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Dear Gareth,

### **Department for Transport's (DFT) Consultation Response**

In the customary manner, this letter is in response to the DFT's consultation response, and we thank the DFT for these comments following Virgin's Form P submission almost nine months ago.

While we understand the Department has a responsibility to scrutinise all open access applications, great care has been taken in developing our submission and we believe that the Department's concerns are unsubstantiated. We would like to offer the following comments.

1. Regarding the "not primarily abstractive" (NPA) test; while the Department's analysis overall of the blended NPA across all routes is broadly accurate, there are four service groups in our submission and only the Glasgow service group causes the value to fall below the NPA test threshold – excluding the Glasgow service group the equivalent NPA would significantly exceed the 0.3 NPA threshold. Importantly, the simplistic NPA test is only the first part of the ORR's considerations when looking at the wider market growth. We feel the reason for this service group falling below the NPA threshold is that the Passenger Demand Forecasting Handbook (PDFH) model does not adequately reflect the growth that could be expected from what would be a significant increase in the service frequency and particularly so on this important route for levelling up the economy. Our application has already set out to the ORR across all routes why we feel there is significant opportunity to attract more customers to rail than the PDFH methodology would suggest, thus improving the NPA scores. Introducing competition from a customer and people centric brand like Virgin, that has a track-record for operating successfully and delivering significant growth on these routes, will increase NPA scores. The comparison between the West Coast and the East Coast



routes is stark in terms of customer volume recovery from pre covid levels where macroeconomic PDFH revenue drivers cannot explain the contraction on the West Coast versus growth on the East Coast, arguably leaving only route specific factors and the presence of competition on the East Coast to explain this.

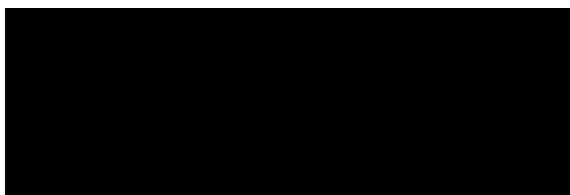
2. We note the DFT's comments about the various improvement works mainly in the Greater Manchester area. We have carefully planned our services and have found suitable paths in the existing timetable to operate in with no significant impact on performance, and therefore we do not expect that any new capacity improvement schemes will be materially affected by our services. Furthermore, we have discussed our proposed services with Network Rail and on their recommendations have made some changes to improve performance, particularly in the Manchester area. Detailed performance modelling is currently underway as part of the normal application process.
3. We note the DFT's comments on the second Liverpool path. As the ORR is aware, this is the subject of ongoing discussions between Virgin, Network Rail and the ORR to determine whether the Network Code Part J process has been properly managed. We believe that there has been a Failure to Use the paths under Part J which should have resulted in Network Rail withdrawing the paths from Avanti rather than deferring the introduction, as is the current situation, a process which seems to have only commenced after we submitted our open access application. The current situation is further confusing given that in August 2024 under the Part J Para 2.1.1 process that was (in our view, erroneously) followed, Avanti must have decided that there was "no current or foreseeable reasonable ongoing commercial need" for the paths which the DFT suggests some of which are now being reintroduced. If there was no foreseeable commercial need in August, these services are seemingly being introduced at a significant cost to the taxpayer.
4. We note the DFT's comments on driver training. Indeed, Virgin Trains highlighted the issue of driver shortages to the DFT long before the West Coast franchise changed hands in 2019 and sought (unsuccessfully) at that time, permission from the DFT (due to being in the Last 12 Months provisions) to proactively recruit more drivers. Virgin's franchise bid in 2018/19 identified this issue and put forward robust plans to manage the situation. We cannot comment on the eventual winning bidder's plans, but we would expect the DFT's evaluators to have properly considered these and been satisfied given the criticality to the delivery of the service for customers. We also note that Richard Scott, then Director of Corporate Affairs at Avanti, is on record in the Transport Select Committee held on 14<sup>th</sup> December 2022 (Q92) stating that "I am telling you that we [Avanti] have enough drivers to run the service". It presumably follows then that driver recruitment and training has continued and that this positive position is maintained, particularly given the industry concerns around the level of likely retirement that may happen this year given the settling of driver pay disputes. Our plans involve recruiting and training drivers and offering more flexible arrangements to attract and retain retiring drivers. However, competition brings choice for both customers and staff, and this choice will keep all parties focussed on providing the best service to customers and attracting the best talent which surely is in the best interest of the industry, especially given the task ahead to recover lost passenger volumes.



5. We note DFT's concerns regarding the impact on HS2. We imagine that of bigger concern to the economic value of HS2 would be the current shortfall in passenger numbers when compared to growth on the East Coast. We believe that Virgin, as a trusted and respected brand, will help drive the market recovery in passenger numbers that HS2 will depend on. HS2 is intended to release capacity on the WCML and given the reports that capacity will be reduced to cities in the North compared to today by virtue of having smaller capacity trains, additional services must surely be needed. Given the current doubts about whether the HS2 Euston station will even be funded, we expect direct WCML services into London's Zone 1 to remain competitive in the future.
  
6. We note DFT's points over the capacity and performance of the south end of the WCML. We imagine that the power supply issues will be the largest concern which will not be upgraded until at least the end of CP7, and is the reason why we have chosen to operate initially with diesel rolling stock. Provision has been made in the current timetable for an "open access" (at xx36) path and our plan is to operate in that path and also in the unused Avanti paths that should be made available under Part J of the Network Code. As we do not plan to operate any more paths than are currently modelled in the timetable, we do not envisage any adverse impacts on capacity or performance.

We hope that the above responses will satisfy the DFT. We look forward to working together to grow the market with our trusted brand and renowned customer service and resetting the benchmark for delivering for our customers and people on the West Coast.

Yours sincerely,



**Phil Whittingham**  
Rail Consultant  
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