

ERNESTO SICILIA

Number of Statement: 1

Date of Statement: 3 October 2025

COVID-19 PUBLIC INQUIRY

WITNESS STATEMENT OF ERNESTO SICILIA

I, Ernesto Sicilia, will say as follows:

1 Introduction

- 1.1 I make this statement in response to a letter sent from the UK COVID-19 Inquiry (the "**Inquiry**") to Trenitalia c2c Limited ("**TI c2c**") requesting a witness statement covering the matters listed in Annex 1 to that letter, pursuant to Rule 9 of the Inquiry Rules 2006 (the "**Rule 9 Letter**"). That Rule 9 Letter was sent by the Inquiry in draft form on 26 March 2025 with a final draft version received from the Inquiry on 3 July 2025. The sub-headings in this statement mirror those used in Annex 1 of the Rule 9 Letter.
- 1.2 I am a director of TI c2c and have been in this post since 17 February 2017. I also sit as managing director on the board of TI c2c's parent company Trenitalia UK Limited and have held this post since October 2016.
- 1.3 As requested by the Inquiry, this statement focusses on the period between 1 January 2020 and 28 June 2022, to which I will refer to as the "**Specified Period**".
- 1.4 In this statement I have included references to certain exhibits (in the format "ES/1 – INQ000652691"), which are also listed in the schedule at Appendix 1.

- 1.5 This statement is made to the best of my knowledge and belief. Where I refer to matters outside my direct knowledge, I have indicated this and set out the basis for my understanding.
- 1.6 This statement is focused on the Emergency Measures Agreement and Emergency Recovery Measures Agreement that were put in place between the Department for Transport and TI c2c in 2020. For context, the Emergency Measures Agreements were emergency measures put in place with privately owned franchised train companies such as TI c2c in April 2020 to mitigate the financial impact of the pandemic and ensure that rail services could continue to operate. The Emergency Measures Agreements temporarily amended the underlying franchise agreement. I have exhibited a copy of the Emergency Measures Agreement agreed between TI c2c and the Secretary of State for Transport to this statement at ES/1 - INQ000652691, in the redacted form which is available on the Department for Transport's website. The Emergency Measures Agreement was replaced by an Emergency Recovery Measures Agreement in September 2020, which was a further temporary amendment to the underlying franchise agreement. I have exhibited a copy of the Emergency Recovery Measures Agreement agreed between TI c2c and the Secretary of State for Transport to this statement at ES/2 - INQ000652692, also in the redacted form which is available on the Department for Transport's website.

2 PART A: Financial impact of the pandemic on TI c2c

- 2.1 TI c2c is a subsidiary of Trenitalia UK, which in turn is a subsidiary of the Italian railway operator Trenitalia S.p.A., with Ferrovie dello stato Italiane S.p.A. as ultimate shareholder. During the Specified Period (and in the period up to 20 July 2025) TI c2c was the operator of the Essex Thameside railway franchise, which provides passenger rail services between London and Shoeburyness, South Essex. Whilst most of these services run to/from London Fenchurch Street station, a small number of services run to/from London Liverpool Street station.
- 2.2 These services have been operated under the "c2c" brand since the early 2000s. Following a competitive bidding process, the company TI c2c has operated these services since November 2014. Between November 2014 and February 2017, the company was known as NXET Trains and was a subsidiary of the National Express Group. In February 2017, Trenitalia purchased NXET Trains from National Express Group and NXET Trains was renamed TI c2c. TI c2c continued to operate under the Essex Thameside railway franchise agreement (the "**Franchise Agreement**") that had been agreed between NXET Trains and the Secretary of State for Transport in

2014 for a term of 15 years. The geographical regions that the Essex Thameside railway franchise covers has been consistent since at least the commencement of the Franchise Agreement in November 2014.

