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5 August 2020

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Dear Mark and Chris,

Approval of the second supplemental agreement to the track access contract between Network Rail Infrastructure Limited and Grand Central Rail Company Limited (North West Services)

1. The Office of Rail and Road (ORR) has today approved the second supplemental agreement to the track access contract dated 24 October 2019 between Network Rail Infrastructure Limited (Network Rail) and Grand Central Railway Company Limited (Grand Central) relating to North West Services, submitted to us formally on 4 August 2020 under section 22 of the Railways Act 1993 (the Act). This follows an earlier informal submission of a draft agreement for our consideration. This letter explains our decision.

Purpose of the agreement

2. This agreement provides a one-year extension to Grand Central's track access contract for services between London and Blackpool, from the Principal Change Date in December 2026 to the Principal Change Date in December 2027.

3. The extension of the contract is required in order to support the extension by one year of Grand Central's rolling stock lease. This has proved necessary because of the unprecedented financial impact of the unforeseen delay to the start of passenger services, which Grand Central had planned for May 2020, due to the Covid-19 pandemic.

Consultation

4. Network Rail consulted the industry on this supplemental agreement in April and May 2020.





5. Consultees raised no objections. Cross Country supported the application. Transport Focus, West Yorkshire Combined Authority and GB Railfreight responded raising no objections.

6. In its response, the DfT said the Government wished to see Grand Central return to the network as soon as possible including through the operation of their planned North West services and, in these particular circumstances, it strongly supported Grand Central's application for a one-year extension.

ORR's review and conclusions

7. We reviewed the application and a confidential financial submission made by Grand Central.

8. Under The Railways (Access, Management and Licensing of Railway Undertakings) Regulations 2016, contracts longer than 5 years must be justified by the existence of commercial contracts, specialised investments or risks. Grand Central's access contract for North West services was for a length of 7-years and 7-months, justified on the basis of investment in rolling stock, refurbishment of the rolling stock and enhanced station facilities.

9. We have reviewed the evidence submitted by Grand Central and accept that, due to the impact of the COVID-19 pandemic, Grand Central is seeking to extend its current rolling stock lease by one year and re-profile payments under the lease. We accept that the COVID-19 pandemic represents a material change to the basis on which we originally approved the contract duration, and that an additional year on the contract is required to support the extension of Grand Central's rolling stock lease.

10. In considering the agreement and in reaching our decision, we have had to weigh and strike the appropriate balance in discharging our statutory duties under section 4 of the Act. We have concluded that approval of this agreement is consistent with our section 4 duties, in particular those relating to:

- protecting the interests of users of rail services;
- promoting the use of the railway network in Great Britain for the carriage of passengers and goods, and the development of the railway network, to the greatest extent that ORR considers economically practicable;
- contributing to the development of an integrated system of transport of passengers and goods;
- promoting competition in the provision of railway services for the benefit of users of railway services; and
- enabling persons providing railway service to plan the future of their businesses with a reasonable degree of assurance.



Conformed copy of the track access contract

11. Under clause 18.2.4 of the track access contract, Network Rail is required to produce a conformed copy, within 28 days of any amendment being made, and send copies to ORR and Grand Central. ORR's copy should be sent for my attention.

Public register and administration

12. In accordance with section 72 of the Act, we will place a copy of the approval notice and the agreement on our public register. The parties have not asked us to redact anything (as provided for by section 71(2) of the Act) prior to placing it on the register.

13. Copies of this letter, the approval notice and the agreement will be sent to Keith Merritt at the Department for Transport. Copies of this letter and the agreement will be placed on the ORR website. I am also copying this letter without enclosures to Peter Craig at Network Rail.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'David Reed', is positioned below the closing text.

David Reed