

Thameslink/GN Franchise

Invitation to Tender

01 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).

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

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 Thameslink/GN franchise. In considering any investment in the shares of any company or in bidding for the award of the Thameslink/GN 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 Thameslink/GN franchise and of the legal, financial, taxation and other consequences of entering into the Thameslink/GN 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 Thameslink/GN 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 two existing franchises that will create the Thameslink/GN 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 Thameslink/GN 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 Thameslink/GN 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 Thameslink/GN 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 Thameslink/GN 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 LLP and Steer Davies Gleave Consulting are acting for the Authority, in each case in relation to the award of the Thameslink/GN 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 Thameslink/GN franchise opportunity, the award, or any bid for the award of the Thameslink/GN 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 which is included as Attachment C.

June 2005

Section 1 : Introduction and Context

1.1 Purpose of this Invitation to Tender

This Invitation to Tender (ITT) sets out:

- the Thameslink/GN 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 Thameslink/GN franchisee (the Franchisee) to start operating services and stations on the network transferred to it from Thameslink Rail Ltd (Thameslink) and West Anglia Great Northern Railway Ltd (WAGN) (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 the 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 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 Thameslink/GN franchise

The Thameslink/GN franchise combines two existing passenger franchises with the following broad characteristics:

- Thameslink operates from Bedford through Central London to Brighton, as well as serving the London suburban area on the Wimbledon-Sutton-Carshalton line. Both London Luton and Gatwick airports are served by Thameslink trains.
- WAGN currently operates the Great Northern (GN) route which provides services between London King's Cross and Moorgate to Stevenage and Hitchin either direct by Welwyn Garden City or via the Hertford Loop line, and then on from Hitchin to Peterborough, Cambridge and the Fens to King's Lynn.

1.5 The Authority's Objectives for the Thameslink/GN franchise

The objectives for the Thameslink/GN franchise are as follows:

- to meet the affordability targets that have been set;
- to achieve an improvement in performance;
- to merge the Thameslink and GN franchises;
- to maintain service continuity in advance of and during the Thameslink 2000 Programme and other key industry, infrastructure and service planning changes;
- to reduce the current and predicted Peak hour overcrowding, and improve operational reliability through resource provision and path allocation on the Midland Mainline, Brighton Mainline and East Coast Mainline, and;
- to identify a sustainable and operationally robust rolling stock and depot strategy.

1.6 Stakeholder Briefing

Stakeholders have previously been consulted on the substantive changes proposed in the Service Level Commitment 2 (SLC2) as part of the MML Route Utilisation Study (RUS) process. The proposed changes to the Timetable on the Brighton Main Line, reflected in Priced Option 1 will also have been consulted through the BML RUS process. Stakeholder briefing will take place concurrently with the period during which Bidders have to formulate their bids (the Bid Preparation Phase).

A copy of the Stakeholder Briefing Document will be provided to Bidders.

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 & Negotiation and Mobilisation – together with their indicative timings are summarised in the table below.

The Authority seeks the mobilisation of the new Thameslink/GN 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.

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

| Stage | Description | Party Responsible | Indicative Date |
|---|--|-------------------------|----------------------------------|
| Bid Preparation | Preparation of bids | Bidders | 1 June – 6 September 2005 |
| | Submission of bids | Bidders | 6 September 2005 |
| Bid Evaluation & Negotiation of Bids | Evaluation of bids | Authority | 7 September – 26 October 2005 |
| | Clarification, negotiation and agreement to terms of the Franchise Agreement and related documentation. Secretary of State approval of Thameslink/GN franchise award | Authority and Bidder(s) | 28 October - 21 December 2005 |
| Mobilisation | Prepare for transfer of operations | Franchisee | 22 December 2005 – 31 March 2006 |

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 Thameslink/GN 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 (Statements of Non-Compliance) 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 to raise competition issues by the Office of Fair Trading (OFT), and possibly referred to the Competition Commission for further investigation. In order to complete the assessment of the merger in time, Bidders must identify if the Thameslink/GN franchise overlaps with any rail, bus, coach, metro or light railway services that they control whether directly, or through an affiliate and have submitted a complete notification (Notification) to the OFT within the timetable advised to them.

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

Bidders should notify any non-compliance with submission of notifications to the Competition Authorities as instructed in Section 2.8 (Statements of Non-Compliance).

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 Thameslink/GN 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, the 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 premia or subsidy 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, in the Data Room and subsequent communications with Bidders.

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

| | |
|----|---|
| 1 | Executive Summary; |
| 2 | a statement of achievement of and alignment with the Authority's Thameslink/GN franchise objectives and the requirements of the Base Case as defined in Section 3 (the Base Case Specification) comprising: |
| 2a | - the proposed means of delivery of the Base Case Specification in the same format as described in Section 4 (Operational Integrity/Deliverability) and associated diagrammatic appendices; and |
| 2b | - the proposed financial and economic effect of the Base Case Specification in the format described in Section 5 (Financial and Economic), that fully complies with the Financial Model template provided in Attachment F (CD-Rom); |
| 3 | a proposal for each of the Priced Options described in Section 7 (Priced Options) comprising: |
| 3a | - the means of delivery of each Priced Option, if this requires adjustment to the delivery proposal supporting the Base Case. 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 of each Priced Option in the format described in Section 5; |
| 4 | a mandatory High Return Alternative Tender described in Section 8 (Mandatory High Return Alternative Tender) comprising: |
| 4a | - the means of delivery of the HRAT, if this requires adjustment to the delivery proposal supporting the Base Case. 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 of the HRAT in the format described in Section 5; |
| 5 | a proposal for an (optional) Alternative Tender as described in Section 9 (Alternative Tender Proposal) comprising: |
| 5a | - the means of delivery of the Alternative Tender, if this requires adjustment to the delivery proposal supporting the Base Case. 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 of the Alternative Tender in the format described in Section 5; |
| 6 | 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'; |
| 7 | completion of Statements of Non-Compliance (see Section 2.8 (Statements of Non-Compliance)) in respect of: |
| 7a | - Franchise Agreement non-compliances; and |
| 7b | - changes in circumstances and competition matters; |
| 8 | confirmation that their bid will be held valid for 200 days from the bid return date as specified in Section 2.18 (Validity of Bid Terms). |

