

Greater Western Franchise

Invitation to Tender

June 2005

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Important Notice

This document is issued by the Strategic Rail Authority (the Authority) pursuant to its functions and duties under the Railways Act 1993 (the Railways Act), the Transport Act 2000 (the Transport Act) and the Directions and Guidance (D&G) issued to the Authority under the Transport Act. The powers of the Authority in relation to franchising and the re-letting of franchises can be found in the Railways Act and the Transport Act, which can be accessed via <http://www.hmso.gov.uk/legis.htm>.

All references in this document to the Authority include, where appropriate and unless the context otherwise requires, references to the Authority's predecessors and successor(s). In the event that responsibility for rail franchising transfers from the Authority to the Department for Transport (DfT Rail) prior to signature of a franchise agreement, the procedures and policies set out in this document will continue to apply.

All references in this document to Network Rail include, where appropriate and unless the context otherwise requires, references to Network Rail's successor(s).

This document is not a recommendation by the Authority, or any other person, to enter into or agree to amend a Franchise Agreement or to acquire shares in the capital of any company which is to operate, or in any parent company of the company which is to operate, passenger rail services or railway assets under the Greater Western franchise. In considering any investment in the shares of any company or in bidding for the award of the Greater Western franchise, those who have been invited to submit bids (Bidders), potential contractors, funders and investors should make their own independent assessment and seek their own professional financial, taxation and legal advice and conduct their own investigations into the opportunity of being awarded the Greater Western franchise and of the legal, financial, taxation and other consequences of entering into the Greater Western franchise agreement (the Franchise Agreement).

The information contained in this document (Disclosed Information) has been prepared to assist interested parties in considering whether or not to make a bid proposal (a bid) in relation to the provision of the passenger rail services and other services comprising the Greater Western franchise and, if so, how to make it. It does not purport to be all-inclusive or to contain all of the information that a Bidder may require. Contracts may also change as a result of the process of migrating the three existing Franchises that will create the Greater Western franchise. The descriptions of existing and proposed contractual arrangements are of a general nature only. Where the document describes any contractual arrangements, which are not yet in force, those arrangements may change. Any reference to a contract or other document is qualified in full by reference to the entire terms of the contract or document referred to.

Neither the Authority nor any of its directors, employees, agents or advisers makes any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the Disclosed Information. All such persons or entities expressly disclaim any and all liability (other than in respect of fraudulent misrepresentation) based on or relating to any such information or representations or warranties (express or implied) contained in, or errors or omissions from, this document or based on or relating to the recipient's use, or the use by any of its subsidiaries or the respective representatives of any of them in the course of its or their evaluation of the Greater Western franchise opportunity or any shares in the capital of any Franchisee or any other decision. In the absence of express written warranties or representations as referred to below, the Disclosed Information shall not form the basis of the Franchise Agreement or any other agreement entered into in connection with the award of the Greater Western franchise or the acquisition of shares in any company or the operation of any railway service (as defined in the Railways Act) or in connection with the replacement or acquisition of a passenger rail Franchise.

The only information which will have any legal effect and/or upon which any person may rely will be such information (if any) as has been specifically and expressly represented and/or warranted in writing to the Bidders in the relevant Franchise Agreement or in any other relevant agreement entered into at the same time as the Franchise Agreement is entered into or becomes unconditional.

This document and the information contained in it is confidential and is being issued only to persons who have entered into an appropriate Franchise Letting Process Agreement (FLPA). Neither this document, nor any part of it nor any other information supplied in connection with it, may, except with the prior written consent of the Authority, be published, reproduced, copied, distributed or disclosed to any person other than in confidence to the recipient's advisers, nor used for any purpose other than consideration by the recipient of whether or not to make a bid. If the recipient does not continue with its interest in the award of the Greater Western franchise, or if the Authority notifies the recipient that the process has ceased, or that the recipient is no longer being considered for the award of the Greater Western franchise or otherwise upon request by the Authority, the recipient will promptly return this document and any other information provided in connection with it to the Authority, without retaining any copies or reproductions in any form.

The Authority reserves the right at any time to issue further supplementary instructions and updates and amendments to the instructions and information contained in this document as it shall in its absolute discretion think fit.

Freshfields Bruckhaus Deringer, Ernst & Young, and Jacobs Consultancy are acting for the Authority, in each case in relation to the award of the Greater Western franchise, and will not regard any other person as their client or be responsible to anyone other than the Authority for providing the protections afforded to their clients nor for advising any other person on the contents of this document or any matter referred to in it.

The Authority will not be responsible for the costs or expenses of any Bidder in relation to any matter referred to in this document howsoever incurred, including the evaluation of the Greater Western franchise opportunity, the award, or any bid for the award of the Greater Western franchise, or negotiation of the Franchise Agreement.

Unless the context otherwise requires, capitalised terms used in this document shall have the same meaning given to them as in the Franchise Agreement.

This ITT document should be read in conjunction with the Franchise Agreement.

June 2005

1 Introduction and Context

1.1 Purpose of this Invitation to Tender

This Invitation to Tender (ITT) sets out:

- the Greater Western franchise proposition for which the Authority is seeking bids;
- how the competitive process will work;
- how Bidders should complete their bids; and
- how the evaluation process will work.

Appendices and a number of documents are attached which set out the requirements for the completion of bids and additional relevant information.

The Authority's aim is for the new Greater Western franchisee (the Franchisee) to start operating train services and the stations on the network transferred to it from Great Western Trains Company Limited (FGW), First Great Western Link Limited (FGWL) and Wales and West Passenger Trains Limited (Wessex) (together - the Incumbent TOCs) with effect from Saturday 1 April 2006.

1.2 Railways Act 2005

The Railways Act 2005 received Royal Assent on 7 April 2005. Amongst other things, the 2005 Act provides for the abolition of the Authority and for its franchising functions to pass to the Secretary of State for Transport. This abolition and transfer will only take effect on the order of the Secretary of State.

That order is anticipated during the course of the summer of 2005. In the meantime, the Authority and DfT Rail are taking steps to ensure a smooth transition. It is likely that, notwithstanding the issue of this ITT by the Authority, Bidders will be required to submit their bids to DfT Rail. Bidders will be advised in due course of any changes to the requirements set out in this ITT for the submission of bids.

1.3 The Authority's Overall Strategic Objectives

The Government has made it clear that total industry costs must reduce, and this must be reflected in the Authority's objectives for the franchise replacement programme. These are:

- to maintain high standards of safety;
- to improve operational performance and sustain a level of service quality consistent with meeting customer needs as they develop;
- to deliver an efficient service within public expenditure constraints that represents value for money for passengers and taxpayers; and
- to secure accountable, viable operators who are able to demonstrate a culture of excellence and continuous improvement and with a vision for the future direction of the Franchisee.

1.4 Scope of the Greater Western franchise

The Greater Western franchise consists of three existing passenger franchises with the following broad characteristics:

- FGW: Inter-City Services between London Paddington to South Wales, the South West and the Cotswolds. Approximately half of all journeys are leisure trips, a third business travel and the remaining sixth commuting. Trips to/from and through London Paddington dominate, and represent approximately 85 per cent. of passenger revenue. Bristol (Temple Meads/Parkway) and Cardiff to London are the largest revenue flows.
- FGWL: Mainly suburban and inter-urban services to the west of London together with longer distance services on the Cotswold lines. There are a substantial number of local services into Reading including those on the route to Gatwick Airport. Business is dominated by relatively short distance journeys with two-thirds passing through Paddington.

About half of the total business comprises commuting journeys. Non-London flows are also significant in passenger journey terms, including journeys into Reading where commuting is significant. Oxford, Windsor, Henley and the Cotswolds attract a significant volume of leisure trips.

- Wessex: a regional franchise with relatively diverse markets, which can be segmented generally into inter-urban, predominately leisure trips, Bristol area suburban, and Devon & Cornwall local journeys. Journeys are typically commuting or shopping trips from small dormitory towns to the adjacent main centre. On the West Country branches and the Heart of Wessex Line (Bristol to Weymouth), there is considerable seasonal variation in demand and the lines perform an important role in supporting the West Country tourist economy. There is also a key feeder role into Intercity trains, predominately for London, where there is no through train, e.g. from Torbay, Weston-super-Mare, and the Stroud Valley.

The Cardiff – Portsmouth express service earns nearly half of Wessex passenger revenue, and accounts for 40 per cent. of total passenger journeys. Of the total journeys on the service, two-thirds are leisure, and much of the remainder comprises commuter journeys for work/education. The commuter markets into central Bristol from Newport/ Gloucester/ Bath/ Weston have been experiencing strong growth in recent years.

In December 2004, FGW and FGWL services were significantly re-cast with the objective of improving services from key markets (e.g. Oxford) and raising performance levels by reducing conflicting moves on lines out of Paddington.

From a planned date of 12 June 2005, FGWL will commence operation of the Heathrow Local Service (HLS) in partnership with British Airports Authority (BAA). This will be a half-hourly service between Paddington and Heathrow Airport calling at all stations apart from Acton Main Line. These services are included in the Greater Western Service Level Commitment up to December 2006 (SLC1) and post December 2006 (SLC2). A summary of the trading arrangements with BAA in respect of HLS is contained in Appendix 2 (Summary of the Heathrow Local Service).

A proposal is being finalised whereby, from December 2005 Wessex will take over the operation of those services currently run by Arriva Trains Wales (ATW) between Bristol and Exeter/Penzance. This would change the service pattern and will be included in SLC1. Full details will be placed in the Data Room, as defined in Section 2.11 (Data Room).

The Greater Western franchise will therefore consist of:

- from the Franchise Commencement Date of 1 April 2006 until the December 2006 Passenger Change Date, the resources and rights to enable the Franchisee to operate services and stations transferred to it from the Incumbent TOCs. These services are described in SLC1. In order to ensure continuity of track access rights for the Franchisee, the Authority will instruct the Incumbent TOCs to obtain track access rights from expiry of the Incumbent TOCs' franchise agreements to the first Passenger Change Date in December 2006; and
- from December 2006 until expiry of the Greater Western franchise, the resources and rights to enable the Franchisee to operate revised services and stations as specified by the Authority on the Greater Western network. These services will be bid for by the Incumbent TOCs on the instruction of the Authority to enable the service changes defined in SLC2 to be operated from December 2006.

A map of the Greater Western franchise area and routes is included as Appendix 1 (Map of the Greater Western franchise area and Routes).

1.5 The Authority's Objectives for the Greater Western franchise

In addition to the strategic objectives set out above and in relation to the Greater Western franchise the Authority requires the Franchisee to:

- manage crowding (both Peak and seasonal) and formulate its Train Plan on the basis that all practical steps are taken to achieve the Authority's 20-minute standing guideline within value-for-money constraints;
- exploit growing market opportunities (e.g. Bristol – London, Cardiff – Portsmouth, airport traffic) and introduce more consistent service patterns to better match demand (e.g. Bristol – Penzance);
- work with the Authority throughout the Franchise Term to further develop the train service to meet changing market needs;
- commit to the principles and practice of continuous improvement in all managerial and operational areas of the Greater Western franchise;
- work with the Authority to help deliver the objectives of the 'Community Rail Strategy' where appropriate;
- co-operate with the development and implementation of longer term rolling stock strategies, including the replacement of the High Speed Train (HST);
- maintain a strong regional orientation, responsive to the needs and aspirations of local stakeholders; and
- co-operate with the development and implementation of the Crossrail project (Crossrail) in the event that authorisation and funding are secured.

Bidders are required to confirm that they will cooperate with key stakeholders over the life of the Greater Western franchise to facilitate efficient implementation of Major Projects and any other

industry change likely to impact on or affect the Greater Western franchise. Bidders must separately identify any costs which they attribute to such cooperation.

1.6 Stakeholder Consultations

Consultation with stakeholders (Stakeholder Consultation) on SLC2 will take place concurrently with the period during which Bidders must formulate their bids (the Bid Preparation Phase).

A copy of the Stakeholder Consultation Document is attached at Attachment G. If the stakeholder consultation results in any requirement to consider the provision of alternative services to those described in SLC2 then the Authority reserves the right to seek Priced Options to cover such change.

Section 2: Information and Instructions to Bidders

2.1 Franchising Timetable and Process

The remaining stages of the process for appointing the Franchisee – Bid Preparation; Bid Evaluation and Negotiation; and Mobilisation – together with their indicative timings are summarised in the table below.

The Authority seeks the mobilisation of the new Greater Western franchise immediately following the execution of the Franchise Agreement, with the Franchisee assuming responsibility for the operation of existing services with effect from Saturday 1 April 2006. Accordingly, Bidders need to consider and, where appropriate, undertake any preparatory work that should be carried out in advance of the execution of the Franchise Agreement to facilitate the commencement of services on the required date.

Stage	Description	Party Responsible	Planned Date
Bid Preparation	Preparation of bids	Bidders	1 June 2005 – 6 September 2005
	Submission of bids	Bidders	6 September 2005
Bid Evaluation & Negotiation of Bids	Evaluation of bids	Authority	7 Sept 2005 – 26 October 2005
	Clarification, negotiation and agreement to terms of the Franchise Agreement and related documentation. Secretary of State consent to Greater Western franchise award	Authority and Bidder(s)	28 October – 21 December 2005
Mobilisation	Prepare for transfer of operations	Franchisee	January – March 2006

The Authority reserves the right to alter or terminate this process or the timetable at its sole discretion. Bidders will be informed of any such changes.

2.2 Changes in Circumstances

Bidders (including for this purpose each participant in any joint venture or consortium arrangement) are required to notify the Authority of the occurrence of any of the events listed below (for the purposes of this Section 2.2, a ‘change in circumstances’) promptly, and in any case no later than 21 days after such change in circumstances, save where the change in circumstances occurs less than 21 days prior to the ‘Cut-Off-Date’ (being the 28th day before the last day of the Bid Preparation Phase). Where the change in circumstances occurs less than 21 days prior to the Cut-Off Date, the relevant Bidder shall inform the Authority of the change in circumstances promptly, and in any case, no later than the Cut-Off Date.

A change in circumstance means the occurrence of any of the following:

- any change to their corporate structure or the structure of the bid vehicle from that set out in their application to qualify to receive this ITT. This includes the grant of any options to acquire shares, any agreement relating to the exercise of rights attaching to such shares, and any amendments to a shareholders’ agreement, articles of association or similar constitutional documents;

- any changes to the information provided to the Authority as part of the pre-qualification process; or
- any other changes to their circumstances, or the basis of their bids, which may be expected to influence the Authority's decision on the suitability of the bid vehicle to be the Franchisee for the Greater Western franchise.

Any such notification shall provide full details of the proposed change, including final form copies of the documentation required to put such change into effect.

The Authority reserves the right to approve or reject such changes (including any changes to the basis on which the Bidder pre-qualified to receive this ITT), or to impose such conditions as it considers appropriate. The Authority further reserves the right to exclude a Bidder from further participation in the competition where it rejects any such changes.

Bidders are required to complete the table in the format provided in Section 2.8 (Non-Compliance Statements) as appropriate.

2.3 Competition Matters

As advised in the Pre-Qualification Questionnaire documentation, the award of a rail franchise could create a merger that may be considered by the Office of Fair Trading (OFT), and possibly referred to the Competition Commission for further investigation. Bidders are now instructed to submit a complete notification (Notification) to the OFT within two weeks of receipt of this ITT and provide a copy of their Notification to the Authority prior to bid submission.

If the turnover of the parties to a merger exceeds certain turnover thresholds, the merger must be notified to the European Commission and Bidders must inform the Authority promptly if a notification to the European Commission is required. Bidders must also comply with the notification and co-operation requirements that are set out in the Pre-Qualification Questionnaire documentation.

The Authority does not expect to delay selection of a preferred Bidder if inquiries by the OFT and/or the Competition Commission or the European Commission (together the Competition Authorities) are not complete. Bidders will be at full risk for implementing any requirements mandated by the Competition Authorities.

If any Bidder is advised by any of the Competition Authorities that the award of the Greater Western franchise would be subject to any prohibitions, divestments of interests or undertakings which, in the view of the Authority, would prejudice the Greater Western franchise, or any other franchise, the Authority reserves the right to disqualify that Bidder from the Greater Western franchise replacement process. Bidders are also at full risk of this occurrence.

2.4 Cost of Bidding and Model Audits

Each Bidder will be responsible for all costs, expenses and liabilities incurred by it in connection with the Greater Western franchise replacement process, whether or not its bid and/or associated negotiations are ultimately successful or the process is subsequently varied in any way. Bidders will be responsible for all costs associated with the Modelling Best Practice Confirmation and, if required, Model Audit (each as defined in Section 5.10 (Model Sign-off – Terms of Reference)).

Bidders shall bear the risk of errors within the Financial Model and any associated Operational Models and of any adverse impact this may have on the premiums payable. Further information on the requirements in relation to the Financial Model is provided in Section 5 (Financial and Economic).

2.5 Preparation of Bids

The Authority expects to receive bids that contain minimal qualifications in order to facilitate timely bid evaluation. Bidders should make full use of the query process described in Section 2.12 (Query Process) and all the information provided with this ITT, and thereafter, and in the Data Room (as defined in Section 2.11 (Data Room)).

Guidance in relation to self-certification of bid compliance is given in Section 2.8 (Non-Compliance Statements). Further guidance in relation to the presentation, construction and submission of the Models is given in Section 5 (Financial and Economic).

2.6 Structure and Format of Bids

Bidders should note that the Authority will test the structural compliance of bids against the structure set out below and, following any appropriate clarification, may ask for re-submission or disqualify any bid that does not conform or is deficient in comparison with this structure.

