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Mr Edward Mountain
Convener
Net Zero, Energy and Transport Committee
The Scottish Parliament
Edinburgh
EH99 1SP

5 October 2022

Dear Convener,

CALEDONIAN SLEEPER PASSENGER FRANCHISE DECISION ON REBASING

The Caledonian Sleeper Franchise is of significant economic and environmental value to the people of Scotland and the Scottish Ministers must ensure that the services we secure are high performing, financially sustainable and offer value for our public investment.

The current Caledonian Sleeper Franchise Agreement commenced on 31 March 2015 and was not expected to expire until 1 April 2030. The Franchise Agreement provides for the possibility that the franchisee, Serco Caledonian Sleepers Limited (“Serco”), may exercise a rebasing option after the seventh anniversary of the Franchise commencement date. This point was reached on 1 April 2022.

On 8 July 2022 Serco exercised the rebasing option and submitted a rebasing proposal to the Scottish Ministers. A separate and alternative commercial proposal was also received from Serco on the same date.

After careful consideration, the Scottish Ministers decided not to accept the rebasing proposal. Following further consideration and negotiation between officials and Serco on the terms of its alternative commercial proposal, the Scottish Ministers also decided not to accept this. The Scottish Ministers were not satisfied that either proposal represented value for money. Serco was notified of this decision earlier today.

The Franchise Agreement provides that after exercise of the rebasing option the Scottish Ministers may serve a termination notice. A termination notice was also served on Serco today which confirmed that the Franchise Agreement will end on 25 June 2023.

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We will work with Serco until then to maximise the benefits of the significant investment that has been made to date and to provide the best services to passengers possible.

The Scottish Government is obliged to work within the terms of existing UK Government railway legislation. Therefore, working within the constraints of that flawed legislation, we must now determine the arrangements to ensure the continued provision of Caledonian Sleeper services after the current Franchise Agreement comes to an end. The Scottish Government has published its Franchising Policy Statement which sets out how the decision for future arrangements must be made. After considering all circumstances and with reference to the relevant provisions of the Franchising Policy Statement, we have also taken the decision that it would not be appropriate to pursue a Franchise competition at this time. Work is already underway to consider and determine alternative means for securing successor arrangements for the provision of Caledonian Sleeper services beyond 25 June 2023.

I will of course provide a further update on conclusion of that work.

Yours sincerely

JENNY GILRUTH

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