

Date: 21 June 2023

Item: Docklands Light Railway Franchise Procurement

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on the forthcoming procurement process planned to be undertaken by Docklands Light Railway Limited (DLRL) for the new franchise for the provision of passenger operations and maintenance of the Docklands Light Railway (DLR).
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda.**

3 Background

- 3.1 Under a franchise agreement entered into on 17 July 2014 all aspects of train and passenger service operations and maintenance of rolling stock and infrastructure on the DLR network are undertaken by Keolis Amey Docklands Limited (KAD). This franchise agreement will expire on 1 April 2025.
- 3.2 While operations and maintenance responsibilities sit with the current franchisee, DLRL owns all of the infrastructure estate, including those sections of the railway that have returned to DLRL ownership following the expiry of legacy Private Finance Initiative contracts in 2021.
- 3.3 The majority of the rolling stock fleet is owned by DLRL, but 24 of the vehicles are owned by the Royal Bank of Scotland under a lease signed in April 2005. DLRL is procuring a new fleet of 54 trains, 33 of these will replace the oldest trains on the network (not the leased vehicles) and 21 will provide additional capacity by supporting additional services on the network. These new trains will be introduced from 2024.

- 3.4 The current franchisee is remunerated for meeting a target level of service performance metrics with a package of incentives for increased performance and abatements for below target performance. These metrics relate primarily to achieving departures on time, journey times and customer service. In addition, the current franchisee is also incentivised to undertake revenue protection activities.
- 3.5 DLRL retains the revenue and passenger demand risk on the DLR network as well as the right to specify services. DLRL is also responsible for capital projects in relation to DLRL infrastructure. TfL centrally manages advertising, marketing, and commercial development activities on the network.
- 3.6 The current franchisee has been highly successful in performance terms with consistent high levels of operating performance (98.8 per cent of scheduled departures achieved to date during current franchise) and the second highest rail mode (first is the Elizabeth line) customer satisfaction (scoring 78 out of 100 in the latest periodic survey results). The current franchisee also delivered the full timetabled service during the pandemic with no cancelled services.
- 3.7 In April 2023, DLRL issued a Prior Information Notice (PIN) to inform the market about forthcoming potential procurement opportunities for services on the DLR, London Overground (LO) and Elizabeth line (EL), and an Early Market Engagement exercise is being carried out in June 2023 to provide more information to prospective bidders and seek their feedback.
- 3.8 Work across these procurements is being co-ordinated to ensure consistency in the service offering, contract design and engagement with the market. The high-level, indicative procurement programme for these procurements is set out in Appendix 1. Further papers will be presented to the Committee in due course in relation to the procurement process for LO and EL services
- 3.9 A paper on the forthcoming EL concession procurement appears elsewhere on the agenda for this meeting.

4 Procurement Process

- 4.1 In mid-June DLRL, EL and LO representatives will take part in a week of Early Market Engagement (EME) meetings with prospective bidders. These meetings will be conducted as one to one sessions with those parties who responded to the Prior Information Notice. During this EME, TfL will benefit from market testing key specification principles, as well as presenting an opportunity for the market to provide feedback. There are controls in place to ensure this EME is conducted in a manner that is fair and transparent and protects the integrity of the procurement process as well as the commercial confidentiality of the participants.
- 4.2 DLRL then intends to commence the procurement process for the New Franchise by issuing a contract notice in Summer 2023.

5 Next Steps

- 5.1 DLRL will return to the Committee in due course, to provide further updates (as appropriate), and to seek approval for the award of the new franchise agreement and related matters.

List of appendices to this report:

Appendix 1: High Level Strategic Rail Procurement Programme.

Exempt supplementary information is included in a paper on Part 2 of the agenda.

List of Background Papers:

None

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Appendix 1

DLR, EL and LO High Level Indicative Procurement Programme

