

Witness Name: Christopher Paul Booth

Statement No: 1

Exhibits: CPB/01 - CPB/02

Date: 20 August 2025

UK Covid-19 Inquiry Module 9

WITNESS STATEMENT OF CHRISTOPHER PAUL BOOTH

I, **CHRISTOPHER PAUL BOOTH**, of Lacon House, 84 Theobalds Rd, Holborn, London WC1X 8NL, will say as follows:

- 1 I am a Solicitor of the Senior Courts of England and Wales, and I am currently employed as the Group Legal Director by Arriva Limited ("**Arriva**"). A role which I have held since July 2025. Prior to that I was employed as the Legal Director by Arriva UK Trains Limited ("**Arriva UK Trains**") in a role which I held from 2014 until July 2025,
- 2 I make this witness statement in response to a request from Module 9 of the UK Covid-19 Inquiry pursuant to Rule 9 Inquiry Rules 2006 Reference M9/R9R/ARR.
- 3 The content of this witness statement is limited to the factual evidence that I can provide arising out of the commercial aspects of my roles for Arriva and Arriva UK Trains. I confirm that the matters set out in this statement are within my own knowledge and are true. Where I rely on information that is not within my own knowledge they are true to the best of my knowledge and belief and I state the source of that belief.

My role and responsibilities at Arriva UK Trains

- 4 In my role as Group Legal Director, I am responsible for managing and mitigating legal risk for Arriva and its subsidiaries. I am also member of the Arriva UK Trains Senior Leadership Team, which is the senior management team of Arriva UK Trains collectively responsible for the company's strategy. It is accountable for the sound running of the company's operations and monitors the (i) operational and financial performance of the company's subsidiaries, (ii) assessment and control of risk, (iii) prioritisation of growth opportunities, (iv) management of divisional resources, and

(v) the governance framework to ensure the effective discharge of legal, ethical and social responsibilities.

- 5 In addition, I was a statutory director of XC Trains Limited from 22 February 2024 until 31 July 2025. XC Trains Limited is the legal entity which operates the CrossCountry franchise under a National Rail Contract with the Department for Transport dated 13 October 2023 (“**CrossCountry**”).

Overview of Arriva and CrossCountry

- 6 Arriva and its subsidiaries roots are in Sunderland, where Arriva still maintains a significant presence. In 1938, TSK Cowie opened a second-hand motorcycle shop in Sunderland trading under the name of T Cowie Limited, and in 1948 the business was re-launched by Tom Cowie, the founder's son. In December 1964, T Cowie plc was floated on the London Stock Exchange. Arriva first entered the UK public transport market in 1980 with the acquisition of Grey-Green Coaches of London. In 1996, the acquisition of the British Bus Group, a national bus transport provider, made Arriva the United Kingdom's second largest bus company. Arriva expanded into the Mainland European bus market in 1997 with an acquisition in Denmark and at this point it was rebranded as Arriva.
- 7 In the 1990s Arriva moved away from motor vehicle sale and rentals to focus on opportunities in passenger transportation in the United Kingdom and Mainland Europe, and in 2000 Arriva entered the UK rail market. In 2010, Arriva was acquired by Deutsche Bahn AG and subsequently de-listed from the London Stock Exchange. Through a series of acquisitions and major tenders, Arriva expanded its transport operations and is now established as the leading pan-European public transport operator, present in 11 European countries.
- 8 Arriva is one of the top three rail operators in the United Kingdom measured by passenger revenue, passenger journeys and passenger kilometres. Arriva entered the UK rail market in 2000 and prior to the pandemic operated three passenger rail franchises operating on a net cost basis (CrossCountry, Chiltern and Northern), one concession operating on a gross cost basis (London Overground), one open access operation (Grand Central) and one maintenance business (Arriva TrainCare). The operation of the Northern franchise was transferred to the Department for Transport on the 1 March 2020.
- 9 At the time of the pandemic, the ultimate parent company of Arriva was Deutsche Bahn AG. Deutsche Bahn is an international provider of mobility and logistics services

operating globally in more than 130 countries. Its headquarters are in Berlin and it is wholly owned by the German state. For completeness, after the pandemic ownership of Arriva transferred from Deutsche Bahn to I Squared Capital in June 2024. I Squared Capital is a global specialist infrastructure investor with over \$40 billion in assets under management