Bidders are required to provide the following when submitting their bids:

Section	Contents
1	Executive Summary;
2	Base Case Specification a statement of achievement of and alignment with the Authority's Greater Western franchise objectives and the requirements of the Base Case as defined in Section 3 (Base Case Specification, Inputs and Assumptions) comprising:
2a	- the proposed means of delivery in the same format as described in Section 4 (Operational Integrity/ Deliverability) and associated diagrammatic appendices; and
2b	- the proposed financial and economic effect in the format described in Section 5 (Financial and Economic), that fully complies with the Financial Model template contained in Attachment F;
3	Options a proposal for each of the Priced Options described in Section 6 (Priced Options) comprising:
3a	- the means of delivery, if this requires adjustment to the delivery proposal supporting the Base Case submission. This should, to the extent it is relevant, be presented in the same format as described in Section 4; and
3b	- the proposed financial and economic effect in the format described in Section 5;
4	High Return Alternative Tender a proposal for the mandatory High Return Alternative Tender (HRAT)

	described in Section 7 (Mandatory High Return Alternative Tender) comprising:
4a	- the means of delivery, if this requires adjustment to the delivery proposal supporting the Base Case submission. This should, to the extent it is relevant, be presented in the same format as described in Section 4; and
4b	- the proposed financial and economic effect in the format described in Section 5;
5	Alternative Tender a proposal for an (optional) Alternative Tender as described in Section 8 (Alternative Tender Proposal) comprising:
5a	- the means of delivery, if this requires adjustment to the delivery proposal supporting the Base Case submission. This should, to the extent it is relevant, be presented in the same format as described in Section 4; and
5b	- the proposed financial and economic effect in the format described in Section 5;
6	Franchise Agreement a 'Deltaview' mark-up of the Franchise Agreement as well as a clean copy of the same, including completion of those parts of the Franchise Agreement marked 'Bidders to Populate' consistent with Section 2;
7	Non-Compliance Statements completion of Non-Compliance Statements (see Section 2.8 (Non-Compliance Statements)) in respect of:
7a	- Franchise Agreement non-compliances; and
7b	- changes in circumstances and competition matters; and
8	Validity confirmation from each that their bid will be held valid for 200 days from the bid return date as specified in Section 2.17 (Arrangements for Submission of Bids).

2.7 Early Notification of Non-Compliance

No later than one month prior to the date for submission of its bid as set out in Section 2.16 (Presentation and Submission of Bids), each Bidder shall, if appropriate, notify the Authority of:

- those requirements of this ITT and those clauses, sections and schedules of the Franchise Agreement and associated contractual documents in respect of which it intends to submit a Non-Compliance Statement in accordance with Section 2.8 (Non-Compliance Statements) below when it submits its bid to the Authority; and
- those aspects of the Greater Western franchise proposition where further information is required in order for that Bidder, in its reasonable opinion, to finalise its bid, together with full reasons behind that intention or requirement for further information.

For this purpose and the purposes of Section 2.8 (Non-Compliance Statements) below, 'associated contractual documents' includes SLC1, SLC2, the Service Quality Standards, the Financial

Templates and the Conditions Precedent Agreement supplied to Bidders with the Franchise Agreement and this ITT.

2.8 Non-Compliance Statements

2.8.1 Franchise Agreement Non-Compliances

Bidders are required, when submitting their bids, to list all requirements of this ITT with which they are not able to confirm compliance in full in the format set out in the following table. Full details of the reasons for the non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

Bidders are also required when submitting their bids to list all clauses, sections and schedules of the Franchise Agreement and associated contractual documents with which they are not able to confirm compliance in full in the format set out in the following table. Full details of the reasons for non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

Format of Non-Compliance Statement

Document	ITT Sections/Terms and Conditions which have NOT been complied with	Details
<i>ITT</i>	<i>Section XX</i>	
<i>Franchise Agreement</i>	<i>Clause XX, para y</i>	
<i>Etc..</i>		

2.8.2 Changes in Circumstances and Competition Matters

Similarly, Bidders are required to include in their bids details of any change in circumstances or competition matters that affect their bidding position as identified in the format set out in the following table.

Change	Reporting Required
Change in Circumstances	Bidders should include details in response to the instructions contained in Section 2.2 (Changes in Circumstances)
Competition Matters	Bidders should include full details of any matter under consideration, or which may reasonably be expected to be the subject of consideration, by OFT and/or the Competition Commission or the European Commission as referenced in Section 2.3 (Competition Matters)

2.9 Non-Compliance

If any bid is found not to comply with the Authority's requirements (including whether or not such non-compliance is specified in any Non-Compliance Statement), and lacks, in the opinion of the Authority, any information necessary to enable evaluation, or is found to contain inconsistent information, the Authority may:

- evaluate the bid as submitted;

- seek additional information or clarification from the Bidder; or
- reject the bid.

2.10 Alternative Tenders

Opportunities to improve value to the Authority and/or stakeholders may be available. The Authority requires at least one proposal that minimises the cost of operation to Government and maximises value to the taxpayer. Accordingly, Bidders are required to submit the mandatory High Return Alternative Tender (HRAT) on the basis set out in Section 7.

Bidders may also submit Alternative Tenders on the basis set out in Section 8 (Alternative Tender Proposals).

Both the HRAT and any Alternative Tender must include sufficient financial and operational detail to demonstrate clearly the impact they would have on the Base Case Specification, as defined in Section 3 (The Base Case Specification, Inputs and Assumptions).

Bidders will be expected to identify clearly the factors or constraints that might affect deliverability of any HRAT and Alternative Tenders and any ways in which these constraints might be overcome.

The Authority requires clear plans that describe the circumstances and conditions under which their HRAT and Alternative Tenders can be delivered and how Bidders will engage with stakeholders in implementing proposals.

The HRAT and Alternative Tenders must demonstrate how the Greater Western franchise objectives are met, but need not necessarily rely upon the specification set out in the Base Case of this ITT. The Authority would welcome proposals that address aspects of the Greater Western franchise that the Authority may not have considered as part of the Base Case Specification or the Priced Options specified by the Authority.

In cognisance of the limited ability of Network Rail to resource the development of any alternative proposals if they include either material changes to SLC2 or any proposed infrastructure enhancements, Bidders are required to consult the Authority before seeking to develop such schemes. The Authority recognises that Bidders may not be able to offer fixed prices for all such schemes without also pricing for a high level of risk. In this event, Bidders should clearly set out how and by when they will be able to fix prices and contract for such schemes.

2.11 Data Room

The Authority has established a ‘virtual data room’ (the Data Room), operated by Freshfields Bruckhaus Deringer (Freshfields), containing documents and information relating to the Greater Western franchise. It will remain available throughout the Bid Preparation Phase and until Greater Western franchise award. To the extent required, and for example, in respect of documents that are impractical to store electronically, or that are particularly sensitive, a paper data room will also be maintained by Freshfields. Bidders will be advised of the availability of such documents from time to time and will be able to review them by appointment.

Bidders will be expected to comply at all times with the Data Room rules or any rules in respect of any paper data room issued by Freshfields and will agree to be bound by those rules.

Bidders will be provided with regular updates of the index to the documents and information available in the Data Room.

2.12 Query Process

Queries should be submitted by e-mail to:

Eddie Muraszko

E-mail: eddie.muraszko@sra.gov.uk

All queries and requests for information must be submitted by Bidders in the Microsoft Excel format previously supplied by the Authority. Bidders will be notified of any changes to the Query Process as a result of the transfer of franchising functions to DfT Rail.

The Authority reserves the right to transmit to other Bidders (without reference to the identity of the author of the query) the question asked by and the answer provided to any Bidder. Queries from Bidders will be responded to expeditiously having regard to the nature, extent and availability of the information requested. The Authority will endeavour to respond to all queries before bids need to be submitted, but Bidders should note that the Authority cannot guarantee this, especially if queries are received later than ten days before the required submission date, or if it has not been possible to collate the necessary data for a response.

A Bidder may request that the Authority treat a query and its response as confidential. Any such requests must be made at the time of submission of the query. The Authority will advise the Bidder if it considers that the query cannot be treated as confidential, at which time the Bidder may either withdraw the query or accept that the response may be transmitted to the other Bidders (at the Authority's discretion).

2.13 Industry Consultation and Disclosure of Information in Bids

Bidders should be aware that, following the submission of bids, the Authority will need to consult DfT Rail, HM Treasury, the Health and Safety Executive, the ORR, Network Rail, Welsh Assembly Government (WAG) and Transport for London (TfL). The Authority will also consult such other persons as it considers necessary or appropriate including, but not limited to, its advisers, bodies representing passenger interests (such as the Rail Passengers' Council (RPC) and Rail Passengers' Committees pending their abolition under the Railways Act 2005), the Disabled Persons Transport Advisory Committee, affected Local Authorities and Regional Development Agencies or Regional Planning Bodies (collectively referred to as Consultees and each separately referred to as a Consultee).

Accordingly, the submission of bids will constitute permission by the Bidders for the Authority to disclose to any Consultee all or any of the information contained in, or supplied in connection with, such bids, excluding any commercially sensitive material as appropriate and which is clearly marked by Bidders as such.

In addition, Bidders are reminded that in order to develop and agree Track Access Agreements and Station Access Agreements, Network Rail will need to consult, amongst others, passenger and freight train operating companies and that this process may involve discussion of relevant aspects of

the bids. Bidders are required to cooperate with these consultations. The Authority may ask Network Rail to comment on such elements of the bids and to address their comments to both the relevant Bidder and the Authority.

In developing their bids, Bidders can expect to be contacted by, and are encouraged to consult with stakeholders relevant to the Greater Western franchise following the start of the Bid Preparation Phase. A list of the Authority's relevant statutory consultees is available in the Data Room. It is each Bidder's responsibility to decide on the scope and extent of Stakeholder Consultation but they should note that the Authority may seek views from stakeholders on the state of progress of consultation. Bidders should note that Network Rail will formally advise the Authority of the level of contact and engagement that it has had with each Bidder.

2.14 Freedom of Information Act 2000

The Freedom of Information Act 2000 (FOIA) provides a general right of access to all information held by public authorities. The Authority is a public authority. The general right of access to information is then limited by a number of exemptions. On a request for information, the Authority must release that information unless one of the exemptions applies. The FOIA came into force on 1 January 2005.

With the introduction of the FOIA the Authority has taken the opportunity to review its policies in terms of disclosure of information. As before, Bidders will be offered a de-briefing on their submission. This will now include the Bidder's percentage score for each Critical Factor Level submitted in relation to Section 4 (Operational Integrity/Deliverability) and their overall score and ranking vis-à-vis other Bidders. The Authority will not disclose the breakdown of percentage scores, the scores or rankings of other Bidders.

In submitting their bids in response to this ITT, Bidders are invited to identify which parts, if any, of their bid are provided to the Authority in confidence or which they believe are commercially sensitive. Bidders should provide reasons why such information should not be disclosed following a request for information under the FOIA. Bidders should be aware of the Lord Chancellor's Code of Practice issued under section 45 of the FOIA (which can be accessed at <http://www.dca.gov.uk/foi/codesprac.htm>). This limits the circumstances under which a public authority should agree to hold information in confidence. It could be the case therefore, notwithstanding confirmation that parts of a bid have been provided in confidence or are commercially sensitive, that the Authority is duty bound to disclose those parts.

Bidders' attention is also drawn to the provisions of the FLPA, which refer to disclosure of information by the Authority under the provisions of section 145(2) of the Railways Act.

2.15 Restriction on Communications/Press Releases etc during Franchise Competition

The outcome of a rail franchise competition is of national significance and therefore generates a high level of public interest and media speculation. Bidders should not use media or communication channels in a way which might reflect adversely and unfairly on the industry, its participants or the integrity or outcome of the competition.

Therefore, during the Bid Preparation Phase and until the award of the Greater Western franchise, the Authority requests that Bidders confine any communications about the competition to communication that is necessary in order to develop their proposals. Until the award of the Greater Western franchise, Bidders are asked to refrain from comment to national, local and industry media, Rail Passengers' Committees (pending their abolition under the Railways Act 2005 and the Rail Passengers' Council) Members of Parliament and stakeholders about matters connected with the Greater Western franchise competition. If there are compelling reasons to make a public statement or comment then, so far as practicable, the Authority expects Bidders to discuss the content of such statements or comments with the Authority in advance.

2.16 Presentation and Submission of Bids

Bidders are required to submit 13 numbered copies of their bid in the following formats:

- six hard copies, contained in ring binders with the documents detailed in Section 2.6 (Structure and Format of Bids) suitably segregated. Each ring binder must be labelled clearly with the copy number, the Bidder's name and an index of the contents of the binder;
- six electronic copies, in CD format. Each CD must be labelled clearly with the copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word/Excel 97 (or later) format. Documents should not be submitted in Acrobat, except where unavoidable; and
- a single copy of the proposal in HTML format (excluding Excel documents) to provide full electronic search functionality without changes to data or formatting.

In addition, separate hard copies should be provided of the main Financial Model output schedules and Record of Assumptions (six numbered copies). Electronic copies of the required Financial Models and Operational Models, the Record of Assumptions, and the completed financial templates are required to be provided in CD format (six numbered copies - **additional to the CDs mentioned in the second bullet point above**) stored in Microsoft Excel 97 (or later) format.

Bids are to be submitted to:

Jack Paine
Head of Procurement
Strategic Rail Authority
55 Victoria Street
London SW1H 0EU

on or before 1700 hours BST on 6 September 2005.

Bidders shall be advised of any change to these delivery details arising from the abolition of the Authority.

No other documents or information shall be submitted with the bid. The bid must be submitted in boxes marked '**CONFIDENTIAL - Greater Western franchise bid submission in response to ITT**'. The boxes should not be marked in any way that would indicate the identity of the Bidder. Bidders should obtain a formal receipt from the Authority at the time of the submission of their bid.

The Authority requires that Bidders supply each complete set of documentation in a separate box and ensure that an index is provided for the electronic information. The Authority also requires that, for electronic information, the file structure matches the sequence of the hard copy documentation.

Bids received after the Authority's stated date for submissions or which are not duly completed and signed may be disregarded by the Authority. Nevertheless, the Authority expressly reserves the right, in its absolute discretion, to treat any bid as valid and to proceed with the inclusion of any bid notwithstanding any procedural defect in relation to the submission of the bid.

All bids are required to be in English and amounts denominated in pounds sterling.

2.17 Validity of Bid Terms

Bidders shall confirm the validity of their bids including the terms, bid price, and any subsequent changes agreed for a period of 200 days from the date of bid submission.

2.18 Evaluation of Bids

2.18.1 General

Bids must be complete and submitted in accordance with the instructions to Bidders set out in this document. Bids must be compliant with the requirements of the Franchise Agreement.

The approach to evaluation of bids is described in the Authority's Franchise Replacement Process document. This can be found on the Authority's website:

http://www.sra.gov.uk/pubs2/stratpolplan/0504franchise/0504full_doc

This document will also be placed in the Data Room.

The Authority will evaluate bids and rank them for the purposes of selecting the Franchisee on the basis of the results of each Bidder's Base Case submission only.

The HRAT, Alternative Tenders and Priced Options will be evaluated. The results of the evaluation of the above proposals will serve to inform the Authority on the procurement options to be pursued with the preferred Bidder, and only after the Authority has made its preferred Bidder decision.

The Authority will select the Franchisee on the basis of the evaluation criteria that are summarised below and further detailed in the sub-sections following. The Authority reserves the right to change the evaluation criteria without prior notice. Bidders will be informed of any such changes.

All bids submitted will be evaluated against the criteria set out in Appendix 4 - the bid structure. In scoring the evaluation criteria, the Authority's bid evaluation team will take into consideration, amongst other things, evidence of the following:

- proposal alignment with delivery of the stated objectives for the Greater Western franchise together with the effectiveness of action plans to achieve such improvements;
- generation of opportunities for more efficient and cost-effective operation of the Greater Western franchise;

- understanding of the nature of the Greater Western franchise supported by effective research and analysis;
- compliance with the Base Case Specification;
- compliance with the terms and conditions of the Franchise Agreement; and
- Compliance with the requirements of the ITT, including the provision of financial and operational models, record of assumptions and financial templates (in the required form).

The evaluation will be undertaken with due regard to the Authority's Directions and Guidance issued to the Authority by the Secretary of State and in accordance with the Authority's procurement procedures. A copy of the Directions and Guidance is available in the Data Room.

2.18.2 Business Excellence

The Authority is committed to delivering business excellence within the UK rail industry and will expect that the Bidders will demonstrate similar commitment.

Bidders have already submitted the self-assessment questionnaire against the 'Business Excellence Model', also known as the EFQM Model, with their pre-qualification responses.

Section 3 : The Base Case Specification, Inputs and Assumptions

This Section sets out the Base Case specification. It also provides information on the key Greater Western franchise inputs and also the assumptions that should be used.

Bidders' Base Case submissions should include commitments to meeting this Base Case Specification and explain how submissions will meet the Authority's objectives and specific requirements as set out in Sections 1.3 and 1.5.

Bidders should explain how they will deliver this commitment to meeting the specification and achieving the objectives in the structure set out in Section 4 (Operational Integrity/ Deliverability).

3.1 Franchise Management - Duration

Bidders should note that Appendix 8 (Figures for Calculation of Annual Franchise Payments) of the Franchise Agreement requires them to price for a Franchise Term of ten full years, as well as the possible seven Reporting Period extension that the Authority may unilaterally require.

3.2 Franchise Management – Fares

3.2.1 Fares Regulation

Commuter Fares will be regulated in a single Commuter Fares Basket which Bidders should assume will be capped at annual increases of RPI+1 per cent throughout the Franchise Term.

Protected Fares will be regulated in a single Protected Fares Basket which Bidders should assume will be capped at annual increases of RPI+1 per cent throughout the Franchise Term.

On Community Rail Lines, however, greater freedom is permitted to develop seasonal pricing variations (with discounts for local residents) more closely aligned to local bus fares and new products including, bus / rail tickets and those that can be retailed locally in the community.

The fares documents, setting out the full list of Fares that relate to the Greater Western franchise will be placed in the Data Room.

3.2.2 Transport for London (TfL) Assumption

It should be assumed that there are no changes to the structure of Fares regulation and types of fares structure (e.g. zonal fares), or payment methods (e.g. Oyster card) in the areas where TfL has been given powers under the Railways Act 2005. Any such changes in future would be managed under Schedule 9 (Changes) of the Franchise Agreement.

However, TfL has requested the provision of specific information period by period from the Franchisee. The scope of this information requirement and reporting arrangements is set out in section 9.2. Compliance with this requirement should be included within the Base Case submission but any directly associated costs should be separately identified.

3.3 Franchise Management – Customer Services Strategy

3.3.1 Customer Services Provision

Bidders should note at present the customer services functions of FGW and FGWL are provided by an affiliate company within First Group plc, First Info. This arrangement is operated under an arms-length contract, which expires on 31 March 2006 the details of which will be placed in the

Data Room. Bidders should draw up their future arrangements for the provision of customer services functions as they see fit.

3.3.2 National Passenger Survey

Bidders should note that it is the Authority's intention that a National Passenger Survey of the Greater Western franchise will be conducted twice each year.

3.4 Franchise Management - Community Rail Strategy

The Secretary of State for Transport launched the 'Community Rail Strategy' in November 2004. This sets out ways to increase revenue, reduce costs and increase community involvement in local rail services. Bidders for the Greater Western franchise are expected to participate in the implementation of this strategy as appropriate.