- 2.3 TI c2c has consistently been one of the most punctual and reliable train operators according to statistics published by the Office of Rail and Road in its Passenger Rail Performance Reports. In addition, in 2020, TI c2c had been awarded the 'Golden Whistle' for the Best On Time Performance in London and the South East, as set out in Exhibit ES/3 - INQ000652693 to this statement. TI c2c was also awarded Rail Operator of the Year at the National Transport Awards in 2018.
- 2.4 As set out in TI c2c's accounts for the year ending 2019, which I exhibit to this statement at ES/4 - INQ000652694, turnover for the business was in the region of £192m (although the business did ultimately experience a loss of £22m in 2019) and 49 million passenger journeys were taken. TI c2c's passengers comprise of both commuters and leisure travellers.
- 2.5 I have been asked about TI c2c's financial position entering the pandemic. Despite its strong operational performance (as outlined in paragraph 2.3 above), TI c2c's financial position prior to the pandemic was challenging. This was due to the terms of the Franchise Agreement which had been agreed between NXET Trains and the Secretary of State for Transport in 2014. I explain more about this below.
- 2.6 Under the Franchise Agreement, net premium payments were payable as part of the payments to the Department for Transport by TI c2c ("**Premium Payments**") in each "Railway Reporting Period". A "Railway Reporting Period" is typically a four-week period, with the first and last Railway Reporting Periods in each 1 April – 31 March year being slightly longer or slightly shorter than four weeks. The level of each Premium Payment was calculated based on projections that NXET Trains were required to model at the bidding stage for the Franchise Agreement. The Premium Payments were based on the costs NXET Trains believed were likely to be incurred in delivering the Franchise Agreement, and the revenues that would be generated from delivering the services. Taking into account both costs and revenues, a payment by Railway Reporting Period was then determined and included as a required contractual payment in the Franchise Agreement. The Premium Payments were determined as part of the bidding process and were committed to over the course of the 15 years of the Franchise Agreement.

- 2.7 While costs remained in line with expectations (i.e., in line with those projected at the bidding stage), revenues did not grow at the pace they were envisioned to. This was due to changes in commuting patterns, facilitated by technology such as video calling, which led to a decline in passenger numbers due to working from home. This trend was accelerated by the pandemic but had begun before lockdown commenced albeit to a smaller degree. This meant that for example, revenue from season tickets had begun to decline in 2019. Despite this, TI c2c were obliged to continue to pay the Premium Payments at the level committed to in the Franchise Agreement. Eventually, this resulted in liquidity issues.
- 2.8 Said liquidity issues triggered the requirement to draw down on Parent Company Support arrangements contemplated by the Franchise Agreement and set out in a separate Parent Company Support facility. Under these arrangements, TI c2c was required to draw funding from its parent company, Ferrovie dello stato Italiane S.p.A., if certain financial tests set out in the Franchise Agreement were not met. The funding would be drawn down to provide financial liquidity at least at the levels specified in the Franchise Agreement. Unlike some other franchises, the TI c2c's Franchise Agreement did not include mechanisms to mitigate the impact on revenue of risks outside its control. As a result, any liquidity shortfall required support from the parent company, Ferrovie dello stato Italiane S.p.A., under the Parent Company Support facility. Immediately before the COVID-19 intervention, £132 million of the available £140 million Parent Company Support facility had been drawn down into TI c2c. If this facility had been exhausted, default under the Franchise Agreement would have been triggered unless further liquidity was provided.
- 2.9 In recognition of these pressures, TI c2c and Trenitalia UK had been in discussions with the Department for Transport regarding a new directly awarded franchise agreement (which would have replaced the existing Franchise Agreement) from mid-2019. This would have been aimed at addressing the financial challenges but also overcrowding by investing in digital signalling technology to increase capacity. These discussions continued until February 2020, when the pandemic hit.
- 2.10 In early 2020, TI c2c's directors were closely monitoring liquidity against Franchise Agreement requirements, with the Parent Company Support facility almost fully drawn. Therefore, TI c2c did not have reserves beyond those required by the Franchise Agreement (i.e., beyond the Parent Company Support facility arrangements) to withstand the economic shock of the pandemic.

- 2.11 I have been asked about the economic impact of the pandemic on TI c2c, both in the short and long-term. I have also been asked what impact the reduced passenger numbers had on revenue.
- 2.12 Between March 2020 and June 2020, passenger demand for single journey tickets (i.e. those not included in season tickets) fell by 90% compared to 2019 levels, recovering to in the region of 30-40% of prior demand as restrictions eased (between June 2020 and August 2020). These reductions were initially as a result of people not wanting to travel due to the risk of contracting the virus, and then due to lockdowns and travel restrictions.
- 2.13 These reduced passenger numbers had a significant impact on revenue. Revenue from journeys taken in financial year 2019-2020 (including all ticket types such as 'Anytime' 'Off-Peak' and season tickets) was £175m. This revenue was generated from around 47 million journeys. For financial year 2020 – 2021, revenue from passenger journeys fell to £44m. This represented revenue from around 16 million journeys.
- 2.14 At this time, costs remained unavoidable; for example, TI c2c employees were not furloughed, as there was a need to continue operating to provide essential railway passenger services for key workers and for those who still needed (and were permitted) to travel for other reasons. This provision of essential services incurred additional costs to ensure compliance with safety guidance, including costs related to social distancing and cleaning, for example, enhanced chemical cleaning materials, floor markings on train floors and stations, partitioning equipment for gate-line staff, and additional driver costs related to restrictions on the number of people allowed in smaller spaces.
- 2.15 In the medium term, pay rises for employees were postponed, leading to industry-wide disputes and strike action, which further increased the subsidy funds required from the Department for Transport to maintain the operation of the business.
- 2.16 Throughout the pandemic period, TI c2c carefully monitored train loadings to ensure social distancing and later to match service levels to the slower-than-expected recovery in demand. Service frequencies were adjusted accordingly, with peak and off-peak services reduced during lockdown and gradually restored as restrictions eased.
- 2.17 Four years on, passenger journeys and revenues have not returned to pre-pandemic levels. In autumn 2022, TI c2c's 'Customer Intention to Travel' Survey

