach beginning with the NDA's procurement and ending with the contract termination.

The Inquiry will also review the conduct of the NDA and of government departments and make any recommendations it sees fit – including what further investigations or proceedings, for example possible disciplinary proceedings, may be required as a result of its findings.

The terms of reference for Mr Holliday's Inquiry have been placed in the libraries of both Houses. Mr Holliday will report jointly to me and to the Cabinet Secretary, and his report will be made available to this House, including to the Business, Energy and Industrial Strategy Select Committee.

This was a defective procurement, with significant financial consequences, and I am determined that the reasons for it should be exposed and understood; that those responsible should properly be held to account; and that it should never happen again.

### **Terms of Reference: Independent inquiry into the award of the Magnox decommissioning contract by the Nuclear Decommissioning Authority and its subsequent termination**

The Inquiry shall investigate the procurement process from its inception through contract award, the management of the contract by NDA to the point at which the NDA decided to terminate the contract and the litigation that followed the contract award, focusing in particular on:

- a. the course of events that led to the flaws in the contract award identified by the court;
- b. the course of events that led subsequently to the decision to terminate the contract;
- c. the handling of the challenge and subsequent litigation brought against NDA arising out of the procurement and the subsequent resolution of the proceedings;
- d. the actions throughout of the NDA, including its subsidiary organisations, and the actions throughout of government departments associated with the procurement process;



- e. the structure of governance and relationship between the NDA and government departments and whether that contributed in any way to the problems encountered;
- f. the extent to which the various internal and external assurance processes employed during procurement were effective; and
- g. any other matters it considers relevant and important.

The Inquiry shall set out lessons to be learned, including about appropriate structures for governance and assurance of future complex, high-risk procurements, and make any recommendations it sees fit, including as to any disciplinary investigations or proceedings that may, in its view, be appropriate as a result of its findings.

The Inquiry will be led by Steve Holliday. He will draw on others as appropriate, including external advisers he may, by agreement with the Secretary of State, appoint.

The Inquiry shall report to the Secretary of State for Business, Energy and Industrial Strategy and to the Cabinet Secretary.

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## Health Secretary connects with NHS Wales staff

Health Service employees in Cardiff and the Vale of Glamorgan will be first in Wales to get an opportunity to ask Mr Gething questions about the health service at a Cabinet Connect event.

The first staff Q&A session will be held at University of Wales Hospital, Cardiff, and invitations have been sent to Cardiff and Vale University Health Board, Public Health Wales and Wales Ambulance Service staff in the area.

Mr Gething said:

“I have had the great pleasure to meet many frontline health employees during visits across Wales and I wanted to build on those discussions through Cabinet Connect events.

“I want to give frontline staff the opportunity to meet me, ask me questions and discuss the issues in the health service that are important to them.”

Cabinet Connect builds on the success of the Carwyn Connect events, which the First Minister of Wales Carwyn Jones has used to meet and get the views of

people across Wales.

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## Top procuratorate to investigates controversial killing

The Supreme People's Procuratorate (SPP) announced Sunday that it will investigate a case which caught media and public attention over the weekend.

On April 14, 2016, more than 10 people went to Su Yinxia's company in Guanxian County in east China's Shandong Province to collect payment for loan sharks allegedly by means of insulting Su and her son Yu Huan.

Police arrived at the scene but Yu later stabbed four of the debt collectors including Du Zhihao, who died the next morning.

Yu was sentenced to life in prison by the Intermediate People's Court of Liaocheng, Shandong, on Feb. 17.

Investigators will examine and review the evidence to determine whether Yu was acting in self-defence, the SPP said in a statement.

The SPP will also investigate possible dereliction of duty by the police officers concerned.

The Higher People's Court in Shandong announced Sunday that it has accepted Yu's appeal.