3.5 Service Delivery – Base Case Specification

The Base Case Specification comprises the delivery of passenger services in accordance with the Franchise Agreement including the Condition Precedent Agreement, the Service Level Commitments (SLC1 and SLC2) and the associated contract documents. The service specification within the Base Case Specification incorporates the following:

3.5.1 Service Level Commitment 1 (SLC1)

From the start of the Greater Western franchise to the Passenger Change Date in December 2006: SLC1 specifies the level of service the Authority requires to be operated on the Greater Western network. SLC1 has been compiled using the current December 2004 - December 2005 timetable, together with agreed changes for the December 2005 timetable, the most significant of which is:

- From December 2005: the current services operated by ATW between Cardiff and Exeter/Penzance are planned to be withdrawn and the commitment will be (partially) replaced by altered services operated by Wessex. Details of these planned changes are in the Data Room.

3.5.1.1 Heathrow Local Service

- Bidders should note that from a planned date of 12 June 2005, the existing service between London Paddington and Hayes & Harlington will be extended into a service run in partnership with BAA between London Paddington and Heathrow Terminal 1-3 (i.e. not Terminal 4). The service (branded 'Heathrow Connect') is half hourly and will call at all stations apart from Acton Main Line. Between Hayes & Harlington and Airport Junction, the service is provided as an open access service under BAA's Heathrow Express licence and then continues on BAA infrastructure to Heathrow Terminals 1-3. Therefore within both SLC1 and SLC2, the service is only specified as between London Paddington and Hayes & Harlington, even though trains actually operate between London Paddington and Heathrow Terminals 1-3.

The Authority expects Bidders to enter discussions with BAA's subsidiary, Heathrow Airport Limited (HAL) with a view to operating the full service, including the part of the service that does not form part of SLC1 and SLC2, from the beginning of the Greater Western franchise until 2015 or the completion of Crossrail and the start of the proposed Crossrail franchise (whichever is sooner).

A summary of the main commitments relating to HLS, together with further background information is set out in Appendix 2 (Summary of Heathrow Local Service). Copies of service agreements and other relevant documentation will be available in the Data Room.

3.5.1.2 Rail Passenger Partnership Schemes

There are a number of Rail Passenger Partnership (RPP) Schemes in operation for which separate payment is no longer made. Details are included in the Wessex franchise agreement in the Data Room. The additional services previously provided under these schemes are included in the specification of SLC1 and SLC2 and Bidders should include these within the overall franchise premium. Similarly, where strengthening is involved, the Authority would expect this to continue as part of the Franchisee's plan to adequately cater for demand. Bidders should include this within the overall Franchise Premium. The schemes are as follows:

- Filton Abbey Wood strengthening;
- Tamar Valley Winter Sunday services;
- Exeter – Barnstaple additional services;
- Truro – Falmouth additional Sunday services;
- Exmouth – Exeter St David's strengthening and additional services; and
- Bristol Area strengthening of services.

3.5.1.3 Local Authority Supported Services

A few services have been provided with the assistance of contributions from local authorities. In all but one instance, these are now included as part of the specification of SLC1 and SLC2 and Bidders will include them as a requirement within the overall franchise premium. They are as follows:

- through services between Filton Abbey Wood and Bath/Weston-super-Mare (South Gloucestershire Council);
- additional services to Avonmouth and Severn Beach (Bristol City Council); and
- additional services between Exeter and Barnstaple (Devon County Council).

The specification of SLC1 and SLC2 will only include provision of Summer Sunday services between Exeter and Okehampton under an agreement between Wessex and Dartmoor Railway (the owner of the infrastructure between Yeoford and Okehampton) to the extent that the scheme continues to be fully funded by Devon County Council.

Copies of the contracts (where available) will be placed in the Data Room.

3.5.2 Service Level Commitment 2 (SLC2)

From December 2006 onwards: service patterns across the Greater Western franchise area will change to reflect the Timetable specification developed by the Authority. The train services anticipated to operate from this time are described in SLC2.

Improvements arising from the implementation of SLC2 include:

- segregation in Monday – Friday peak hours of use of the two pairs of tracks between Paddington and Reading (the Main Lines and the Relief Lines), with exclusive use of the

Main Lines by trains capable of running at 125 mph; the purpose is to improve operational performance, to minimise the consequences of delay;

- more 125 mph trains to exploit the segregation plan and to reduce overcrowding on longer distance commuting trains and provide more peak capacity into and out of London;
- retention of the business peak 3 hour London-Plymouth journey time;
- more capacity and the use of 125 mile/h trains on both the north and south Cotswold lines;
- better, faster, higher capacity service for Oxford-London;
- more peak period 125 mile/h services for the important Newbury growth market;
- a regular half-hourly service frequency between Reading and Gatwick;
- simplified service between Bristol, Plymouth and Penzance, facilitating connecting services (on the branch lines, and by bus);
- new pattern for cross-Bristol services, with through services Worcester/Gloucester to Weston-super-Mare/Taunton and Cardiff to Westbury/Weymouth/Southampton replacing radial services which currently start/terminate in Bristol, offering more through journey opportunities, and improved performance;
- a new daily direct service between London Paddington and Newquay;
- extension of Paddington to Bedwyn services to Pewsey and Westbury; and
- an increase in service frequency to three trains per hour on the short but busy Slough – Windsor line.

However, there are also some changes which will be less welcome, which are necessary to improve performance or to tailor services more closely to demand, particularly where costs are disproportionately high. These include:

- withdrawal of Slough stops from Main Line services (in order to achieve better performance on longer-distance services, but with two semi-fast services per hour);
- withdrawal of off-peak Paddington to Exeter semi-fast services/replaced by the Westbury service mentioned above: this means that some Plymouth/Cornwall trains will have longer timings since they make additional intermediate station calls;
- reduction of services on the Oxford – Bicester Town route to morning and afternoon only, because of low usage and the existence of alternative bus and rail services;
- reduction of services on the Swindon – Westbury via Melksham route to a very basic level, because of low usage other than on the retained commuter trains;
- withdrawal of all but one of the stopping services on the Par – Newquay branch;
- withdrawal of some fast/last services on the branch lines; and
- expected withdrawal of Arriva Train Wales services between South Wales and West of England (not part of this ITT, but part of the wider Route Utilisation Strategy).

Bidders should note that delivery of the benefits of SLC2, as developed by the Authority, are not dependant upon any conversion of First Class seating to Standard Class seating on inner suburban services operated by Class 165 Turbo units (Option C1 in the Greater Western Route Utilisation Strategy). However, Bidders are not constrained from considering such a conversion should they so wish.

The Authority has developed a Feasibility Timetable (FTT) in concert with Network Rail which meets the requirements of SLC2. This will be placed in the Data Room. Bidders may, but are not obliged to, use this FTT as the basis of their proposal but may vary it within the constraints of SLC2 requirements and Section 4.3.1.

3.5.3 Track Access Agreements

The Track Access Agreements of the Incumbent TOCs each run until the 9th December 2006.

Bidders should assume that these Track Access Agreements will be in force at the point of commencement of the Greater Western franchise and that they will be transferred to the incoming Franchisee. The Authority is working with Incumbent TOCs, Network Rail and the ORR to ensure that the planning for the December 2006 Timetable change will enable the services set out in SLC2 to operate from that date.

The role of the Franchisee with regards to the Track Access Agreements will be:

- to accept their terms; and
- to discharge the obligations of each and manage each for the benefit of the franchise.

The Franchisee will also be expected to negotiate with Network Rail a single replacement Track Access Agreement that reflects SLC2 and discharge its obligations thereunder and manage that agreement for the benefit of the network.

3.5.4 Efficient Engineering Access Assumptions

Network Rail has developed an 'Efficient Engineering Access' proposal for the Greater Western franchise area. However, the aspirations within this document for increased access have not been reflected in SLC1 or SLC2 and it is envisaged that engineering access will be negotiated, obtained and compensated for through the standard industry mechanisms.

3.5.5 Network Rail Performance Assumptions

In order for the evaluation of the bids to be on a common basis, Bidders must use the Authority's projections for Delay Minutes and Average Minutes lateness attributable to Network Rail in their calculations for payments under Schedule 8 of the Track Access Agreement and in forecasts of any associated revenue effect. These figures will be placed in the Data Room and they are derived from Network Rail's National Business Plan. Revised projections of Network Rail performance are planned to be published at the end of August 2005. Prior to franchise award the revised Network Rail figures will be substituted for the Authority's projections in the Bidders' Models and a corresponding adjustment will be made to the calculation of subsidy or premium to take account of the financial effect of the revised projections. Thereafter the Franchisee will be responsible for the cost and revenue implications of any mismatch between the revised Network Rail projections and actual Network Rail performance.

3.5.6 Committed Projects assumed in Base Case Timetable Specification

The Base Case Timetable Specification that underpins SLC2 assumes that no enhancement projects are implemented during the Franchise Term.

3.5.7 Driver Only Operation (DOO)

Bidders should be aware that DOO currently only operates on the FGWL network. Bidders should note that DOO on the Berks & Hants line only extends as far as Bedwyn, but that SLC2 is predicated on DOO capable trains being used as far as Westbury. Bidders should decide the most effective way of fulfilling this aspect of the SLC2 requirement.

3.6 Service Delivery - Rolling stock

3.6.1 Existing Fleet

Details of the numbers and classes of rolling stock currently utilised by the Incumbent TOCs are set out below.

Current Operator	Fleet	Vehicles per Set	Max Speed	Vehicles Leased	Diag Vehicles	Availability	ROSCO
Wessex	143/6	2	75	18	14	78%	Porterbrook
	150/2	2	75	50	42	84%	Porterbrook
	153	1	75	15	13	87%	Angel
	158	2	90	12	10	83%	Porterbrook
	158	2	90	8	6	75%	Angel
	158	3	90	28	24	86%	Angel
FGWL	165/1	2	90	40	36	90%	Angel
	165/1	3	90	48	42	88%	Angel
	166	3	90	63	57	90%	Angel
FGW	HST	10	125	442	360	86%	Angel
	180	5	125	70	50	71%	Angel
	LHCS	7	95	28	14	67%	Porterbrook
	57	1	95	4	3	75%	Porterbrook
	HST barrier	1	N/A	5	0	0	Angel
	Motorail	2	95	8	2	25%	HSBC
				839	673		

Bidders should note that the nine class 165 vehicles required for the temporary cover of the Heathrow Connect services to Hayes & Harlington are included in this analysis, but are due to be replaced by class 360 units during the course of 2005.

The fleets operated by Wessex and FGWL all have leases that expire on 31 March 2006. The fleets operated by FGW all have leases that are currently due to expire on 3 February 2006. Bidders should assume that the FGW leases will be extended by FGW to 31 March 2006.

Bidders should note that, in the event that the planned transfer of ATW's Exeter and Penzance services to Wessex takes place in December 2005, this will result in the transfer of two Class 158 (two car) units to Wessex.

Bidders should note there are no undertakings granted under Section 54 of the Act in place in respect of any of the classes of rolling stock currently utilised by the Incumbent TOCs.

For information only, set out below is the basis on which the Authority developed SLC2 in terms of the assumed class of vehicles, their journey time capability and the diagrammed requirements.

Fleet	Vehicles per Set	Max Speed	Diag Vehicles
150/2	2	75	40
153	1	75	8
158	2	90	30
158	3	90	9
165/1	2	90	38
165/1	3	90	39
166	3	90	42
HST	10	125	410
180	5	125	50
HST barrier	1	N/A	0
			666

The Authority is prepared to consider the use of alternative classes of vehicles for the Greater Western franchise and Bidders must develop their own fleet strategies in relation to total fleet size, disposition, allocation to routes, availability of spares etc.

3.6.2 Improvement Programme/issues for non-HST fleets

There are no ongoing Franchise Agreement obligations in relation to the FGW fleets.

FGW is currently having two HST power cars re-engined by Brush Traction with MTU power units for testing and evaluation purposes. The first of these is expected to be available in June 2005.

Part B (Rolling Stock) of FGWL's 'Franchise Plan' (as defined in its franchise agreement) requires the following in respect of the Class 165/166 fleet (ongoing):

- introduction (and by implication operation) of an audit regime to identify vehicle condition to enable priority treatment and early identification of problems;
- ongoing regular cleaning – turnaround, overnight, intermediate heavy clean, major clean; and
- installation of CCTV into the passenger saloons of ten per cent of the fleet.

Although not a requirement of its Franchise Agreement, FGWL is itself funding a refurbishment of the whole Class 165/166 fleet, involving the following (the so-called 'Refresh' programme costing £1.2 million):

- new floor, side wall carpets and vestibule mats on Class 166s;
- new seat covers on both fleets;
- improvements to the toilets on both fleets; and
- replacement of anti-etching window films.

There are no rolling stock refurbishments underway or planned on the Wessex franchise.

3.6.3 HST Replacement Fleet

Bidders should note that, the Authority is not inviting, nor will it accept, offers from Bidders to replace the existing HST fleet with new trains.

Bidding assumptions to be made are set out in Appendix 3 (HST Bidding Assumptions).

3.6.4 Changes to Rolling Stock Leasing Arrangements

Following the White Paper published last year, the Department for Transport (DfT) has been looking at the structure of the rolling stock leasing industry and considering whether and how overall industry costs may be reduced and better value for money obtained.

At the date of issue of this ITT this programme of work has not yet been completed and it is not yet clear whether it will affect the pricing and/or the terms governing rolling stock leases.

Bidders should note the above and, in preparation for their franchise bid submission, tender and negotiate for their rolling stock requirements in the normal way.

Bidders, however, should also confirm that they will cooperate with the Authority in ensuring that:

- the benefit from the DfT's work is passed through the franchise agreement and fully reflected in the subsidy receivable or premium payable to the Authority;
- if the DfT's work reaches a conclusion prior to the selection of the franchisee they will facilitate any changes to their franchise bid submission arising from the outcome of the discussions between the rolling stock leasing companies and the DfT;
- if the DfT's work reaches a conclusion after signature of the franchise agreement they will enact any changes to the franchise agreement in accordance with its terms; and
- they will provide transparency of costs affected by this work to enable its true value to be available to the DfT.

3.6.5 Electronic Advertising Media

Bidders wishing to propose the use of electronic advertising media, for example video or audio broadcast systems, on trains or at stations should make their intentions clear. The impact on the passenger environment of any proposed use of electronic advertising media and the net financial benefit should be separately identified within the Financial Model.

Implementation of any electronic advertising media proposals must be supported by passenger surveys and objective evidence that passengers are receptive to the installation of such systems and the content of the transmitted messages.

Consent by the Authority will be granted only if suitable proposals are made regarding the passenger environment and the net financial benefit of any proposal is shared with the Authority through an adjustment to the franchise premium.

3.7 Service Delivery - Depots

The Greater Western franchise will inherit an extensive range of fleet maintenance, servicing and stabling locations from the incumbent TOCs. The following table lists these and broadly outlines the extent of facilities available:

Location	Operator	Facilities
Old Oak Common	FGW	Levels 1 – 5, CWM, cleaning, CET, tanking, stabling
Reading	FGWL	Levels 1 – 5, CWM, cleaning, CET, tanking, stabling
Oxford	FGWL	Cleaning, tanking, stabling
Westbury	Wessex	Cleaning, tanking, stabling

Bristol TM	Wessex	Cleaning, tanking, stabling
Bristol St Phillips Marsh	FGW	Levels 1 – 5, CWM, cleaning, CET, tanking, stabling
Landore	FGW	Levels 1 – 5, CWM, cleaning, CET, tanking, stabling
Fratton	Wessex	CWM, Cleaning, tanking, stabling
Exeter St Davids	Wessex	Levels 1 – 2, cleaning, tanking, stabling
Location	Operator	Facilities
Plymouth Laira	FGW	Levels 1 – 5, CWM, cleaning, CET, tanking, stabling
Penzance	FGW	Levels 1 – 2, CWM, cleaning, CET, tanking, stabling

Fleet maintenance and stabling facilities currently contracted with other operators is as follows:

Location	Operator providing services	Facilities Used
Hereford	Central	Cleaning, tanking, stabling
Bristol Barton Hill	EWS	Cleaning, tanking, stabling
Cardiff Canton	ATW	Levels 1 – 5, CWM, cleaning, CET, tanking, stabling
Redhill	Southern	Cleaning, tanking, stabling
Weymouth	SWT	Cleaning, tanking, stabling
St Blazey	EWS	Cleaning, tanking, stabling
Worcester Shrub Hill	Central	Cleaning, tanking, stabling

There is clearly some duplication of facilities given the overlapping nature of the Incumbent TOCs' networks. There will be opportunities within the new Greater Western franchise to consolidate and rationalise facilities and possibly to reduce or avoid dependency on trading with other operators. Other opportunities include avoidance of empty stock workings between Paddington and Reading in connection with the London Peak and transfer of attached stock to and from Canton for maintenance.

The Authority is also keen to examine innovative solutions that address peak seasonal demand in the West of England.

Existing depot leases and access agreements for the use of depots where Incumbent TOCs are not the Facility Owner will be transferred whole as part of the statutory Transfer Scheme.

The depots at Laira (Plymouth), St Philips Marsh (Bristol), Landore (Swansea), Long Rock (Penzance), Old Oak Common (West London), Reading and Exeter are currently operated by the Incumbent TOCs under leases from Network Rail. The FGW depot agreements currently terminate at the end of the existing Franchise and Bidders should assume that these will be extended at least until the Franchise Commencement Date. For Exeter and Reading the leases expire in October 2006. The Franchisee will have the leases transferred to it under the statutory Transfer Scheme.

The Wessex fleet is maintained at Canton (Cardiff) by ATW, the Facility Owner. There is no written contract for this maintenance arrangement but the ATW Franchise Agreement includes an obligation to maintain the Wessex fleet until October 2006. Entry into a contract thereafter will be at the discretion of (and will be the responsibility of) the Franchisee.

Please see Appendix 3 (HST Bidding Assumptions) in relation to the Depot interface with HST replacement vehicles and the assumptions to be made and confirmations to be provided in the bid.

3.8 Service Delivery - Stations

Existing Station Leases and Access Agreements for the use of stations where the Incumbent TOCs are not the Facility Owner will be transferred whole as part of the statutory Transfer Scheme. Expiry Dates for these are as follows:

Wessex Station Leases	1 October 2006;
Wessex Station Access Agreements	31 March 2006 (on termination of either Facility Owner or beneficiary franchise agreement);
FGW Station Leases	3 October 2006;
FGW Station Access Agreements	On termination of either Facility Owner or beneficiary franchise agreement. Bidders should assume an extension to 31 March 2006;
FGWL Station Leases	3 October 2006; and
FGWL Station Access Agreements	31 March 2006 (on termination of either Facility Owner or beneficiary franchise agreement).