indicated that average commuter journeys would fall from four return trips per week in 2019 to two or three return trips post-pandemic, suggesting a long-term reduction in commuting demand. This trend has largely materialised. In 2024/25, season ticket journeys are down to 6 million journeys compared to 17 million journeys in 2019/20, anytime/peak tickets are down to 13 million from 16 million, and off-peak tickets are up from 13 million to 17 million. Overall, journeys are down to 37 million in 2024/2025 from the total of 47 million in 2019/20, although it is acknowledged that the opening of the Elizabeth Line will account for a small percentage of this reduction.

- 2.18 Costs have also increased following the pandemic. However, it is difficult to assess whether this is as a result of the pandemic, given the existence of additional pressures such as Brexit, energy price rises, and inflation.

3 PART B: Financial support for TI c2c during Covid-19

- 3.1 I have been asked why TI c2c decided to accept an Emergency Measures Agreement/Emergency Recovery Measures Agreement for the Essex Thameside franchise.
- 3.2 Both the Emergency Measures Agreement and Emergency Recovery Measures Agreement were presented to c2c by the Department for Transport without scope for negotiation, save for clarifications and the ability to submit any key observations. The alternative was reversion to the original Franchise Agreement, unamended and with no revenue support, which would have rendered TI c2c unable to continue as a 'going concern'.
- 3.3 I have been asked what impact the transfer of all revenue and cost risk to government under the Emergency Measures Agreement/Emergency Recovery Measures Agreement had on TI c2c's financial operations. This transfer did not fundamentally change TI c2c's day-to-day operations, other than timetable adjustments. However, there was significantly increased scrutiny of costs by the Department for Transport, with enhanced financial reporting and approval processes. This required significant additional investment in the finance team. Additionally, TI c2c was required to provide detailed evidence throughout the operation of the Emergency Measures Agreement so that the Department for Transport could evaluate its performance under the same. There was therefore an increase in administrative costs.

- 3.4 TI c2c developed a strategy recognising the change in funding position, which now included public funded subsidies. This included the development of its Net-Zero Strategy.
- 3.5 I have been asked about the management fee that was paid to TI c2c including what the specific management percentage fee agreed was and how this aligned with TI c2c's operational expectations.
- 3.6 Under the Emergency Measures Agreement, the fixed management fee was £153,000 per Railway Reporting Period. This resulted in a total payment of £1.071m. The Emergency Measures Agreement also provided for a scaled fee based on TI c2c's performance against three criteria, commonly referred to as the "performance-based fee". The three criteria were operational performance, customer experience and "acting as a good and efficient operator". The performance-based fee involved the Department for Transport assessing c2c's performance against those criteria and awarding TI c2c a score, which then corresponded with a particular level of performance-based fee. This fee was capped at £357,000 for the six-period duration. TI c2c achieved the maximum performance-based fee under the Emergency Measures Agreement.
- 3.7 Under the Emergency Recovery Measures Agreement, the fixed management fee was £51,000 per Railway Reporting Period. This resulted in a total payment of £561,000. The maximum performance-based fee was £102,000 per Railway Period and was evaluated across more criteria than under the Emergency Measures Agreement. These criteria included operational performance, financial performance, Network Rail collaboration, Secretary of State collaboration and other collaboration. I understand that this was consistent with a change in Department for Transport's policy to rebalance how operators were remunerated, with greater emphasis being placed on performance. TI c2c received a performance-based fee of £281,000 in accordance with the Department for Transport's assessment.
- 3.8 The management and incentive fee structures were set by the Department for Transport and not subject to negotiation. The primary consideration for TI c2c was the going concern of the business, rather than the specific fee levels.
- 3.9 I have been asked about the financial support that TI c2c received by way of operational support payments including the amount and timing of any payments, whether the payments were made under the Emergency Measures

Agreement/Emergency Recovery Measures Agreement and the factors that determined the level of financial support.