- 10 The CrossCountry franchise is operated by XC Trains Limited ("**CrossCountry**"), which is a wholly owned subsidiary of Arriva UK Trains. Arriva UK Trains is wholly owned by MTL Services Limited, which in turn is wholly owned by Arriva.
- 11 CrossCountry is the country's most geographically extensive passenger rail franchise. CrossCountry services are centred around Birmingham New Street and run long-distance routes across Great Britain but not into London. CrossCountry's fleet comprises Turbostar and Voyager diesel trains, operated by roughly 2000 staff. These services carried both intercity business and leisure passengers across England, Scotland and Wales. The franchise has been operated by Arriva UK Trains since 2007, under successive franchise contracts awarded by the Secretary of State for Transport.

Overview of the UK rail industry prior to the pandemic

- 12 The UK rail industry was privatised by the Conservative Government in the 1990s with the stated intention that private sector operators would bring in an improved customer experience, greater innovations, better control of costs and more effective maximisation of revenue, taking and bearing risk in certain areas within the operator's control. In delivering this outcome, the UK Government competitively procured private operators to operate passenger services on the rail network by awarding franchises to train operating companies.
- 13 Since the initial privatisation in the 1990s, the UK rail franchise system has taken on a number of different forms, but, in short, a franchise is a time limited contract between the Government and a TOC to provide a specified set of services with specified performance outcomes, which balance risk and reward, with the franchise holder taking on the commercial risk of the franchise relating to the period in which it operates the relevant rail services.

Financial impact of the pandemic on Arriva UK Trains

- 14 Prior to the pandemic, CrossCountry operated on a stable basis under normal market conditions and earned modest profit margins in line with other train operating companies and owning groups within the UK rail industry.
- 15 CrossCountry operated under a net-cost franchise agreement which broadly had the same characteristics described above in paragraphs 12 and 13. Specifically, CrossCountry's main source of revenue was passenger fares, with only minor additional revenue being generated from ancillary services such as on-board catering. CrossCountry held the commercial risk for generating sufficient revenue to cover its operating costs.
- 16 In addition, CrossCountry was obliged to operate under a set of financial robustness rules. Those rules required CrossCountry to maintain sufficient forecasted assets (i.e. cash) to meet its forecasted liabilities on a rolling 13 rail period basis (a rail period is 4-week period used by the UK rail industry for planning purposes). Compliance against the rules was tested in each rail period by the Department for Transport. In assessing compliance against the rules, no downside modelling was included for a scenario where passenger revenue was reduced to the extreme levels seen during the pandemic.
- 17 CrossCountry had sufficient cash and was sufficiently capitalised, including being backed by parent company guarantees and bank issued bonds, to operate on a stable financial basis under the normal market conditions that were being experienced immediately prior to the pandemic.
- 18 The pandemic had an immediate and material impact on CrossCountry. In Spring 2020, passenger demand collapsed, with industry-wide passenger volumes falling by up to 96% at the height of the first lockdown. For CrossCountry, this meant the majority of its passengers were legally obliged by government-issued guidance to cease using its services.
- 19 This sharp decline in demand directly resulted in a substantial revenue shortfall. In March and April 2020, ticket revenue on CrossCountry routes fell by over 90%. With only essential services running, following timetable reductions agreed with the Department for Transport, passenger revenue was nearly non-existent.
- 20 By summer 2020, rail usage had plateaued at 10–20% of pre-pandemic levels, as social distancing measures remained in place. Consequently, CrossCountry's operating costs became unsustainable relative to its fare earnings. In short, each lost

passenger journey directly reduced revenue, and most services had minimal fare-paying passengers. The result was an almost total loss of revenue, putting CrossCountry at risk of insolvency without government intervention.

- 21 Despite its pre-pandemic financial stability, as outlined in paragraph 17, CrossCountry did not have the cash reserves or capital backing necessary to withstand the magnitude of revenue loss it experienced.
- 22 The immediate consequence was the incurrence of operating losses. Like other franchises, CrossCountry was unable to cut costs proportionally, as most of its operating expenses were fixed.
- 23 Under these extreme circumstances, CrossCountry had no ability to respond independently to the pandemic's effects. Urgent government support was required to allow it to continue providing services.
- 24 The pandemic also had lasting effects. Even after lockdown restrictions eased, passenger volumes remained well below pre-pandemic levels. Continued social distancing reduced train capacity, preventing CrossCountry from generating enough revenue to cover ongoing operating costs. As a result, the company faced an extended revenue shortfall, with no certainty about when market conditions would return to normal.