Appendix 5 (Stations) sets out the Authority's approach to encouraging third party investment in stations.

3.9 Operational Performance - Demand Management and Overcrowding

3.9.1 Demand

Bidders are required to form their own view about demand for the Passenger Services and, where this leads to overcrowding, put proposals to the Authority to remedy this.

Bidders are required to be explicit about the financial and economic impacts of overcrowding and/or unsatisfied demand. Bidders should not assume that Government financial resources will be available to support any Bidders' proposed capital investments to address such constraints.

3.9.2 Overcrowding

There will be no Peak-hour crowding regime for the Greater Western franchise along the lines of the former 'Passengers In Excess of Capacity' (PIXC) regime. However, taking into account the Authority's guideline that no passenger should stand for more than 20 minutes, the Franchisee will be expected to formulate its Train Plan to achieve this aim within value-for-money constraints. Bidders should also formulate plans to minimise seasonal crowding. These requirements are explained further in Section 4 (Operational Integrity / Deliverability).

3.10 Other Passenger Obligations – Access For All

The 'Access For All' draft strategy which is currently out for consultation, proposes to enhance accessibility of the UK Rail network. Bidders should be aware of the Authority's Access for All fund, and co-operate in the implementation of works at stations designated for access improvements under the fund. In addition, Bidders will be asked to confirm that if the Access for All fund permits enhancements in the levels of staffing at particular stations they will (a) co-operate with the Authority in implementing such a Change and (b) will price such a Change in accordance with the relevant staff costs included in their Financial Model and Record of Assumptions. Appendix 6 (Access for All – Specification for full staffing) sets out the specification required for the Greater Western franchise. This should be included as part of the Base Case submission, but any associated

costs should be separately identified. Bidders' attention is also drawn to Clause 5.1 and Schedule 4.2 of the Franchise Agreement relating to the establishment and management of a Minor Works' Budget of £250,000 per annum.

3.11 Mobilisation and Migration

Establishment of the Greater Western franchise requires the financial, operating and commercial systems and other resources of the three existing franchise entities to be transferred and integrated.

Bidders must demonstrate their capability, in the event they were to be selected as Franchisee, to carry out an effective mobilisation within the necessary timescales and proceed to commencement of operations. The Franchisee must mobilise with the intention of fulfilling the following aims:

- to ensure the integrity and continuity of existing services;
- to work with other operators, Network Rail, ORR and other stakeholders to ensure a successful handover from the Incumbent TOCs by the agreed transfer date. This will include, amongst other things:
 - staff transfers; and
 - transfer of supporting assets and finalisation of commercial arrangements.

The Franchisee must undertake migration within the Greater Western franchise with the intention of fulfilling the following aim:

- to complete integration activities and establish a single operating entity within 12 months of the Franchise Commencement Date and, at the same time, implement significant changes to the timetable.

For clarity, *mobilisation* activities are interpreted in this document as being those leading up to the commencement of operations. *Migration* activities are those relating to the transfer and integration of the existing operations, supporting assets, systems and commercial arrangements to create a consolidated Greater Western franchise.

The Authority expects a working group to be established including, the Franchisee, Incumbent TOCs and Authority representatives to oversee and monitor progress during the period between selection of the Franchisee and commencement of operations. The main purpose of this group will be to ensure the full and active participation of all parties in a fair, reasonable and timely manner.

3.11.1 Transfer of essential property, rights and liabilities to the Franchisee

It is proposed to transfer all property, rights and liabilities that are likely to be required to operate the Greater Western franchise to the Franchisee via the Commencement Transfer Scheme. It is open to Bidders to also propose alternative means of transfer in their bid, setting out the advantages and disadvantages of the proposed alternative as compared to a Transfer Scheme.

3.11.1.1 Rolling Stock

The Franchisee will need to agree with the Authority, rolling stock leasing companies and vehicle maintainers as appropriate, the transfer of existing (or commencement of new) leases and associated contracts for the rolling stock that will enable it to deliver its obligations under the Franchise

Agreement. This requirement will be a condition precedent to the start of the Greater Western franchise.

3.11.2 Employees

3.11.2.1 Transfer of Undertakings (Protection of Employment)

Bidders should assume that the transfer of the Incumbent TOCs' businesses and the entry into the Franchise Agreement will constitute the transfer of an undertaking for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 1981 as amended (TUPE).

3.11.2.2 Pay and Pensions

Bidders should not assume that the Authority will provide any indemnity regarding any payments that may be required under the Railways Pensions (Protection and Designation of Schemes) Order 1994 (SI 1433) or otherwise.

Subject to meeting their obligations under the Railway Pension Scheme, at the end of the Franchise Term the Franchisee shall have no responsibility for any deficit in the scheme (other than contributions due and payable before the end of the Franchise Term by the Franchisee) and have no right to benefit from any surplus which may exist in the relevant section.

3.11.3 Operational and regulatory requirements

3.11.3.1 Railway Safety Case

Existing rail safety regulations are expected to change in October 2005 as a result of the European Railway Safety Directive (2004/49/EC) and following the introduction of the Railways & Other Guided Transport Systems (Safety) Regulations (provisional name) (the Regulations). Whilst HMRI (pending the transfer of its safety functions to the ORR under the Railways Act 2005) is still consulting on the proposed legislation and hence it remains subject to change, it is expected that it will lead to, inter alia, the replacement of Safety Cases with 'Safety Certificates'. Furthermore, it is proposed as part of the transition arrangements that valid Safety Cases held as at October 2005 will be deemed to be 'Certificates' under the Regulations. It follows that the Safety Cases presently held by the Incumbent TOCs will become deemed Safety Certificates under the Regulations.

The Franchisee will be required to obtain a comprehensive Safety Certificate for the Greater Western franchise as a condition precedent to the commencement of the Greater Western franchise. The Franchisee shall be responsible for maintaining the Safety Certificate for the term of the Greater Western franchise. HMRI has provisionally advised that, subject to any change resulting from current consultations on the proposals, provided the Franchisee maintains the same operational structure, safety management arrangements and services on day one of the new Greater Western franchise, it will be able to 'adopt' the deemed Safety Certificates/authorisations which were in place for the Incumbent TOCs prior to the transfer, subject to approval from HMRI of any 'unavoidable' minor changes to reflect change of ownership. The Authority is currently agreeing with HMRI what other undertakings will be required of the Franchisee and this will be advised to Bidders.

On the basis that the Greater Western franchise commences after the Regulations come into force (October 2005), but before October 2007, the Franchisee would, under current proposals, be required to obtain a 'personal' Safety Certificate/authorisation within six months of the transfer to it

of the deemed Safety Certificate from the Incumbent TOCs. As HMRI recommends allowing a minimum of 115 working days for the approval of a new Safety Certificate, this means that the Franchisee will need to submit its application to HMRI at the time it takes over operations from the Incumbent TOCs.

Bidders are expected to engage with the HMRI during the Bid Preparation Phase. Further information on the content and administration of railway Safety Cases can be found at the following website: <http://www.hse.gov.uk/railways/safetycases.htm>

3.11.3.2 Licensing

The Franchisee will be obliged to apply for, and secure, licences to operate railway assets (including railway passenger services) within the United Kingdom. This process can take a minimum of 16 weeks typically, allowing for consultation and due process.

As a condition precedent for the start of the Greater Western franchise, the ORR requires a railway Safety Case, or a Safety Certificate under the Regulations, to be in place prior to the final issue of such Licences. To a certain extent, the licensing process and the safety process described in section 3.11.3.1, can be progressed in parallel.

Further information on the issue and administration of licences can be found at the following website: <http://www.rail-reg.gov.uk/>

3.11.3.3 Railway Safety Group

The Franchisee will be expected to become a member of the 'Railway Safety Group' and, as such, the Authority will expect it to engage proactively as a member of that Group. In particular, this requires the Franchisee to engage in:

- the consultation process for new standards (both railway group standards and any ATOC 'Codes of Practice');
- the process of generating the 'Railway Safety Group Safety Plan' (RSGSP); and
- the delivery of an appropriate contribution to that RSGSP. Train Operators are required to produce an Annual Safety Plan that should be available on request to the Authority and the ORR when HSE safety functions are transferred.

The Franchisee will also be expected to participate in industry groups and committees addressing the domestic, European and research safety agenda of the Railway Safety Group. The Authority has an expectation of full engagement in safety at both Franchisee and parent company level.

3.11.4 Access

3.11.4.1 Station and Depot Access Agreements

Existing access rights will be transferred under the Transfer Scheme. Arrangements for gaining access to stations and depots operated by other Train Operators are covered by access contracts between the Facility Owner and any beneficiaries wishing to use the facility. Access contracts are regulated under the Act and are subject to approval or direction by the ORR, which has produced a number of template access contracts for use by Train Operators.

Bidders should be aware that the ORR is currently reviewing the station access regime. Whilst the basic principles of the stations access regime will remain the same, the detailed arrangements between Network Rail, Facility Owners and other users (beneficiaries) of stations will alter. Details of these changes will be specified in the 'Stations Code' and are available from the ORR. Bidders should contact the ORR for further information.

3.11.4.2 Track Access Agreements

The current Track Access Agreements held by the Incumbent TOCs will expire in December 2006 and therefore these agreements will be included in the Commencement Transfer Scheme in favour of the Franchisee. Details of the existing Track Access Agreements can be found in the Data Room and on the ORR website.

3.12 Crossrail

The Crossrail Bill was laid before parliament in February 2005. It is a hybrid Bill which means that its subject matter has elements of private as well as public interests. The passage of a hybrid Bill through Parliament is usually considerably longer than the passage of a normal public Bill. The timetable to Royal Assent may imply a possible construction start in 2008/9 and the commencement of services in 2014/15. Hence, there is a possibility that Crossrail construction will have an impact on the Greater Western franchise from 2008 onwards.

The drafting of the Bill provides for powers that in many cases are intended to be classified as reserve or backstop arrangements, which may not need to be exercised in order to secure the delivery of Crossrail. It is also expected that specific agreements will be put in place to reflect the circumstances in which certain powers may be exercised.

Bidders should refer to the 'Environmental Statement' of the Crossrail Bill for a description of the scope, planning assumptions and services associated with Crossrail. This can be found on the Department for Transport web site at:

<http://billdocuments.Crossrail.co.uk/80256FA10055060F/pages/environmentalstatement>

Bidders should note that the "Base Case" option assumes that Crossrail does not take place. Hence, no impacts associated with this project are to be included in the Base Case submissions. However, Bidders should note that, in the event funding is secured and Crossrail proceeds, then it is assumed that the impact of construction disruption would be treated as a Network Change under the Track Access Agreement. As a result, Network Rail would meet any compensation claims arising from such disruption to services in accordance with the provisions within the Track Access Agreement.

While the impact of the project is excluded from the Base Case Specification, Bidders must commit to cooperate with the development and implementation of Crossrail with the aim of minimising overall project cost.

Taking the geographical scope of the project and any other relevant matters into consideration Bidders should identify assumptions in the Record of Assumptions beyond those compensated for under Network Change that could vary in the event that a decision to proceed with Crossrail construction was to occur. The Authority will also seek a commitment from bidders to negotiate, in

good faith, the scope and impact of any such change. The construction works would be extensive and include:

- advance works, including work in Paddington New Yard for portal construction;
- electrification of all running lines Airport Junction to Maidenhead;
- bridge alterations at 12 sites to provide adequate clearances for electrification;
- platform extension at every station from Acton Main Line to Maidenhead, and major structural changes at Ealing Broadway, West Ealing, Hayes, Slough, Maidenhead and West Drayton stations;
- re-signalling Airport Junction to Maidenhead;
- track re-alignment and additional sidings at Maidenhead;
- track re-alignment at Slough;
- additional running line, Langley to West Drayton;
- extensive track and structures works Airport Junction to Southall, primarily to create grade-separated access between the relief lines and the airport branch;
- creation of grade-separated access to Acton Yard; and
- track and structural alterations at Paddington station.

Much of this work would be expected to take place during weekend possessions when rail services would be restricted to two tracks between Paddington and Reading between 2200 hours on Friday and 0600 hours the following Monday. Based upon current planning estimates construction activity could be assumed to commence in June 2008, resulting in the aforementioned restrictions for the remaining duration of the Greater Western franchise.

Bidders should assume that there is no transfer of any services or actual operation of Crossrail during the Franchise Term.

3.13 Other Projects affecting Greater Western franchise

All other projects that may arise during the Franchise Term will be treated within the context of normal industry mechanisms and do not need to be priced or considered within Base Case submissions. Section 9 (Further Information) references the more obvious projects that may impact on the Greater Western franchise in this regard, and their inclusion is illustrative only and is intended to assist Bidders in understanding the environment within which the Greater Western franchise will operate. The Franchisee will have a general obligation in the Franchise Agreement to cooperate with the Authority, Network Rail and other stakeholders with respect to the development and implementation of possible future projects.

3.14 General Financial Assumptions

All assumptions and bid input requirements of a financial nature are contained in Section 5 (Financial and Economic).

Section 4 : Operational Integrity / Deliverability

4.1 Introduction

The Authority requires Bidders to show how they will deliver the Franchisee's obligations contained in the Franchise Agreement and how this will meet the objectives of the Greater Western franchise. To this end Bidders should include within their bid a set of plans which details how this delivery will be achieved. The attached diagrams (A4.D1 to A4.D5 inclusive) identify the minimum elements that such plans should contain and Bidders must submit their bids based on this structure. The Authority expects that Bidders will underpin their plans with all relevant detail. **Bidders should not interpret the diagrams as exhaustive; but they should understand that the Authority will form its view on submitted plans using this structure.**

Sections 4.2 (Franchise Management (Diagram A4.D1)) to 4.6 (Mobilisation (Diagram A4.D5)) provide further guidance and information on specific elements of the delivery plans and associated diagrams (A4.D1 to A4.D5). These Sections only cover those elements which the Authority considers may require more detailed explanation and hence are not exhaustive. The level of detail provided is dependent on the particular element in question.

It should be noted that where the Authority requires information to be provided in a specific format, this is also detailed in Sections 4.2 to 4.6.

The following table shows the Authority's proposed evaluation weightings for each of these Sections.

Section	Heading	Weighting
4.2	Franchise Management	25%
4.3	Service Performance	53%
4.4	Service Quality	15%
4.5	Other Passenger Service Obligations	2%
4.6	Mobilisation & Migration	5%
	Total	100%

4.2 Franchise Management (Diagram A4.D1)

Bidders are required to outline their plans and strategies for the overall management of the Greater Western franchise throughout its term. Bidders should add additional items as they see fit to achieve the overall aims of the Greater Western franchise.

4.2.1 Franchise, Vision, Leadership & Organisation

Bidders should explain their overall approach to the leadership and management of the Greater Western franchise and how this will result in the delivery of the outputs and targets to which commitments will be made in the Franchise Agreement, thereby meeting the expectations of passengers, the Authority and other stakeholders.

Bidders' approach to leadership and management must recognise the large geographic area of the Greater Western franchise, and the diverse regions and markets that it serves. Their approach

should demonstrate how the reasonable expectations of stakeholders will be identified and addressed.

This part of each Bidder's proposal should include an overview of the proposed Greater Western franchise organisation structure and interface points with key stakeholders.

4.2.2 Human Resources Strategy

Bidders are required to submit a Human Resources Strategy (HR Strategy) that supports the robust delivery of SLC1 and SCL2 and explains the overall direction of employee development and other employee policies for the Greater Western franchise. The attached diagram (A4.D1) outlines the key areas the Authority wishes Bidders to consider. The strategy should address the approach to investment in the workforce and the outcomes the Bidder expects to achieve through this approach.

Bidders should submit adequately detailed organisation charts to depict the staffing structure proposed for the Franchisee, including numbers of staff positions and roles proposed at each level of the organisation, including senior management, non-operational management and administration, operational management and supervision and 'front line' staff. Bidders should set out the roles and responsibilities of the key members of the management team.

The terms and conditions applying to pensions are contained in Schedule 16 (Pensions) of the Franchise Agreement.

Bidders are required to set out their approach to managing the existing pension schemes within the context of a consolidated Franchise, and any implications that arise from this. All assumptions should be clearly stated.

4.2.3 Internal Communications Strategy

Bidders are required to outline their proposals for communicating with all members of staff throughout the period of the Franchise Term. They should lay out their plans in terms of coverage and frequency and the type of issues the Bidders see as critical to the success of the business.

4.2.4 Franchise Agreement Compliance Strategy

Bidders are requested to include details on how they propose to manage the Franchise Agreement and liaise with the Authority on compliance issues. They should outline their Quality Plan to be made available on or before the Franchise Commencement Date (assuming they are appointed as the Franchisee) and the resources they expect to deploy, including details of their respective roles and responsibilities, and propose a formal meeting structure to ensure that regular discussions are held in accordance with the requirements of the Franchise Agreement.

4.2.5 Marketing & Revenue Strategy

Bidders should submit their plans on how they intend to develop the market and increase revenue in the Greater Western franchise. Diagram (A4.D1) shows the basic level of information required. Bidders are encouraged to include additional information and initiatives as they see fit.

4.2.5.1 Marketing Plan

Bidders must outline the assumptions made in relation to the Greater Western franchise market, and detail how they propose to develop the Greater Western franchise 'brand'. They must include an assessment of the risk to the business and where they believe there is potential for growth. The

Strategy should address how the image of the Greater Western franchise is to be developed, managed and aligned with the Authority's stated Franchise objectives and the expectations of key stakeholders.

4.2.5.2 Fares Plan

Bidders should outline their plan for the management of Fares throughout the Franchise Term; they should outline their policy regarding a range of ticket types, including the marketing, sales and revenue implications. In addition, Bidders should provide evidence of how they plan to manage the price of individual Fares within the proposed basket of regulated Fares, their plans for unregulated Fares, and state what liaison arrangements will be put in place to ensure communication with stakeholders and passengers on an ongoing basis.

Bidders should detail their proposals for Fare information to customers through a variety of media and provide evidence of how they intend to train and inform ticket sales staff of the range of available Fares.

4.2.5.3 Revenue Protection Plan

Bidders should submit a plan for reducing the extent of ticket-less travel and Fare evasion historically associated with the existing Franchises. The plan should demonstrate the net financial contribution to the business by detailing the cost and revenue impacts of their plans by market segment.

4.2.6 Customer Services Strategy

Bidders are required to submit their strategy to manage the customer services aspects of the business.