- 3.10 The Department for Transport publishes a spreadsheet detailing operational support payments made to each operator which is now produced and shown to me, which I exhibit as ES/5 – INQ000652695. This spreadsheet details the payments TI c2c received in each period of each financial year in accordance with the Emergency Measures Agreement/Emergency Recovery Measures Agreement mechanisms. The spreadsheet sets out the figures relating to TI c2c (those entries labelled “Essex Thameside”) during the Specified Period.
- 3.11 The level of support was determined by the underlying trading position of the business, with the Department for Transport subsidising actual costs net of revenue. This was calculated using a mechanistic calculation contained in the Emergency Measures Agreement/Emergency Recovery Measures Agreement.
- 3.12 I have been asked whether a similar financial support initiative had been implemented in response to crises previously. To my knowledge, no similar financial support initiative has been implemented. Indeed, I am not aware of any other crises involving TI c2c during the period of the Franchise Agreement.
- 3.13 I have been asked whether TI c2c raised any concerns about the financial support it received or advocated for additional support. The level of financial support was determined by the Emergency Measures Agreement/Emergency Recovery Measures Agreement mechanisms. TI c2c was in regular dialogue with the Department for Transport’s franchise management and finance teams as a result of the oversight and reporting mechanism introduced as part of the Emergency Measures Agreement/Emergency Recovery Measures Agreement (see paragraph 3.3 above). For example, as would be the ordinary course of business when agreeing budgets and business plans) but I am not aware of any formal escalation of concerns regarding the level of funding or requests for additional support.
- 3.14 I have been asked whether TI c2c proposed alternative funding mechanisms or interventions to better support the transport network during the pandemic. TI c2c did not propose alternative funding mechanisms to those implemented by the Department for Transport.
- 3.15 I have been asked what TI c2c considers to be the strengths and weaknesses of the design and implementation of the Emergency Measures Agreement/Emergency Recovery Measures Agreement. The Emergency Measures Agreement was

designed and implemented rapidly by the Department for Transport, ensuring continuity of service and financial stability for TI c2c and the wider industry. As explained, TI c2c had little to no influence on the terms of the Emergency Measures Agreement and, subject to clarifications, simply had to accept or reject what was offered. No TI c2c employees were financially impacted (i.e., employees continued to be paid as normal), and the company continued to meet its obligations to creditors and provide essential services albeit on the reduced basis described above in this statement due to the necessary impacts of the pandemic.

3.16 The transition to the Emergency Recovery Measures Agreement introduced more complex obligations and greater Department for Transport oversight, which increased administrative costs. The transition to the Emergency Recovery Measures Agreement was prompt and did address TI c2c's concerns regarding the Franchise Agreement.

3.17 The Emergency Recovery Measures Agreement's design for termination of the Franchise Agreement was necessarily complex but appeared fair across operators. The clarification process (as referred to in paragraph 3.2) was important, though at times communication could have been improved.

4 PART C: Lessons Learned and Reflections

4.1 I have been asked about the lessons TI c2c has learned from managing the economic challenges of the pandemic and the steps taken since the pandemic to improve financial resilience and preparedness for economic shocks in a future civil emergency. I have also been asked to detail any recommendations that TI c2c would ask the Chair to consider in order to improve the economic response to a future pandemic.

4.2 Since 20 July 2025, Essex Thameside railway franchise went into public ownership and is now managed by the Department for Transport. As such, should any future financial resilience issues arise, TI c2c, and the Trenitalia group as a whole, will not be a part of this market. Therefore, I do not feel able to respond to questions regarding future financial resilience.

5 Use in Evidence

5.1 I am content for this statement to be disclosed to the COVID-19 Public Inquiry for use in evidence.

6 Statement of Truth

6.1 I believe that the facts stated in this witness statement are true. I confirm that I am willing for the statement to form part of the evidence before the Inquiry and to be published on the Inquiry's website, subject to any redactions applied by the Inquiry.

Signed:

PD

3 October 2025

Appendix 1: Schedule of Exhibits

Exhibit Reference	Paragraph Reference	Description	Inquiry Reference (if known)
ES/1	1.6	Emergency Measures Agreement ("EMA") in respect of the Franchise Agreement dated 15 July 2014 made between The Secretary of State for Transport and Trenitalia c2c Limited	INQ000652691
ES/2	1.6	Emergency Recovery Measures Agreement ("ERMA") dated 19 September 2020 made between The Secretary of State for Transport and Trenitalia c2c Limited	INQ000652692
ES/3	2.3	c2c Press Release – 29 January 2020	INQ000652693
ES/4	2.4	Trenitalia c2c Limited – Accounts for year ending 31 December 2019	INQ000652694
ES/5	3.10	Operational support to franchised passenger rail operators under Emergency Agreements and National Rail Contracts	INQ000652695