Financial support for Arriva UK Trains during COVID-19

- 25 When the UK Government introduced Emergency Measures Agreements in March 2020, CrossCountry accepted the terms because they were essential for maintaining services for key workers during the onset of the pandemic and also for avoiding potential insolvency. I exhibit the rail public register version of the Emergency Measures Agreement between XC Trains Limited and the Secretary of State for Transport dated 31 March 2020 (the "**XC Emergency Measures Agreement**") at Exhibit CPB/01 [INQ000642853].
- 26 Under normal franchise rules, operators bear full revenue and cost risk. The XC Emergency Measures Agreement structure reversed this: the Secretary of State for Transport assumed nearly all cost and revenue risk, guaranteeing a fixed payment to operators, provided they maintained good, efficient and responsible business practices.
- 27 CrossCountry's decision was influenced by three key factors:

- 27.1 First, the necessity of continuing operations, especially for key workers, meant fulfilling its contractual duty to provide as much service as possible to enable society to continue to function during and after the pandemic.
- 27.2 Second, without the XC Emergency Measures Agreement terms, the franchise contract would have been untenable due to the collapse in revenue.
- 27.3 Third, the XC Emergency Measures Agreement ensured financial stability through a guaranteed management fee, rather than relying on volatile ticket sales during an uncertain period.
- 28 In practice, accepting the XC Emergency Measures Agreement was not optional against the alternative. The government offered only the EMERGENCY MEASURES AGREEMENT framework. Refusing it would have led to loss of control and/or termination of the franchise. Arriva UK Trains and CrossCountry agreed to the XC Emergency Measures Agreement to ensure continuity of operations and retain financial stability during the crisis. In the circumstances I consider that the XC Emergency Measures Agreement was an appropriate and effective proposal to deal with the risks affecting CrossCountry during the pandemic.
- 29 Under the XC Emergency Measures Agreement, all revenue and cost risk was transferred from CrossCountry to the UK Government, fundamentally altering the company's financial structure. Instead of relying on unpredictable ticket sales to fund operations, CrossCountry received working capital payments. All operating costs, including train crew wages, maintenance contracts, fuel, leasing charges, and overheads, were funded by government, eliminating the risk of cash shortfalls caused by low patronage.
- 30 The management fee structure ensured that we operated on a fixed margin. The XC Emergency Measures Agreement outlined the management fee that CrossCountry would earn for operating its services. During the initial XC Emergency Measures Agreement term (1 April 2020 until 18 October 2020), the fee was equivalent to 1.81% of the pre-pandemic cost base. This ensured CrossCountry received a fixed margin over its costs, irrespective of passenger revenue, effectively providing a small but stable profit. Specifically, the XC Emergency Measures Agreement had a combination of fixed and variable fee. The maximum fee earnable by CrossCountry was 1.81% of actual operating costs, with the fixed component being 1.41% of actual costs. The remaining 0.4% fee earnable was based on a performance scorecard.

- 31 While this arrangement stabilised our finances, preventing losses from empty trains, it also limited financial upside in the event that pre-pandemic market conditions returned.
- 32 In anticipation of XC Emergency Measures Agreement term expiring, XC Trains Limited and the Secretary of State for Transport agreed a Operating Contract Franchise Agreement dated 13 October 2020, with a term between 18 October 2020 and 13 October 2023 (the “**Operating Contract Franchise Agreement**”). I exhibit the rail public register version of the Operating Contract Franchise Agreement at Exhibit CPB/02 [INQ000642854]. The Operating Contract Franchise Agreement fees were based on the unindexed cost base and subject to annual RPI uplift. The maximum fee (inclusive of indexation uplifts) earnable during the term of Operating Contract Franchise Agreement was 1.32% of actual operating costs, with the fixed component being 0.63% of actual costs.
- 33 The proposed fees reflected the scale and complexity of our operations, ensuring funds for staffing and maintenance rather than generating additional profit from fare revenue. This structure met Arriva UK Trains’ expectations under both the XC Emergency Measures Agreement and the Operating Contract Franchise Agreement, providing a reliable income stream to support day-to-day operations at the usual service level, without anticipating extra profit beyond the agreed fee.
- 34 No previous event in Arriva UK Trains’ history has provided financial support to train operating companies on this scale. Before the pandemic, UK rail franchises carried full demand risk, meaning operators absorbed any drop in revenue. Even during the 2008 financial crisis and other economic downturns, no government scheme waived both revenue and cost risk for operators.
- 35 The XC Emergency Measures Agreement and Operating Contract Franchise Agreement model of operation was unprecedented for franchised train operating companies. To our knowledge, the UK Government had never before guaranteed fixed profits or removed fare risk from franchise operators, who had historically borne potential losses. The XC Emergency Measures Agreement and Operating Contract Franchise Agreement model of operations represented a novel intervention: for the first time, the government paid franchisees a fixed management fee while covering virtually all costs. No comparable scheme had been applied to franchise operators, even in previous national emergencies.