4.2.6.1 Customer Services Plan

Bidders are required to submit their proposals for managing customer services enquiries, complaints etc. Bidders should explain how they intend to deploy and develop their personnel and other resources or, if applicable, manage this through third parties.

4.2.6.2 Passenger's Charter Plan

Bidders must outline their plan for a Passenger's Charter, drawing comparisons with the present charter commitments of the three Incumbent TOCs. In addition, Bidders must state how they plan to provide Passenger's Charter information to passengers.

Bidders are required to outline their approach to compensation and refunds for customers where the level of service falls below the targets outlined in their Passenger's Charter.

4.2.7 Non-Passenger Revenue Strategy

Bidders are required to detail their strategy for non-passenger revenue streams and set out their respective impact on cost and revenue.

4.2.7.1 On Train Catering Plan

Bidders are required to explain what their plans are for on-train catering for the Greater Western franchise. The plans should detail how they would change current arrangements and the justification for the proposed level of catering service to be provided.

4.2.7.2 Car Parking Plan

The Authority expects Bidders to provide details of their plans to provide adequate car parking at stations across the Greater Western franchise, and to show how they intend monitoring and satisfying the likely demand for car parking. In addition, Bidders are required to provide details of their plans to ensure the safety and security of vehicles in car parks, and how maintenance and up-keep of the car parks will be undertaken.

4.2.7.3 Other Revenue Plan

Bidders should outline their plans to maximise opportunities from station trading, commercial advertising, making best use of the assets in the Greater Western franchise (e.g. through selling maintenance services to TOCs or ROSCOs) and through the provision of any other value added services.

4.2.8 Asset Management Strategy

Bidders should provide an asset management plan for all material assets that will be employed for the purpose of delivering the Franchisee's obligations within the Franchise Agreement. Assets that will be employed are deemed to include, but not necessarily be limited to, Stations, car parks, Depots and stabling facilities, offices, train crew facilities (in addition to those at Stations and Depots if any), IT systems and road vehicle fleets.

4.2.9 Environmental Management Strategy

Bidders are also required to produce an environmental plan setting out their approach to managing their business in accordance with current and anticipated legislation. The plan should demonstrate a strong commitment to working with the infrastructure controller and other operators to deliver a co-ordinated programme of improvements.

4.2.10 External Relations Strategy

Bidders should detail their approach to external relations, encompassing their external communications plan.

4.2.11 Community Rail Strategy

Bidders should demonstrate their understanding of, and commitment to, the objectives of the Authority's 'Community Rail Development Strategy'. As a minimum, the Franchisee will be expected to become a member of 'Community Rail Partnerships' or 'Railway Development Companies' covering the services that it operates, with a view to assisting such organisations to meet their objectives.

Bidders should note that three branch lines have been selected as pilot schemes for Community Rail Strategy designation. These are:

- St Erth – St Ives;
- Liskeard – Looe; and
- Plymouth – Gunnislake.

Bidders should note that further routes within the Greater Western franchise are listed for possible designation in future (with prior local consultation). These can be found in the Community Rail Development Strategy Document available on the Authority's website. Plans to designate the

Thames Valley branches, as listed below, are not being taken forward as they are not supported locally. These are:

- Slough – Windsor;
- Maidenhead – Marlow;
- Twyford – Henley; and
- Oxford – Bicester.

The services between Liskeard and Looe (Looe Valley) and Plymouth and Gunnislake (Tamar Valley) are being considered as possible ‘micro-Franchises’, and should this option be taken forward, the Franchisee will be expected to co-operate in the change process. This would include, inter alia:

- collating route-specific revenue and cost data;
- providing relevant information to the Authority and interested parties; and
- assisting with migration and transfer activities.

Microfranchising is not proposed for any other services within the Greater Western franchise.

The Authority is keen to receive Bidders’ own ideas as to how the objectives of the Community Rail Development Strategy may best be achieved.

4.3 Service Performance (Diagram A4.D2)

Bidders are asked to demonstrate in detail how they will fulfil the Franchise Agreement service performance outputs over the Franchise Term. Responses must primarily address the factors relating to the delivery of SLC 2 (whilst noting any issues relating to SLC1 up to December 2006) and address the key areas listed below and in the attached diagram A4.D2.

4.3.1 Indicative Timetables

Bidders are required to submit indicative timetables for each Service Group as defined in SLC2. The timetables should clearly indicate first and last train times, service intervals throughout the day, calling patterns and journey times. Bidders are also required to define how they intend to manage the Timetable development process. This should include co-ordination arrangements with third parties and how they intend to implement Timetable change.

For the purposes of the Base Case Specification, the train paths, timings and stopping patterns between:

- London Paddington and Severn Tunnel Junction via Badminton and Severn Tunnel;
- Reading and Southcote Junction;
- Didcot and Oxford; and
- Wootton Bassett Junction and Bristol Temple Meads via Box

between 0630 hours and 1930 hours Monday to Saturday must be considered fixed. Beyond these points and outside these times, Bidders may flex the detail of the Timetable, providing that the requirements of SLC2 are satisfied.

4.3.2 Fleet Strategy

Bidders shall have the freedom to determine what rolling stock is deployed within the constraints outlined elsewhere in this ITT (i.e. HST2).

The Authority is determined to see improvements in the performance of rolling stock used on the Greater Western franchise. Bidders must provide plans for mitigating performance and operational train failures en route and for improving performance through better fleet management and maintenance.

The Authority expects Bidders to demonstrate how they will ensure that there is a robust system of vehicle management in place to develop a fleet strategy and to provide:

- sufficient vehicles to resource the contracted SLC1 and SLC2 specifications, taking account of:
 - planned and casualty maintenance requirements;
 - availability requirements and standby trains;
 - maintenance depot capacities and stabling constraints;
 - minimising empty stock working movements;
 - periodic refurbishment of vehicles;
 - vandalism and depot and stabling security; and
 - accident damage.
- seating capacity equivalent to or in excess of the present fleet deployed;
- capacity over the term of the franchise to meet the Bidder's demand forecasts and be responsive to material or seasonal fluctuations; and
- the following performance output characteristics:
 - where applicable, capable of operating all the routes with journey times the same or better than those currently being achieved;
 - reliable in terms of a casualty rate which is lower than rates for each type of rolling stock in the existing fleets;
 - reliable in terms of the on board equipment, such as toilets, catering equipment and air conditioning (where applicable); and
 - an on-board ambience and environment appropriate to the Routes and markets served.

Bidders should note that if they choose to retain the existing Class 153 fleet currently operated by Wessex, the Authority would expect a refurbishment of these vehicles to take place early in the Franchise Term.

The Authority and the HSE are aware that diesel engine exhaust emissions can have health implications, especially in relatively enclosed spaces such as stations. Bidders should consider and identify, any measures that they could take to reduce exposures where the current levels are perceived as high. Bidders should identify any effect that their proposals could have on performance.

If infrastructure, rather than capacity of rolling stock, is judged to be the primary constraint to meeting forecast demand on any particular route, this should be justified.

4.3.2.1 Rolling Stock Plan

In addition to the areas outlined in the Diagram (A4 D2), in the event that Bidders are proposing to refurbish (including any conversion of First Class accommodation to Standard Class), replace or acquire additional rolling stock (but not new replacement HST vehicles), Bidders should provide details of such proposals taking account of:

- the potential availability of such rolling stock; and
- the purpose and projected impacts of the refurbishment, replacement or acquisition in the context of generating improved performance, reliability, availability, customer environment, demand and revenue etc.

4.3.2.2 Depot and Maintenance Plan

Bidders are required to propose a depot and maintenance plan for the servicing and light maintenance of the proposed rolling stock fleet and to provide details of the timing of periodic and heavy maintenance over the Franchise Term. Bidders should also identify strategies that enable rolling stock faults to be rectified en route or by turn-round staff.

The depot and maintenance plan should include information on the impact of change, if any, to the Incumbent TOCs' current respective approaches to maintenance. It should also take into account existing contractual commitments.

Fleet availability targets should be provided on a daily, monthly and yearly basis by fleet type (including any Hot Standbys and their location) together with details of fleet utilisation i.e. monthly or yearly vehicle miles.

Reliability targets (presented as mean distance between failures which cause delays greater than five or ten minutes, as appropriate) should be provided by fleet type, yearly over the Franchise Term (this analysis should include the relationship between miles per casualty by class of vehicle and the projected net impact on performance).

Assumptions regarding the level of fleet availability and reliability of HST2 are provided to Bidders in Appendix 3 (HST Bidding Assumptions).

Bidders should identify the linkage between the depot and maintenance plan and delivery of fleet availability and reliability requirements and any changes required to the existing activities/regimes to meet the proposed targets.

4.3.2.2 Depot & Maintenance Management & Staffing Plan

Bidders should outline their approach to managing and staffing depots, especially in the context of delivering any significant changes from the current arrangements of the Incumbent TOCs.

4.3.3 Train crew Strategy

Bidders are required to submit a train crew strategy that outlines the process and procedures for the management of train crew, which includes both drivers and on-train staff. The strategy must be subdivided into the allocation of resources at train crew depots, how Bidders intend to carry out route learning and training of staff to meet planned manpower requirements and the extent to which

further efficiency and productivity gains may be generated during the term of the Greater Western franchise.

4.3.4 Station Management Strategy

Bidders are required to submit a strategy that outlines their approach to the management of all the stations within the Greater Western franchise. The strategy should comprise:

- a station staffing plan which sets out how Bidders intend to comply with their obligations under both the Franchise Agreement and Licence requirement to provide staff at stations which meet the operational requirements of the Greater Western franchise;
- a Station Management Plan in which Bidders should demonstrate how they intend to organise the management and supervision of stations within the Greater Western franchise area to ensure that standards and commitments are maintained to a consistent level throughout. This should include management of staff at Paddington station. Bidders must demonstrate how, through the management of the stations, continuous improvement in the level of service can be achieved;
- efficiency gains: Bidders are required to submit proposals for improving efficiency and productivity with regard to station management. Bidders must demonstrate that any efficiency gains proposed do not have a detrimental impact on the delivery of the Service Level Commitment or reduce the quality of the service offered at stations; and
- An explanation of how the Franchisee will manage its contracts with other Facility Owners.
- For local and rural stations, and particularly those on Community Rail lines, the strategy may include plans for station adoption involving the local community.

4.3.5 Punctuality & Reliability Strategy

The attached diagram highlights the key areas the Authority wishes to see addressed in Bidders' responses. It should be noted that the lists are not exhaustive and Bidders are encouraged to include additional relevant initiatives in their response should they wish.

4.3.5.1 Control Strategy

Bidders are required to outline their strategy for the real-time management of the Passenger Services and to illustrate how people, systems and organisation interfaces with other key providers such as Network Rail and rolling stock maintenance providers will be managed to ensure delivery of the Plan of the Day.

4.3.5.2. Interface Arrangements

Bidders are also required to detail their other interface arrangements with Network Rail. They are expected to provide details of management liaison arrangements as well as comment on their approach to the formulation of regulation policies to prioritise services during times of disruption.

4.3.5.3 Performance Improvement Plan

Delivery of improved operating performance is one of the key objectives of the Greater Western franchise replacement process and the Authority expects Bidders to demonstrate a focused approach to the delivery of a significant improvement in the performance of the Passenger Services.

The Authority expects that the Franchisee will operate the Passenger Services in line with the specified Target Performance Level throughout the Franchise Term. The Authority also expects performance to improve throughout the Franchise Term. Appendices 5 (Cancellations Benchmark

Table) and 6 (Service Delivery Benchmark Table) to the Franchise Agreement are to contain the Benchmarks for Cancellations and Minutes Delay attributed to the Franchisee. These were calibrated from the historical performance achieved by FGW, FGWL and Wessex prior to issue of this ITT and reflect current performance initiatives and a commitment to continuous improvement. Bidders should note that the Benchmarks will be recalibrated prior to signature of the Franchise Agreement to take account of the latest performance data. These recalibrated figures will be included in the Franchise Agreement. This recalibration exercise will be carried out using the same principles that were used to produce the original Benchmarks set out in Appendices 5 and 6.

Determination of performance for individual service groups, as measured by arrivals at destination within five or ten minutes of scheduled arrival times, will remain unchanged with the exception of services between Paddington and Hereford via Worcester. These will change from a 'time to five minutes' to a 'time to ten minutes' measure to reflect the distances involved, the rolling stock employed and the integrated characteristics of services on this route.

Following the Government White Paper, franchise performance will continue to be measured and reported to the Government by Network Rail through the Public Performance Measure (PPM). The impact of Bidders' performance improvement plans on PPM over the franchise term must be set out in the performance model together with the basis of the calculations.

4.3.5.4 Service Recovery & Contingency Plans

Bidders are required to outline in detail their Service Recovery Plans and contingency plans to cover severe weather conditions, address the critical issue of train performance during periods of leaf fall and describe their planned procedures in the event access is restricted on any key routes considered by Bidders to be vulnerable to disruption (e.g. Severn Tunnel, Devon sea wall). Responses should highlight the key risk areas that affect the delivery of the daily Timetable together with mitigation measures and resources to be deployed.

4.3.6 Management of Overcrowding

Bidders are required to ensure their response to this ITT caters for all appropriate known variations in passenger demand, based on their own forecasts. The Franchise Agreement contains an obligation to plan to meet demand targets for the Passenger Services (Target Passenger Demand) and to manage the available resources so as to minimise overcrowding where there is insufficient capacity to meet Target Passenger Demand, particularly on Peak services (including seasonal peaks). There is also a requirement to determine Actual Passenger Demand on a regular basis using the most accurate, commercially available technology (as at the Franchise Date) for determining the number of passengers travelling on the Passenger Services. These passenger demand numbers are to be used in the management of resources and in the development of the Train Plan to meet forecast changes in patterns of demand.

Bidders should provide an analysis of where and when their projection of demand is likely to give rise to overcrowding and its likely severity. They should also set out any measures they intend to take to manage the problem.

Innovative solutions are sought to meeting the peak seasonal demand in the West of England, making use of the principles of the Community Rail Development Strategy where appropriate.

Bidders should also set out their approach to provide adequately for Special Events such as Millennium Stadium events, Cheltenham Races, Glastonbury and Reading Festivals, Farnborough Air Show, Newbury Races, Henley Regatta and the Olympic Games.

4.4 Service Quality (Diagram A4.D3)

The Authority expects the Franchisee to deliver a level of service quality that is consistent with the levels specified in the Service Quality Standards. Bidders are required to submit their Service Quality Management Systems for delivering that level of service quality. The Service Quality Management Systems shall set out the benchmarks against which it will monitor its own performance each Reporting Period, and against which the Authority can audit that performance from time to time. The accompanying Diagram A4.D3 highlights the key areas the Authority expects to see addressed as part of the overall service quality proposal.

4.4.1 Station Environment

Bidders must demonstrate their approach to the management of Stations to provide an accessible, welcoming and comfortable environment with fully operational systems and amenities.

4.4.1.2 Station Cleaning and Maintenance Plan

Bidders should demonstrate in their cleaning and maintenance regimes that appropriate standards of presentation are maintained and will align with the service quality benchmarks in their Service Quality Management Systems, and that the Stations provide a safe and secure environment for customers whilst either using the amenities or waiting for train services.

4.4.1.2 Station Enhancement Plan

Bidders should outline any plans that they have for station enhancements. Bidders' attention is drawn to Appendix 5 (Stations).

4.4.2 Train Environment

4.4.2.1 Train Cleaning and Cosmetic Repair Plan

Bidders are expected to provide details regarding their strategy to ensure that the trains complement the quality of the station environment. Customers should be offered a clean, secure, comfortable and convenient journey experience. In addition, Bidders are required to outline their plans to maintain the external and internal appearance of the rolling stock.

4.4.3 Customer Information Strategy

The Authority requires Bidders to provide details of how they will deliver timely, accurate and comprehensive information throughout the Greater Western franchise area, on stations, trains and in external areas such as car parks. The plans should detail the arrangements to cover timetabled services, planned and unplanned disruptions, to ensure that customers are kept fully informed of the operation of services during their journey and should, where possible, maximise the potential of relevant modern technology.

4.4.4 Security Strategy

Bidders are required to outline their plans for ensuring that the security of premises, customers and staff is maintained at all times. This includes a description of their approach to identifying risks, upgrading existing systems and installing new measures to reduce the level of risk and loss.

Bidders are required to outline their plans for liaison with law enforcement agencies throughout the Greater Western franchise area and detail any plans they might have regarding the use of third party security personnel. The security strategy must cover on-train activities, stations, depots and sidings, to ensure that the risk to operation of the railway passenger services prevented by trespass and vandalism is minimised. Bidders should also explain how they plan to address the possibility of terrorist action.

Bidders should identify locations where they intend to obtain further Secure Station and Car Park Accreditation. As a minimum, the Secure Station and Secure Car Park Accreditations of the Incumbent TOCs should be maintained.

4.4.5 Ticket Sales Strategy

Bidders are required to provide detailed plans on how they propose to ensure easy access to ticket retailing facilities at stations throughout the day (including modern and reliable passenger operated ticket vending machines capable of dealing with 'Oyster cards' where appropriate and other smart card technology). Ticket offices should be opened and staffed in accordance with the proposed Service Quality Standards set out in Attachment E. They should be capable of both selling tickets and distributing pre-booked tickets, in addition to providing access to detailed information regarding train services within the Greater Western franchise as well as for other Train Operators both within the area and throughout Great Britain. In addition, Bidders are requested to provide details on how they propose to use simple, effective alternative means of purchasing tickets through, for example, a well-publicised, easy to use and accessible Internet site or an easy to use telephone booking service.

Bidders should also describe their approach to the on-train sale of tickets.

4.5 Other Passenger Service Obligations (Diagram A4.D4)

Bidders should describe their commitments to cover the range of items described in the accompanying diagrams (A4.D4) and provide a detailed commentary on their strategies and plans to ensure their delivery.

4.5.1 Transport Integration

The Authority expects Bidders to outline their plans for multi-modal integration throughout the Greater Western franchise area. Bidders are expected to outline their proposals to ensure existing arrangements with organisations such as TfL are strengthened.

There are particular opportunities regarding access to Heathrow, Gatwick and other airports within the Greater Western franchise and these should also be addressed within this section.

As part of the transport integration plans, Bidders are expected to consider items such as plans for managing Connections and the potential for increasing 'through' ticketing, as well as the provision of information concerning connections to other transport modes at stations. As a minimum, the Authority expects the current level of multi-modal ticketing and Connections to be maintained.

Bidders are expected to outline their policy regarding bicycles both on-train and with regard to access and storage at stations.

4.5.2 Disability Discrimination Act

The Authority expects Bidders to detail in their bids their proposals to ensure compliance with the Disability Discrimination Act 1995. Bidders are requested to describe in detail their compliance strategy in respect of both stations and trains. In addition, they are required to submit a consultation strategy with disabled groups to ensure that the reasonable needs and requirements of such groups are identified and addressed, both with existing facilities and through enhancements. Bidders must outline their plans for staff awareness training and detail their procedure for the sale of tickets to disabled travellers.

As described in Section 3.10 (Other Passenger Obligations – Access for All) above, the ‘Access For All’ draft strategy is out for consultation. Bidders should describe how they would meet the specification set out in Appendix 6 (Access for All – Specification for full staffing). The cost of doing so must be identified separately.

4.6 Mobilisation and Migration (Diagram A4.D5)

The Authority is looking for a smooth and seamless transfer from the Incumbent TOCs to the Franchisee and towards full integration of the franchise assets and operations. To this end, Bidders should explain how they will project manage mobilisation and migration activities and include risk management and contingency plans. The Authority will expect to examine not only the scope of the plans, but also the process by which they will be delivered.

In setting out their mobilisation and migration plans, Bidders must include, amongst other things, the following:

- An adequately detailed work and/or product breakdown structure;
- assumed responsibilities of the parties;
- risk management plans;
- a schedule identifying critical path items prior to and post Franchise Commencement Date; and
- structure of the migration project team and reporting arrangements.

Section 5 : Financial and Economic

5.1 Introduction

The Authority requires Bidders to provide information that will enable it to evaluate bids from a financial and economic perspective. This Section details how Bidders should achieve this and how the information should be presented for comparison purposes with the Comparator Model.

5.2 Financial Model and Operational Models

Each Bidder is required to submit and include as part of their bid, a Financial Model and all Operational Models that support that Financial Model (together, the Models), together with all relevant financial information, demonstrating the financial consequences of its business and operational plans over the Franchise Term (including the continuation period and the seven Reporting Period extension, each contemplated by Schedule 18 (Franchise Continuation Criteria) of the Franchise Agreement).

The objective of the Financial Model is to calculate the financial outputs specified in Appendix 8 (Figures for Calculation of Annual Franchise Payments) to the Franchise Agreement for the purposes of submitting the bid and to be capable of repeating this calculation, using whatever Revised Inputs are agreed or determined to be relevant, if and whenever a Change occurs during the Franchise Term. It is essential therefore, that the Financial Model, and in turn the Operational Models that inform the Financial Model, have this functionality.

More specifically, the Financial Model should be capable of calculating each of the following specific outputs in the circumstances described above:

- Target Revenue (as set out in Appendix 2 (Target Revenue expressed in real terms) to the Franchise Agreement); and
- Franchise Payments (comprising the fixed and variable cost and revenue elements and the profit margin set out in Appendix 8 to the Franchise Agreement).

The output schedules of the Models should be in the format of the Templates provided in Attachment F (the Templates). The Models should be presented in Microsoft Excel format, with workings and formulae intact (i.e. non input cells should not be 'hard-coded' with values), and be capable of running on a post - 1997 Microsoft Windows operating system. Six copies of the Models should be submitted in hard copy with the inputs and the financial statements and other outputs formatted as per the instructions in Sections 5.6 and 5.7 below. These printouts should also include the Financial Statements for all Priced Options.

5.2.1 *Financial Model and Operational Model Principles*

The Models submitted by the Bidders, in line with best practice, must have the following characteristics:

- *Separation* - the Models must have three distinct elements:
 - Inputs: which should include data and assumptions but no calculations;

- Calculations: which should include individual calculations that support each line of all outputs and reports. There should be no duplication of calculations nor should input cells be hard-coded in the calculation sheets; and
- Outputs: which should not include any hard-coded input cells or calculations except for sums and check totals.

Data inputs, calculations and output areas should be completely separate and clearly labelled.

- *Consistency* - the Models should have time periods across the columns and calculations down the rows. This should be consistent in all worksheets. There are two areas where consistency is most important:
 - Columns: the same column should be used for the same period in each worksheet; and
 - Rows: a row will contain only one formula, copied across all columns.
- *Integrity* - all calculations should be coded to represent exactly what they purport to represent (i.e. no balancing figures should be included).
- *Linearity* - the Models should not contain circular references.
- *Macros* – where macros are required, their function should be clearly explained.

No rows, columns, cells or worksheets of the Models should be hidden or password protected. Protecting worksheets without passwords to avoid accidental changes to inputs or calculations is permissible, provided it does not reduce the transparency or usability of the Models. Grouping rows or columns is permissible, but hiding rows, columns or worksheets is not permissible.

Where possible, Bidders are requested to avoid the use of macros in order to aid model transparency. The use of macros should be limited to areas where they add to the user friendliness of the Models (e.g. print macro) or aid the achievement of other requirements of the Models (e.g. avoid circularity or to transfer data between Models).

Although best practice would dictate that a consistent formula is used in each column, there are a number of circumstances where a model can be made more transparent by changing the formulae across an array. Provided it is made clear (even when printed out and hence when the formulae can not be seen) that the calculation method is different, three cases have been identified when the formulae can differ:

- to allow a different approach to the treatment of forecasts before the Greater Western franchise commences (i.e. 2003/04 to 2005/06 inclusive) compared to the Franchise Term;
- to allow a cumulative average growth rate (CAGR) column to be included at the end of the row; and
- to allow units, indices and other useful modelling ‘flags’ to be included in the columns before the first forecast year (2003/04).

It is not acceptable to break the best practice conventions to allow for other factors, such as, but not limited to, part years (e.g. due to the Greater Western franchise not commencing on the first day of the RSP year or a change to the Timetable), or demand build-up.

5.2.2 Models to be Submitted

The Models should preferably be self-contained within their own respective spreadsheets. Where there are cross-links between the Models these should be stored together electronically with a clear explanation of the links. All appropriate Operational Models that support the calculations within

the Financial Model are required to be submitted. This will include but not be limited to workings and calculations linking the Financial Model inputs and outputs.

The Operational Models should include but not be limited to:

- a demand/revenues model. The demand/passenger revenue forecasting model must at least disaggregate demand and revenue into the ticket types and Service Groups contained in the Templates. Any further disaggregation of demand and revenue into more detailed flows or segments is at the discretion of the Bidder. The demand/revenue model also needs to clearly show the demand forecasting input assumptions, demand forecasting elasticities and impact on demand and revenue from each of the following items. This should include such factors as:
 - macro-economic factors, including competition with cars (disaggregated into individual factors where appropriate);
 - Timetable changes;
 - real Fare increases;
 - performance improvements;
 - marketing;
 - revenue protection initiatives;
 - station retailing initiatives;
 - crowding; and
 - other investments or initiatives;
- a cost model that includes the following as part of one Operational Model:
 - a staff forecasting model showing the split by staff categories (e.g. drivers, station maintenance crew) and how these form the basis of the forecast of wage, pension and other staff remuneration costs in the Financial Model;
 - a rolling stock model showing the split by rolling stock classes and showing separately fixed, mileage or reliability performance based components of the lease charges. The split of capital and non-capital rentals should also be shown; and
 - a regulated facilities model showing the split between fixed access charges and variable access charges, track related, station and depot related, access and leases charges;
- a performance model, showing forecast average Minutes Delay, attribution of average Minutes Delay between the Franchisee and Network Rail, the impact on the Public Performance Measure and the basis upon which any performance receipts and payments are calculated. Performance receipts and payments between the Franchisee and Network Rail should be shown separately. All assumptions relating to the performance model and any performance improvement schemes and associated calculations should be clearly explained;
- where required, a capital funding model, showing the detailed total investment plan for all funding of infrastructure, other works and schemes that support the Bidder's proposals and that reflects the precise details of their own funding arrangements.

Clear instructions on how to operate the Models, including any model assumptions should also be provided, in the form of a Record of Assumptions (see Section 5.8).

5.2.3 *Sensitivities*

The Models must be flexible and capable of supporting sensitivity analysis and Priced Option switching, and Bidders must take this into account in determining the most appropriate structure for the Models.

The Models should, as a minimum, be capable of supporting a sensitivity analysis ('stress tests') either in percentage terms or on a compounding basis, and on absolute terms of the following:

total revenue;
total operating costs;
profit margin;
taxation rates;
interest rates; and
RPI and AEI.

For 'total revenues' and 'total operating costs', the Models should include functionality to allow the Authority to both change the variable by an absolute value and to be able to also change the growth profile of the value over the Franchise Term. For the first type of test, the Models should show as a percentage how much higher the revenue is compared to the revenue generated by the Base Case Specification. These tests are important as they allow the Authority to gauge the robustness of the Models to changes in key assumptions.

To illustrate the robustness of the Models, the Record of Assumptions must include a table demonstrating the sensitivity of the Models to the variables noted above. This table should set out the change required in each variable listed above to trigger a breach of the ratios and generate a lockup as per Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement. The table is to be split into two sections. The first would show the change to the variable to trigger a breach/lockup in the 5th year of the Franchise Term (through a change to the growth profiles for revenues and costs, and changes to the absolute values for the other variables) and the change to trigger a breach/lockup in 2007/08 (through a change to the absolute 2007/08 revenues and costs, and changes to the absolute values in 2007/08 for the other variables).

The functionality to reproduce these results should be contained within the Models with appropriate documentation to facilitate verification by the Authority.

The Models should dynamically incorporate the Revenue Share/Revenue Support mechanism set out in Schedule 8.1 (Franchise Payments) to the Franchise Agreement and the dividend lock up mechanism set out in Schedule 12 (Financial Obligations and Covenants) to the Franchise Agreement. Where applicable, these mechanisms should be automatically activated when running the above sensitivities to the Financial Model and reflected in the financial statements.

5.3 Generic Bidding Assumptions

Bidders are to use the following assumptions in preparing their bids:

- financial forecasts are to include calculations of the tax liabilities of the subject company in accordance with GAAP and any applicable tax law. Complete integrated tax computations

- should be included in the Financial Model to the extent that any group, consortium or other form of relief or sale of losses is clearly stated within such model;
- the units to be used in bid submission are clearly set out in the Templates provided;
- the default prices stated in the Models should be nominal but when real prices are required these should be deflated to average 2003/04 prices;
- the tables listed below should be completed in average 2006/07 prices:
 - Target Revenue table set out in Appendix 2 (Target Revenue (expressed in real terms)) to the Franchise Agreement;
 - Franchise Payment table set out in Appendix 8 (Figures for Calculation of Franchise Payments) to the Franchise Agreement; and
 - Season Ticket Bond value table in Schedule 2 of Appendix 2 (Form of Season Ticket Bond) to Schedule 12 (Financial Obligations and Covenants) to the Franchise Agreement;
- Bidders should assume a Retail Prices Index of 2.5 per cent per annum and an Average Earnings Index of 4.2 per cent. per annum for 2006/07 and thereafter;
- the real discount rate to be applied is 3.5 per cent;
- net present values of the revenues, costs and franchise premiums will be discounted back to the first year of the Greater Western franchise (average 2006/07 prices);
- Bidders should assume that the Greater Western franchise will commence on 1 April 2006;
- the Greater Western franchise financial year commences on the 1 April of each year;
- Revenue Support levels and thresholds are as per the Franchise Agreement (Bidders are free to propose their own levels and thresholds for Revenue Share);
- there will be no changes to the Track Access Agreement and charging methodologies as a result of any reviews conducted by the ORR during the Franchise Term (Bidders should use CP3 rates as specified by the ORR until the end of CP3 and assume that they are held constant in real terms thereafter); and
- the methodology for calculating franchise subsidy and premiums should be applied consistently on an annual basis.

5.4 Financial Model and Operational Models Structure

The Models should be structured to allow the user to choose a scenario from the Base Case Specification and Priced Options by use of a 'switch' applied to the Base Case Specification. Separate stand-alone models are not expected.

To the extent Bidders are providing stand-alone models for the Priced Options, HRAT and Alternative Tenders, Bidders should advise the Authority prior to the submission of the same. Stand alone models would be expected for Alternative Tenders which differ significantly from the Base Case Specification or Priced Options.

The switch should enable the user to select the required scenario without the need for additional modelling or worksheet adjustments. This switch will be the tool to dynamically select the inputs of the required case and 'run' them through the calculations and subsequently present the results in the financial outputs of the Financial Model. The Record of Assumptions should clearly explain the method by which the switch selects the case of the different scenarios.

The Financial Model must also have a further “index switch” that allows the user to apply/remove the effect of RPI and AEI indices so as to view the financial outputs in both nominal and real terms.

Where relevant, the Authority has anticipated that certain rows in the Financial Model are necessary for Bidders to provide their own cost or revenue title (these are generally labelled as ‘Spare’), but for evaluation and logistical reasons, it is also critical to minimise any significant deviation from the Template structure. Deleting or inserting rows or columns to the Templates is not permitted.

In relation to the Models’ periodicity, annual periods should be used, the Authority’s financial year ending 31 March.

5.5 Priced Options

The Authority requires a consistent level of detail/information for each proposed Priced Option to enable it to make an informed decision. Therefore financial outputs for each Priced Option should be automatically produced by use of a ‘switch’ which will update the financial outputs automatically incorporating the additional requirements and implications of each Priced Option. Separate stand alone models are not expected.

Priced Options should be indexed in accordance with the mechanism set out in Schedule 8.2 (Annual Franchise Payments) of the Franchise Agreement.

5.6 Mandatory High Return Alternative Tender and Alternative Tenders

The HRAT and any Alternative Tenders shall be provided as ‘switches’ applied to the Models or as separate worksheets. HRAT and Alternative Tenders should reflect the model requirements as set out in this Section 5.

5.7 Financial Templates

The Authority requires that the output from the Models follows the Templates in Attachment F. The Authority realises that Bidders may wish to expand the level of detail provided within the Models beyond these minimum requirements and expects that this is done in such a way as to remain consistent with the format of the Templates. The level of detail provided should be sufficient to give full transparency of all components of cost and revenues.

The outputs in the Templates should be linked to the calculation cells/input cells where appropriate in such a manner as to facilitate both the understanding of the Financial Model and tracing of core assumptions used in the Financial Model. Bidders can either add worksheets to the Templates or copy the Templates into their own models. It is imperative that Bidders ensure the ranges defined are also transferred.

The format of the profit and loss account, cash flow statement and balance sheet are required to be set out in the manner stipulated by the Templates.

The Authority reserves the right during the evaluation process to clarify and request further levels of detail from Bidders where it feels it is necessary for the completion of that process. Any derogation from the requirements of the Templates as set out in this ITT must be agreed with the Authority in advance of the return of any bid.

Bidders should note that any types of revenues or costs that it wishes to include under a catch all heading of 'Other' should not exceed £500,000 (nominal prices) in any year. Where a Bidder anticipates that such revenues or costs will exceed this amount, they should each be separately identified in a separate spare row and not listed under the heading 'Other'.

The Models should cover the full period of the Franchise Term including the possible seven Reporting Period extension.

The Templates shall be populated in full, with outputs from the Models specified in years that are consistent with the Authority's financial year.

The following key outputs should be dynamically derived from the Financial Model:

- Target Revenue table set out in Appendix 2 (Target Revenue (expressed in real terms)) to the Franchise Agreement;
- Franchise Payment table set out in Appendix 8 (Figures for Calculation of Annual Franchise Payments) to the Franchise Agreement; and
- Season Ticket Bond value table in Schedule 2 of Appendix 2 (Form of Season Ticket Bond) to Schedule 12 (Financial Obligations and Covenants) to the Franchise Agreement.

These outputs should be dynamically updated following the running of any sensitivity or variation.

5.8 Record of Assumptions

The Record of Assumptions is required to accompany the Models and shall contain all financial and operational assumptions used. The Record of Assumptions shall explain and discuss the inputs of the Model and provide detailed instructions for operating the Models and also include the following:

- description of each Model, its structure and capability;
- explanation of the flow of data through the Financial Model and the interfaces with the Operational Models submitted. This may be presented diagrammatically with supporting narrative as appropriate;
- description of the purpose and operational characteristics of each worksheet and how it interacts with the Models;
- instructions on how to input data, select assumptions and calculate the financial outputs;
- instructions on how to run sensitivities;
- a table setting out the changes required in the variables in Section 5.2.3 to trigger a breach of the financial ratios and to trigger a lockup as per Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement;
- a table setting out the percentage of total franchise other revenues, other operating costs and ROSCO costs (PVs over the Franchise Term) that are earned from or paid to HQ, group or other affiliates;
- instructions on how to optimise and produce financial outputs, in the required format;
- an explanation setting out the basis upon which the Franchise Payments have been calculated; and

- where macros (or other visual basic functions) have had to be used, a description of any macros used in the operation of the Models, the reason for their use and how they impact on the results.

The Record of Assumptions is required to contain all financial and operational assumptions used in the pricing of the bid including those assumptions used in the pricing of any Alternative Tender or Priced Options and should be at a similar level of detail to that provided in the Models. It is required to be submitted in Microsoft Word format and is to be contained within one electronic file. Bidders can store their assumptions in Microsoft Excel files, but these should be transferred to a Microsoft Word file prior to submission.

The Record of Assumptions should confirm and explain all of the linkages between the Models and should also set out clearly the basis on which the Franchise Payments have been calculated.

Bidders are to note that the Models and the Record of Assumptions will become agreed form documents under the Franchise Agreement and will be Placed in Escrow pending their release to be used by parties should a Change occur during the Franchise Term.

5.9 Financial Structure and Funding

Each Bidder is required to:

- detail the total investment plan for all funding of infrastructure, other works and schemes that support its proposals;
- submit precise details of its own funding arrangements and detail the exact nature of relationships with any funding partner or underlying financial securities provided by third parties;
- provide details of the providers of the Performance Bond and Season Ticket Bond, including term sheets from the Bond Provider(s) in order to demonstrate that the requirements of the Franchise Agreement have been met;
- submit a statement from the relevant Bond Provider accepting the form of the Performance Bond as set out in the Franchise Agreement;
- submit a statement from the relevant Bond Provider accepting the form of the Season Ticket Bond as set out in the Franchise Agreement;
- demonstrate how the initial Performance Bond and Season Ticket Bond values, included in the bid, have been calculated;
- demonstrate how ongoing working capital requirements, as forecast in the Financial Model, will be funded;
- for each franchise commitment made in the bid (or groups of commitments if appropriate), submit a funding plan with full details of each source of funding, including rights and obligations of each type of funding and details of agreements with the organisations providing funding. For each source, a letter of support and term sheet must be provided from the underwriting financial institution setting out the terms and conditions (including all condition precedents, fees, repayment profile, basis of interest rate calculation) of the finance;

- incorporate in its funding plans, an investment profile as detailed in the Templates providing for each proposal category (Base Case Specification, Priced Options, HRAT and Alternative Tenders) and by investment category;
- submit a letter from its financial adviser(s) confirming that:
 - the funding plans for all aspects of the bid have been developed to a stage that will allow funding to be made available to the Franchisee on execution of the Franchise Agreement;
 - financial adviser support of the funding proposition has been provided in the knowledge of the terms and conditions set out in the term sheets of the finance providers;
 - the funding plans are accurately reflected in the Financial Model;
- confirm the interest rates and contractual terms of any inter-company debt funding, subordinated loans or other funding arrangements between or to be between the Franchisee and any affiliate or third party; and
- provide details and assumptions for interest earned on cash deposits.