- 36 Throughout the crisis, Arriva UK Trains and CrossCountry maintained regular communication with the Department for Transport. Our focus was to ensure the XC Emergency Measures Agreement and the Operating Contract Franchise Agreement framework was clearly understood and functioned effectively, rather than to seek additional funding beyond the agreed terms. In contract management meetings we raised queries regarding funding eligibility, such as the reimbursement of specific costs, and operational expectations. The Department for Transport consistently referenced the established contractual terms in its responses to our queries relating to incurring of unbudgeted costs relating to daily operations. For example, it is common for train operating companies to incur short term unplanned expenses in dealing with disruption either by way of funding ticket acceptance on alternative train operators or by funding rail replacement ground transport. Due to the speed at which some of these costs must be incurred it is not always possible to agree those expenses in advance with the Department for Transport. Accordingly, discussions would take place after the fact to establish whether such expenses had been properly incurred in accordance with the contractual terms. In our experience the Department for the Transport applied the contractual terms strictly.
- 37 We did not formally propose alternative funding mechanisms outside the XC Emergency Measures Agreement and Operating Contract Franchise Agreement model.
- 38 In summary, Arriva UK Trains and CrossCountry communicated concerns about cash flow and costs through normal channels. No indication was given that further financial support would be provided beyond the agreed payments. The government's position remained that our responsibilities were fully covered by the XC Emergency Measures Agreement and the Operating Contract Franchise Agreement structure, and Arriva UK Trains and CrossCountry focused on managing operations within this framework.

Lessons Learned and Reflections

- 39 Arriva UK Trains gained several critical insights from navigating the economic difficulties posed by the pandemic:
- 39.1 The crisis underscored the need for adaptable financial models that can respond to sudden revenue disruptions. Traditional franchise structures, which placed full revenue risk on operators, proved unsustainable in the face of extreme demand shocks.

- 39.2 Close coordination with the Department for Transport was essential in ensuring service continuity, safeguarding jobs, and maintaining operations despite financial uncertainty. The XC Emergency Measures Agreement and the Operating Contract Franchise Agreement model demonstrated the importance of structured government support in severe economic downturns.
 - 39.3 The pandemic reinforced the need for cost-control measures and operational efficiencies. Adjusting service levels dynamically and improving workforce planning proved vital in sustaining financial viability while meeting essential public transport needs.
 - 39.4 Retaining staff and delivering services at near-normal levels, despite low passenger numbers, was a key challenge. The experience highlighted the necessity of flexible workforce strategies and contingency planning for future crises.
- 40 Since the pandemic, Arriva UK Trains has also implemented several strategic measures to strengthen financial resilience:
- 40.1 Reducing dependency on passenger ticket sales by exploring alternative contract structures under which revenue risk sits with the party most appropriate to hold that risk.
 - 40.2 Improving financial forecasting methods to ensure resilience for uncertain economic conditions.
 - 40.3 Maintaining ongoing discussions with policymakers to refine transport funding models that can better support operators during future emergencies while delivering essential public services. Specifically, open access train operating companies, such as Arriva's Grand Central, were not provided with financial support for their operational costs during the pandemic beyond the support provided to the wider economy. This initially led to the full suspension of those rail services removing the ability of any key workers to travel on those services during the early stages of the pandemic. In future emergencies wider support to all train operating companies should be provided, regardless of their contractual relationship with the Department for Transport.

STATEMENT OF TRUTH

I believe that the facts stated in this Witness Statement are true.

Personal Data

Christopher Paul Booth

20 August 2025