5.10 Model sign-off - Terms of Reference

5.10.1 Modelling Best Practice Confirmation

Each Bidder must provide an independent Modelling Best Practice Confirmation report on all sections of the Models, co-addressed to the Authority and that Bidder, as part of its bid submission. The Best Practice Confirmation is not considered to be an audit of the Models.

All costs associated with the preparation of the Modelling Best Practice Confirmation are for the Bidder's account only.

The Modelling Best Practice Confirmation must provide confirmation in adequate detail that the Models have or provide for:

Separation of inputs, calculations and outputs. The Modelling Best Practice Confirmation must document the high level patterns of data flow within the Models and include a flow chart of the main data flows between worksheets and workbooks;

Consistency of formulae across rows and down columns and across worksheets. The Modelling Best Practice Confirmation must provide a review of the Models' structures by means of spreadsheet maps, which give a visual representation of the worksheet structure and layout, highlighting elements of the worksheet layout that warrant further investigation (however, as this is not as detailed as a Model Audit: each unique formula is not checked);

Integrity of financial statements (that there are no balancing figures). The Modelling Best Practice Confirmation must provide an assessment of the extent and effectiveness of internal and/or error checks contained within the Models and detail any internal control checks that indicate errors; and

Linearity of calculation flow (that there are no circular references).

5.10.2 Model Audit

Following bid submission and prior to contract award the Authority will request one or more Bidders to obtain an independent audit of the Models (the Model Audit) on all sections of the Models. The Model Audit shall be prepared for the benefit of the Authority and the Bidder and shall be co-addressed to them. All costs associated with the preparation of the Model Audit are for the Bidder's account only. Bidders must obtain the Authority's acceptance (not to be unreasonably

withheld) of their choice of independent model auditor and its agreement to the definition of the Financial Model for determining the scope of the audit. The Authority will expect to receive the audit report within ten working days of it being requested of the Bidder.

The Authority requires the Model Audit to confirm:

whether the Financial Model has been constructed appropriately so as to materially achieve the objective that it was designed to meet, insofar as its logical integrity under the Base Case assumptions and input data is concerned, including the conversion of real values to nominal values;

whether the tax charge, liabilities and payments calculated by the Models, on the basis of the assumptions made in the Record of Assumptions appear materially consistent with current understanding of existing UK tax legislation;

- whether the key accounting assumptions in the Models and the Record of Assumptions appear materially consistent with current understanding of GAAP and financial reporting standards;
- whether the calculation of the Annual Franchise Payments is in accordance with the terms of the Franchise Agreement;
- whether the calculation of the financial ratios is in accordance with Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement;
- whether the Models have been developed in a well structured manner to acceptable standards;
- whether assumptions and input data in the Record of Assumptions have in all material respects been consistently reflected in the Models;
- Priced Options, HRAT and Alternative Tenders: the Authority will require an audit to be performed on any or all of these sections of the Financial Model; and
- robustness testing: the Authority may provide the preferred Bidder with no more than five tests for the purposes of understanding robustness of the stress test. The Model Audit will test the logical integrity of the arithmetical operations in the Financial Model formulae and calculations under the assumptions and input data for the specified test. A robustness test is defined as a change in one or more variables.

5.11 Other Information Required

Bidders should show separately the costs involved and assumptions made in relation to pension contribution rates, both employer and employee.

Trading with affiliated companies should be detailed where greater than £100,000 (nominal prices) per annum in the relevant plan(s) and Record of Assumptions.

Bidders are expected to refer to the Franchise Agreement attached to this ITT at Attachment C. Bidders attention is drawn in particular to the Appendix (Incentivising Long Term Investment) to Schedule 9.3 (Runs of the Financial Model) of the Franchise Agreement for guidance on the Authority's approach to incentivising long-term investment.

Bidders' notice is drawn to the affordability constraints that apply to the rail industry. Regardless of the value for money aspect of any given investment proposal, the Authority will only consider such

proposals if its budget allows. Bidders should bear in mind that financial support for such proposals from the Authority is likely to be extremely limited.

Section 6: Priced Options

6.1 Introduction

Bidders are required to submit bids for the following Priced Options, in addition to the Base Case. These Priced Options may be included in Appendix 4 of the Franchise Agreement. They will be assessed for both deliverability and financial and economic impact in line with the requirements laid out in Sections 4 (Operational Integrity/Deliverability) and 5 (Financial and Economic). Bidders should ensure their bids in respect of the Priced Options identified in this Section 6 allow the Authority to make appropriate evaluations. For example, a Priced Option that requires a different approach to the plan to deliver the Base Case, as set out in its response to the requirements of Section 4, should provide details and show how the Priced Option will be delivered, using the same structure as appropriate. Bidders should mark-up the Franchise Agreement as appropriate in relation to each Priced Option.

Option 1 : Withdrawal of 'Night Riviera' Sleeper Service

SLC2 includes the current sleeper service that operates between Penzance/Plymouth and London Paddington.

Bidders should propose a Priced Option in which the current sleeper service is removed in December 2006.

Option 2 : Withdrawal of off peak hourly Cardiff – Paddington services

Bidders are asked to price the withdrawal of the hourly service between London and Cardiff (SLC ROUTE A21.1(b)). This comprises nine services in each direction between 07:13hrs and 15:13hrs from Paddington and between 09:55hrs and 17:55hrs from Cardiff.

Option 3 : Combination of Options 1 and Option 2

Bidders are asked to provide an Option whereby Options 1 and 2 are both taken up by the Authority (if this is different from a simple aggregation of the separate prices involved).

Option 4 : Extension of Portsmouth – Cardiff services to serve Cardiff Airport

The Welsh Assembly Government (WAG) is keen to improve accessibility to Cardiff Airport via Rhoose station which will open on the Vale of Glamorgan line between Cardiff Central and Bridgend.

WAG is interested in the possibility of extending the current Portsmouth – Cardiff Central service to Rhoose, and therefore Bidders are asked to deliver a Priced Option for such a service. This incremental service (in addition to that provided by Arriva Trains Wales) and its associated subsidy would be contracted separately between WAG and the Franchisee. The service would only operate if such an agreement was reached and funding provided by WAG.

Bidders should assume implementation of this Priced Option from December 2006.

Section 7: Mandatory High Return Alternative Tender

The Authority requires Bidders to propose the HRAT, a lowest cost/high return Base Case Specification alternative tender. In producing the HRAT, Bidders are required to comply with the Greater Western franchise objectives set out in Section 1.5 (The Authority's Objectives for the Greater Western franchise). However, Bidders should develop a proposal that is focussed upon achieving the lowest possible cost and maximising the return to Government.

The HRAT should consider how the Greater Western franchise could reduce the Government subsidy or increase the premiums paid and the non-financial benefits.

Bidders should present the HRAT as a switch to their Base Case in sufficient detail to meet the requirements of this ITT. Bidders should be aware that if the Authority chooses to procure the HRAT, Bidders must expect to be contracted directly against the HRAT offer precisely as bid.

7.1 Objectives of the HRAT

Overall, Bidders must demonstrate that:

- their HRAT offers better overall value for money than the Base Case proposal, taking into account the economic, social benefits and costs;
- the present value of premiums is better than their Base Case proposal; and
- the profile of annual subsidies and premiums is better than their Base Case proposal.

In this context Franchise Payments include all payments to be made by or to the Authority.

Bidders should provide justification for each proposed change or improvement, incorporating a cost/benefit case and an explanation of how the changes or improvements are to be achieved.

7.2 Approaches to Delivering the HRAT

In appraising how they might deliver enhanced value, Bidders should be prepared to consider approaches which may be outside the current contractual matrix, including, but not limited to:

- changes to SLC2 with the exception of train paths, timings and stopping patterns between London Paddington, Didcot and Reading and Southcote Junction between 0630 hours and 1930 hours Monday to Saturday; and
- changes to unregulated Fares and other contractual obligations.

7.2.1 Changes to SLC2

Bidders may wish to consider changes to SLC2 outside the constraint in 7.2 above, including, but not limited to:

- changes to frequency and stopping patterns to improve value for money and achieve satisfactory train performance;
- changes to rolling stock fleet size in line with changes in service frequency; and
- proposals to modify existing capacity obligations where operating improvements or the elimination of inconsistencies can be demonstrated.

The following conditions must be observed when making any such proposals:

- proposals should not be constrained by the maximum journey times specified in SLC2. However, bidders should indicate if increases in journey times are proposed and highlight other changes that would be required to the specification in SLC2;
- intermediate calling patterns should be specified as well as any lost journey opportunities and an explanation of how any passenger dis-benefit would be mitigated;
- proposals should also demonstrate the impacts on connecting services and modal interchanges; and
- Bidders must detail areas of anticipated overcrowding in their proposals, including the effect that their own forecasts of growth will have on overcrowding. Bidders must set out how they will plan services and resources to minimize overcrowding on platforms and trains and the effect of such proposals.

7.2.2 Changes to fares regime and other contractual obligations

In their HRAT proposals, Bidders may additionally wish to consider changes to the contractual matrix including, but not limited to:

- the provision of Greater Western franchise bus services (to be developed in consultation with the Local Authorities and bus operators);
- rationalisation of facilities which might create development opportunities;
- proposals for changes to the way Licence obligations are delivered (e.g. by altering ticket office opening hours, or complaints handling procedures). These will be considered as long as they are consistent with relevant Licences and the overall benefit to passengers is positive. Any such changes must be consulted with the relevant Rail Passengers' Committee pending their abolition under the Railways Act 2005 and following that, the Rail Passengers' Council; and
- proposals for changes to the existing Fares regulation regime, which will be considered in circumstances where a Bidder can demonstrate that this represents value for money and an overall improvement in the service offered. Bidders should show the effects of any Fares proposals on, and actions that would be required by, other Train Operators who set Fares on the Route.

7.2.3 HRAT Bid Deliverables

The Authority requires clear plans that describe the circumstances and conditions under which their proposals can be delivered, how Bidders have engaged stakeholders in developing proposals, and how implementation could be managed. Bidders should provide the following in their HRAT bids:

- a commentary describing and demonstrating why proposals are financially robust and have a high degree of resilience;
- an explanation of the impact of their proposals on passenger miles and how capacity requirements will be met;
- a statement of the operating performance levels (and also the impact on PPM) to which they are prepared to commit in each year;
- a comparison of this operational performance against the performance requirements of Cancellations and Minutes Delay;
- confirmation of the extent to which any third party funding is guaranteed from such sources as Local Authorities or Regional Authorities and Assemblies;

- details of the rolling stock and staff resources necessary to operate the HRAT proposals robustly;
- a statement of any significant changes to the overall pattern of timetabled services;
- a comparative assessment of the HRAT service deliverables against those in SLC1 and SCL2;
- in support of a Bidder's Service Level Commitments draft a detailed commentary, which identifies the advantages and disadvantages of the proposed service pattern; and
- confirmation that they have consulted Network Rail fully in developing their proposals.

Bidders will be expected to identify clearly the factors or constraints that might affect deliverability of their HRAT proposal and how these might be overcome.

Section 8: Alternative Tender Proposal

The Authority invites Bidders to submit alternative proposals that:

- significantly improve efficiency whilst maintaining service quality;
- decrease journey times;
- deliver sufficient additional capacity to support any proposed service improvements;
- improve overall performance earlier than under the Base Case Specification; and
- achieve additional business growth than projected under the Base Case Specification.

Bidders are also encouraged to consider the potential for increasing capacity based on the lengthening or reconfiguring of trains and the splitting and joining of trains, including with compatible rolling stock of other Train Operators, to increase capacity of individual train paths.

Alternative Tenders must demonstrate how the Greater Western franchise objectives are met, but need not necessarily rely upon SLC2. The Authority would welcome proposals that address aspects of the Greater Western franchise that the Authority may not have considered as part of the Base Case Specification including, for example, alternative ways to satisfy the demand for overnight services between London and the South West of England.

Bidders may flex the Timetable as they see fit apart from the fact that they should assume the continued provision of InterCity quality services west of Plymouth. Furthermore, Bidders should not consider anything that would constitute a significant service reduction, and should take into account the rights and aspirations of freight, open access and other operators regarding the use of available paths in the Timetable.

Bidders are encouraged to consider within any Alternative Tender proposals the self-financing of small infrastructure schemes that Bidders believe would significantly improve performance and/or increase capacity.

In preparing Alternative Tender proposals, Bidders' attention is drawn to the constraints on Network Rail resources and the need for consultation with the Authority set out in Section 2.10 (Alternative Tenders).

Bidders should also note that the Authority expects the Franchisee to finance the delivery of any Alternative Tender infrastructure works. Accordingly, each Bidder is required to submit, as part of its investment plan (see Section 5.2.2), a detailed proposal for the financing of these works over the life of the Greater Western franchise, based on the anticipated Capital Expenditure profile. Bidders should note that they would be providing finance to the network operator or infrastructure contractor rather than to the Authority itself. As part of their proposal, Bidders should state the consequences both of early termination of the Greater Western franchise and the triggering of the three-year continuation.

Bidders should present Alternative Tenders as switches to their Base Case models in sufficient detail to meet the requirements of Section 5.2. The provision of separate models is not expected. Bidders should be aware that if the Authority chooses to procure any Alternative Tender proposal, Bidders must expect to be contracted directly against the Alternative Tender offer precisely as bid (subject to the fixing of any indicative costs of infrastructure works).

Section 9: Further Information

9.1 Introduction

This Section references the more obvious projects that may impact on the Greater Western franchise during the Franchise Term and is included to assist Bidders in gaining as complete a picture as possible of the environment within which the Greater Western franchise will operate. They will be treated within the context of normal industry mechanisms and do not need to be priced or considered within Base Case submissions. The Authority will not treat any of the information contained in this Section and used by Bidders in the construction of their bids as grounds to invoke the Change mechanism in Schedule 9 (Changes) of the Franchise Agreement if any such information proves in time to be incorrect.

9.2 Transport for London

A proportion of the Greater Western franchise area falls within the boundary of the Greater London Area. In relation to services operated in such area, the Authority is subject to Directions and Guidance from the Mayor of London (Mayor's D&G). The Authority need not implement the Mayor's D&G if to do so would have an adverse impact on services outside London, or increase the amount payable by the Authority to Train Operators. Recognising these issues, TfL and the Authority agreed in December 2002 a protocol (the London Rail Partnership Agreement) setting out how the parties would work together to implement the Mayor's D&G.

The Mayor has also published his draft 'London Plan' setting out the overall planning framework for London which envisages growth of some 700,000 in its population and 640,000 jobs from present levels by 2016. This anticipates implementation of the major capacity enhancement projects set out in the Authority's Strategic Plan, including Crossrail, Thameslink 2000 and the East London Metro. The London Plan has been subject to an 'Examination in Public' (EIP) and the Mayor is now preparing his final London Plan in response to the EIP Inspector's recommendations in the light of the fact that all of these transport schemes are as yet uncommitted.

In addition, in relation to suburban services, the Mayor's 'Transport Strategy' - which underpins the draft London Plan - sets out an aspiration for a metro-style service within the Greater London Area. Broadly speaking, the Mayor's D&G define this as at least four trains per hour, with six trains an hour on trunk Routes where individual Routes merge. The Mayor does recognise 'the need to take account of relative demand between individual routes and competing requirements for capacity on trunk sections where they merge'. However, it is clear that comprehensive achievement of this level of provision would require significant infrastructure spend, e.g. for junction improvements. In addition it may also have a significant impact on freight and longer distance services. The Greater Western franchise service proposition as it currently stands does, however, include a number of initiatives which meet the Mayor's objectives in several areas, e.g. services to Slough.

Given these factors, the Authority continues an active dialogue with TfL to identify and develop ways of creating metro services within the limits of the resources available to the two organisations and the overall balance of services serving the capital. Further information is available at the following website: <http://www.tfl.gov.uk/tfl/>

The Mayor has also indicated an aspiration to introduce zonal fares across London, and this may in due course impact on the Greater Western franchise. For the purposes of bidding, Bidders are

required to ignore the impact of such a scheme, as it is the Authority's intention to manage this via the Change mechanism process (Schedule 9 of the Franchise Agreement) as and when details become known.

In the meantime, TfL will require access to relevant financial and performance data, which will be reported to the Authority each period under the terms of the Franchise Agreement, for each London Regional Inner Suburban (LRIS) service group. TfL recognises that service groups will not in every case correspond directly to the LRIS boundary. From the point of franchise commencement, information should be provided at existing service group level for all LRIS services. The Franchisee will be expected to identify the feasibility of further disaggregation of costs and revenues to meet TfL requirements within the bid.

TfL will meet the Franchisee, with the Authority, each period to review the results to date.

Information provision to TfL will be subject to the same Franchise Agreement provisions as information provision to the Authority.

As a minimum, TfL requires the following information to be provided period by period, with supporting commentary:

Financial

Where possible, TfL will require the following data to be disaggregated to service group level:

- Costs:
 - Actual cost incurred against budget by cost driver.
- Revenues:
 - Total income per period including Travelcard/integrated ticketing apportioned revenue
 - Actual ticket income against budget
 - Disaggregated flow data
 - Commission payments to/from other TOCs at LRIS level
 - Other income by type (e.g. car park revenue)

Train Service Performance and Quality

- PPM by LRIS Service Group;
 - Broken down by TOC on self, TOC on TOC, Network Rail causes
- Fleet availability and reliability;
 - By rolling stock type
- Overcrowding;
 - Short formation data by LRIS service group
 - Passenger count data
- Customer satisfaction;
 - TOC customer satisfaction survey results
 - National passenger survey results
- Ticketless travel survey results - bidders to state methodology and frequency.

9.3 Renewal of the Existing Radio Systems with GSM-R

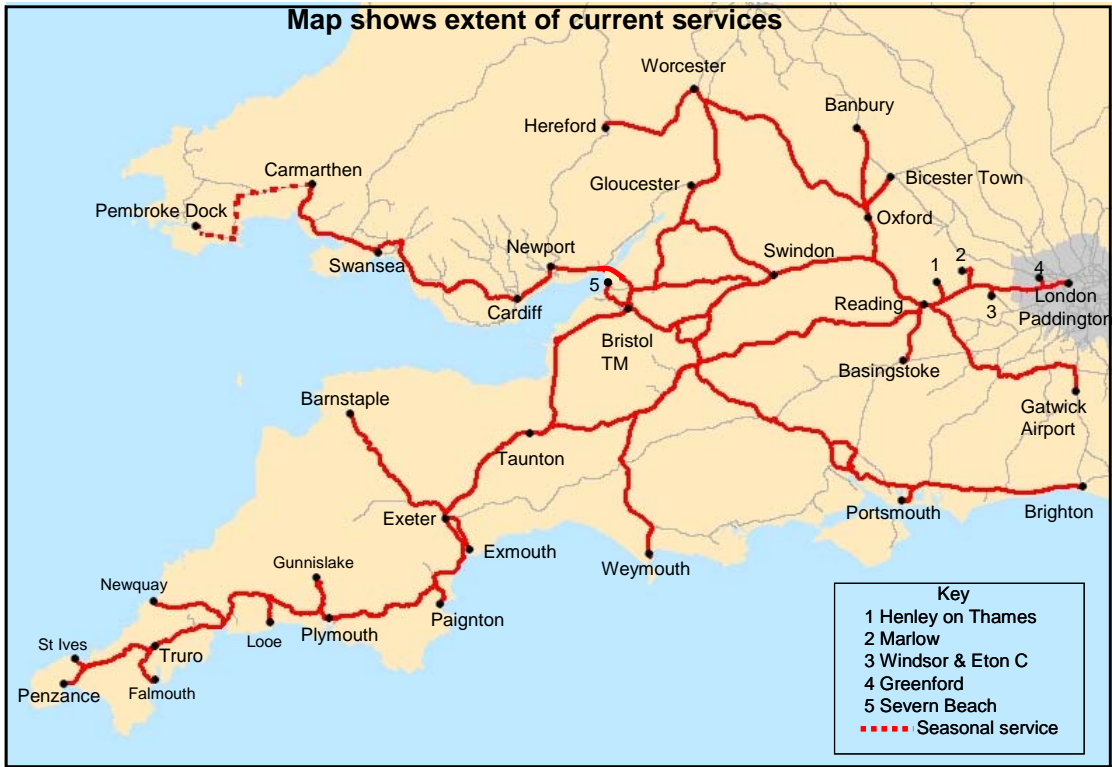
Network Rail has initiated a Network Change to renew all of the UK's radio systems with GSM-R. National rollout is not planned to start until 2006 and is due to finish around 2012.

Rolling stock to be used by the Franchisee may require a programme of GSM-R cab radio fitment at some time between 2006 and 2010. Precise dates are not yet known and will depend upon the emerging national implementation programme and the risks of Cab Secure Radio (CSR) interference (if any) from mainland Europe. Network Rail is currently evaluating whether the release of the CSR spectrum in mainland Europe to new users poses a risk in the UK. If this were the case, GSM-R may be implemented towards the beginning of the programme.

Co-ordination will be required between the Franchisee, ATOC, Network Rail and the rolling stock leasing companies to manage the successful transition to GSM-R operation within the context of Network Rail's national rollout strategy. It is currently assumed that a programme of 'Cab Mobile' installation will be required and that dual-fitting of GSM-R and CSR equipment will be necessary during the transition period. It is not yet clear as to which organization will lead on developing the cab installation designs.

Currently, Network Rail is planning a pilot for GSM-R in the Strathclyde area during 2005. It is envisaged that this will validate operating and migration aspects of GSM-R. Therefore, Bidders should understand that additional training will be required for drivers and potentially other staff.

Appendix 1: Map of the Greater Western franchise Area and Routes



Appendix 2: Summary of Heathrow Local Service

BAA has for some time attempted to establish and operate a half-hourly stopping train service between London Paddington and Heathrow to complement the Heathrow Express and cover the large travel to work needs of Heathrow airport. Such attempts have been unsuccessful in the past because of the lack of relief line track capacity between Paddington and Heathrow Junction. To address this problem, BAA proposed the establishment of a service attached to the franchised inner suburban services. The service would be split between a service from London Paddington to Hayes & Harlington station (operated by the relevant franchisee under the relevant franchise agreement) and a service from Hayes & Harlington station to Heathrow (operated by Heathrow Airport Limited (HAL) as an open access operator under its Heathrow Express licence.

When FGWL was invited to join the bidding for the Thames extension, the Authority required it to include the Heathrow service in its bid. Clause 7.2 of the FGWL Franchise Plan requires FGWL to introduce the Heathrow service from December 2004, operate it seven days a week during the stipulated hours and to restructure its other services to facilitate service introduction. Clause 7.3 of the FGWL Franchise Plan releases FGWL from breach in the event of late introduction of the service because of late delivery of rolling stock or failure to secure access rights.

Initially, the service (branded 'Heathrow Connect') was intended to start in December 2004. Problems with rolling stock introduction have delayed commencement until a planned date of 12 June 2005.

In March 2004 FGWL and HAL entered into the following agreements (together, the Services Agreement):

- an agreement (the Full Agreement) setting out the parties' respective obligations in respect of the Heathrow service; and
- an agreement (the Hire Agreement) setting out the terms under which HAL will provide to FGWL, and FGWL will take on lease from HAL, rolling stock, drivers and on-board staff to operate the Heathrow service.

Under the Services Agreement (i) FGWL is required to operate the service between London Paddington and Hayes & Harlington with handover to HAL at Hayes & Harlington; and (ii) HAL is required to operate the service between Hayes & Harlington station and Heathrow with handover to/from FGWL at Hayes & Harlington. HAL is also required to make available, on the terms set out in the Hire Agreement, rolling stock, drivers and (where provided in accordance with the Hire Agreement) on-board staff. FGWL is required to pay to HAL rental as set out in the Hire Agreement in respect of the provision by HAL to FGWL of rolling stock and drivers. FGWL's remedies in respect of delay/cancellation are set out in schedule 2 (Performance Regime) to the Hire Agreement.

HAL will cover any incremental costs arising from the introduction of the Heathrow service in accordance with the Full Agreement and shall be entitled to retain all incremental airport-related revenue received by FGWL as a result of the operation of the Heathrow service.

The Authority will require the Franchisee, as a condition precedent to the commencement of the Franchise Agreement, to enter into a services agreement substantially in the same form as the

Services Agreement, as marked up by the Authority and included in the Data Room (the Replacement Services Agreement). In addition, the Replacement Services Agreement will contain a provision complying with the following commercial principle: when incremental revenue (calculated in accordance with clause 8.3 of the Services Agreement) exceeds incremental costs (calculated pursuant to clause 7.2 of the Services Agreement) then such excess revenue shall first be applied to recovery by HAL of all costs previously incurred. An equitable profit sharing arrangement agreed by HAL and the Franchisee (with the Authority's consent) shall apply thereafter.

Appendix 3: HST Bidding Assumptions

A. Existing HST vehicles

If a Bidder is proposing to use the HST vehicles currently operated on the Routes then the following assumptions and information should be used to prepare the bids:

- the retirement period for HSTs shall be as set out in Table A2.5.2 below;
- the extent of any life extension and/or reliability modifications in respect of existing HST vehicles should be separately priced (including details of the proposed scope of the work, programme for its completion and effects on the rentals);
- provision of power operated passenger doors or CET retention tanks on toilets on Mark 3 coaches will not be required in any life extension works; and
- the extent of interior or exterior refurbishment thought necessary by each Bidder shall be separately priced and included in the Bidder's Financial Model.

B. Timetable for procurement of new trains to replace HSTs

Set out below in table A2.5.2 is the timetable that should be used as the bidding assumption for the Greater Western franchise.

In relation to the depot requirements for maintenance, servicing and stabling of the replacement vehicles, Bidders should note the following:

- the commercial structuring, financing and procurement and maintenance strategy, and therefore the details of the proposed contractual relationships between the Franchisee and the manufacturer and or the maintainer of the new HST replacement vehicles, have not yet been determined;
- it is extremely likely that bidders for the replacement HST vehicles will be given the opportunity to also bid for a long term maintenance arrangement (a train service agreement or a train availability contract);
- if the opportunity to bid for long term maintenance arises, it is also extremely likely that the bidders for the replacement HST vehicles will be given freedom to choose the locations where maintenance, servicing and stabling of replacement HST vehicles will be undertaken and this may or may not be a location where HST vehicles are currently maintained. This freedom will be constrained by the extent to which their choice causes additional costs or additional risks to the successful daily delivery of the Plan of the Day by the Franchisee. The bid evaluation for replacement HST vehicles will include the capital and maintenance costs of rebuilding existing depot facilities and/or the acquisition and building of new facilities; and
- subject to value for money considerations and the proposals made by the bidders for the HST replacement vehicles, there is a possibility that it will be determined that the manufacturer of the HST replacement vehicles should be given responsibility for the long term maintenance of those vehicles.

Table A2.5.2 Timetable of Activities

This timetable below assumes the transfer of maintenance activities for replacement HST vehicles to the successful bidder for the supply of the vehicles.

Item	Activity	Planned date
1	HST train specification developed in consultation with manufacturers, Network Rail, relevant pre-qualified Franchise Bidders, ATOC, RPCs, HSE, DPTAC	July 2004 to June 2006
2	Greater Western franchise evaluated and train numbers determined	November 2005
3	View taken on option quantities for MML	November 2005
4	ITT for HST replacement issued	June 2006
6	Bids received	31 January 2007
7	Bids evaluated	30 April 2007
8	Contract awarded	31 December 2007
9	Design review period; Network, passenger, maintainer and operator interfaces	2 January 2007 to 31 July 2008
10	Design/specification freeze	31 July 2008
11	Greater Western finalises schedule of internal finishes	31 January 2009
12	Depot handover to train service provider (TSP) – Greater Western	30 June 2009
13	TSP undertakes depot modifications – Greater Western	July 2009 to March 2011
14	Prototype train available for test on Greater Western	31 January 2011
15	ICEC finalises schedule of finishes	31 January 2012
16	Prototype trials complete	31 July 2012
17	MML finalises schedule of finishes	31 January 2013
18	Depot handover to train service provider (TSP) – ICEC	1 April 2013
19	TSP undertakes depot modifications – ICEC	1 April 2013 to October 2014
20	Entry into passenger service of first train on Greater Western (assumed delivery rate into passenger service 1 train set per month)	31 July 2013
21	Depot handover to train service provider (TSP) – MML	1 June 2014
22	TSP undertakes depot modifications – MML	1 June 2014 to 31 December 2015
23	14 sets in passenger service on Greater Western	30 Sept 2014
24	Entry into passenger service of first train on ICEC	30 October 2014
25	Thereafter rate into passenger service at rate of 1 train set in passenger service per month until all ICEC requirements exhausted	
26	Followed by MML requirements	
27	Followed by Greater Western remainder	

C. Bidding assumptions and confirmations

Bidders are required in their bid to confirm that they will:

- cooperate with the Authority in:
 - developing the commercial strategy for the replacement of HST vehicles;
 - commenting on the specification for the trains, particularly the passenger interface and the operational and maintenance requirements;
 - advising on the operational implications and risks and estimated costs associated with possible alternative locations for maintenance, servicing and stabling;
 - commenting on the design and specification of the depots and the facilities and plant required for the maintenance, servicing and stabling of the replacement vehicles;

- commenting on the programme for trialling, testing, commissioning and introduction of such vehicles into passenger service;
 - commenting on the construction and commissioning programme of the appropriate facilities for their maintenance, servicing and stabling;
 - advising on any transitional issues during the introduction of the replacement HST vehicles;
- undertake all activities which are necessary and are required to be undertaken and which a competent Train Operator would undertake to facilitate the timely and cost effective introduction of new trains into passenger service on the network. Bidders should detail how they would expect to manage the project and the likely level of resource required;
- ensure that they will provide promptly all information related to the operation of any depot or location which may be considered for maintenance, servicing or stabling of replacement HST vehicles and provide complete transparency of any costs (and any revenues) associated with any such depot or location;
- allow full access to bidders for the replacement HST vehicles to any depot or location which may be considered for maintenance, servicing or stabling of replacement HST vehicles;
- ensure that if the results of the competition for the replacement HST vehicles determines that best value for money is achieved by the implementation of a train service or train availability contract they will cooperate to facilitate a timely and orderly handover of responsibility to the successful bidder for the replacement HST vehicles in accordance with any programme for such handover;
- ensure that from the signature of the franchise agreement for the Greater Western Franchise they will act in such a manner so as not to constrain the procurement or maintenance options for the replacement HST vehicles; and
- provide complete transparency of costs related to the introduction of replacement HST vehicles or of any transfer of depot maintenance, servicing or stabling facilities or staff to the successful supplier of the replacement HST vehicles.

D. Other assumptions to use in preparing bids

Table A2.5.3 Whole life cost elements of new trains to be used for preparation of Greater Western franchise bid

* Where text has been omitted from this document, this is because DfT Rail Procurement has concluded that an exemption from the obligation to disclose information under the Freedom of Information Act 2000 applies (and, where applicable, the public interest would not be served by disclosing the information).

Item	Cost /risk element	Assumption for bidding purposes for GW Franchise all at July 2004 prices	Party responsible for risk if incorrect assumption
1	Number of new trains required	*	*
2	Design and development and tooling costs for fleet	*	*
3	Price per locomotive	*	*
4	Price per 1 st class vehicle	*	*
5	Price per standard class vehicle	*	*
6	Price per catering vehicle	*	*
7	Prototype testing	*	*
8	Train driving simulator	*	*
9	Spares provision (Procurement only option)	*	*
10	Total projected order value of GW fleet including spares	*	*
11	Capital lease rate	*	*
12	Annual train mileage	*	*
13	Maintenance costs (procurement only option)	*	*
14	Maintenance costs (train service agreement option)	*	*
15	Train driving simulator maintenance costs (procurement option only)	*	*
16	Fuel costs new trains	*	*
17	Fuel price and inflation	*	*
18	Depot enabling works	*	*
19	Track access charge	*	*
20	Reliability of new train after reliability growth period (steady state)	*	*
21	Reliability growth period	*	*

Appendix 4: Bid Structure Diagrams

Appendix 5: Stations

The Authority and other stakeholders are anxious to improve the passenger journey experience particularly in relation to the station environment. The Franchise Agreement puts emphasis on maintaining an acceptable standard for passengers over the Franchise Term however it does not require any substantial form of investment in improving the facilities or in raising standards generally.

In the current affordability climate neither Network Rail nor the Authority has sufficient funding to undertake investment necessary to improve the station environment and, in any event, the business case for such investment is extremely hard to justify based solely on railway usage, particularly when viewed in relation to the smaller stations.

If station environments are to be improved it is therefore necessary to ensure that external funding is leveraged in. It is probable that this can only be achieved by enabling the station environment to be seen in a wider context than just the railway through the creation of an incentive based long-term interest in the development of stations and their environs. Clearly the basis of any such arrangements would need to satisfy value for money criteria and must encourage improvement in the level and quality of service provided to passengers and must not prejudice other wider network development opportunities.

Some preliminary exploration of the commercial opportunity has been undertaken by the Authority. However, due to the exploratory nature of the discussions, this has not yet been discussed with other interested parties (ORR, Network Rail or DfT Rail). It must be emphasised that there are no firm plans in existence at this time. It can however be confirmed that there appears to be an appetite in the financing market for an innovative approach to station investment, development and management.

The Authority is anxious to ensure that Bidders are aware that the Authority may wish to pursue this opportunity further and to seek confirmation from Bidders that if they were to be successful they would cooperate fully with the Authority and other stakeholders in developing the opportunity. Bidders in submitting their bids and their financial models should provide complete transparency in relation to all station related costs such that all the costs and benefits may be properly addressed when evaluating the opportunity further.

Appendix 6: Access for all, specification for full staffing

Background

‘Access for All’ proposes to enhance the accessibility of the UK rail network for the whole range of disabilities:

- hearing impairment (8 million people affected);
- mobility difficulties (7 million people affected);
- learning difficulties (4 million people affected); and
- visual impairments (1 million people affected).

The Access for All programme covers capital investment (in provision of step-free access and CIS/PA systems) together with funding to achieve full staffing during the timetable day at designated Stations. These are:

- Bath Spa
- Windsor & Eton Central and
- Chippenham

Service to be provided

Staff are to be available to advise and physically assist passengers who may, or may not, have previously booked assistance, throughout the public areas of the station and on/off trains. This availability may be achieved by:

- direct physical presence at the time/place required for booked assistance; and
- a clear and obvious means by which passengers, who have not made any prior arrangement, can summon assistance from elsewhere on the station within a reasonable time.

This service is to be provided during the whole of the time period when the station is open for train services to arrive or depart. This should include appropriate periods of time in advance of the first train and following the last train of each working day.

The number of staff available for provision of the service is to be consistent with the level of passenger usage of the station. At the lower end, the staff concerned may well have other duties to perform provided that they can make themselves available as/when required.

Appropriate cover must be provided to cater for annual leave, sickness, training etc so as to ensure that the service is reliably and consistently provided.

Staff capabilities required

The staff deployed in providing the service must be trained to the standards set out in the Code of Practice “Train and Station Services for Disabled Passengers”. They must be able to meet the particular needs of a diverse range of passengers. Key requirements are:

- awareness of disability issues;

- understanding of their duties with respect to disabled passengers and colleagues;
- understanding of the needs of disabled passengers and colleagues;
- understanding of how they need to undertake their job to make the rail industry more accessible to disabled passengers;
- communication skills (with deaf and/or blind and/or learning disabled people);
- skills in guiding visually impaired passengers;
- skills in assisting wheelchair users;
- skills in assisting passengers with mobility difficulties; and
- skills in using specific pieces of equipment (e.g. induction loops, portable ramps).

Attachments

- A Greater Western franchise Service Level Commitment 1
- B Greater Western franchise Service Level Commitment 2
- C Greater Western Franchise Agreement
- C National Rail Franchise Terms
- D Conditions Precedent Agreement
- E Service Quality Standards
- F Financial Templates (electronic version supplied as part of Attachment H)
- G Stakeholder Consultation Document
- H CD-Rom containing electronic versions of ITT and Supporting Documentation