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 2.17 (Arrangements for 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 Statement of Non-Compliance in accordance with Section 2.8 (Statements of Non-Compliance) below when it submits its bid to the Authority; and
- those aspects of the Thameslink/GN 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 (Statements of Non-Compliance) below, 'associated contractual documents' includes the SLCs, the Service Quality Standards, the Templates and the Conditions Precedent Agreement supplied to Bidders with the Franchise Agreement and this ITT.

2.8 Statements of Non-Compliance

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.

| Document | ITT Sections/Terms and Conditions which have NOT been complied with | Details |
|----------|---|---------|
| | | |
| | | |
| | | |

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 following table.

| Change | Reporting Required |
|-------------------------|--|
| Change in Circumstances | Bidders should include details consistently with 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 Statement of Non-Compliance), 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. To this end Bidders are required to return the HRAT on the basis set out in Section 8 (Mandatory High Return Alternative Tender).

Bidders may also submit an Alternative Tender on the basis set out in Section 9 (Alternative Tender Proposal).

Both the HRAT and any Alternative Tender(s) 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).

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

The Authority requires clear plans that describe the circumstances and conditions under which their proposals can be delivered, how Bidders will engage stakeholders in developing proposals and how changes from the Base Case Specification can be managed.

The HRAT and any Alternative Tender(s) must demonstrate how the Thameslink/GN 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 Thameslink/GN 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 any alternative development proposals if they include material changes to Base Case Specification Timetable 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 to 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 Thameslink/GN franchise. It will remain available throughout the Bid Preparation Phase and until Thameslink/GN franchise award. To the extent required, 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 and 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

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.

Queries should be submitted by e-mail to:

Elisabeth Crabbe

E-mail: elisabeth.crabbe@sra.gov.uk

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 HM Treasury, the Health and Safety Executive (HSE), the Office of Rail Regulation (ORR), Network Rail 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 commercially sensitive material as appropriate, 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 Thameslink/GN 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 briefing but they should note that the Authority may seek views from stakeholders on the state of progress of briefing.

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 Issue (Section 4, A4.D1 to A4.D5 inclusive) submitted in relation to Operational Integrity/Deliverability (Section 4), 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 and to provide reasons why such information should be held in confidence. 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, that the Authority is duty-bound to disclose those parts.

Bidders' attention is also drawn to the provisions of the Franchise Letting Process Agreement (FLPA), which refers to disclosure of information by the Authority, under the provisions of section 145(2) of the Railways Act in certain circumstances.

2.15 Restriction on Communications/Press Releases etc during Franchise Competition

The outcome of a franchise competition is of national significance and therefore generates 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 of the outcome of the competition.

Therefore, during the Bid Preparation Phase and until the award of the Thameslink/GN 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 Thameslink/GN 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 Thameslink/GN 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 format:

- 6 hard copies, contained in ring binders with the documents detailed in Section 2.6 of this ITT 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;
- 6 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 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 Microsoft Excel spreadsheets) to provide full electronic search functionality without changes to data or formatting.

In addition, separate hard copies should be provided of the Financial Model output, schedules and the Record of Assumptions (6 numbered copies). Electronic copies of the Financial Model and Operational Models, the Record of Assumptions, and the completed financial templates are required to be provided in CD format (6 numbered copies - **additional to the CDs mentioned in the second bullet point above**) stored in Microsoft Excel 97 (or later) format.

2.17 Arrangements for Submission of Bids

Bids are to be submitted on or before 1700 hours BST on 6th September 2005.

Following the transfer of the Authority's franchising function to DfT Rail, Bidders will be advised of the recipient and address for submission of their bids.

No other documents or information must be submitted with the bid. The bid shall be submitted in boxes marked '**CONFIDENTIAL - Thameslink/GN 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 submission of their bid.

The Authority requires that Bidders supply one box per complete set of documentation 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 Bidder 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.

2.18 Validity of Bid Terms

Bidders will be required to uphold the terms, bid price, and any subsequent changes agreed for a period of 200 days from the date of bid submission and this is to be confirmed in writing as part of the bid submission.

2.19 Evaluation of Bids

2.19.1 General

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

The High Return Alternative Tender (HRAT) and any Alternative Tenders submitted by the Bidder will be evaluated. The results of the evaluation of these Bids will serve to inform the procurement options open to the Authority.

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 Authority will select the successful 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.

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

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

This document will also be placed in the data room.

All Bids submitted will be evaluated against the criteria set out in the Authority's Franchise Replacement Process document and will take into consideration, amongst other things, evidence of the following:

- proposal alignment with delivery of the objectives for the Thameslink/GN franchise stated in Section 1.5 together with the effectiveness of action plans to achieve such improvements;
- generation of opportunities for more cost-effective operation of the Thameslink/GN franchise;
- understanding of the nature of the Thameslink/GN franchise supported by effective research and analysis;
- compliance with the Thameslink/GN Base Case Specification;
- compliance with the terms and conditions of the Franchise Agreement; and
- compliance with the requirements of this ITT, including the provision of the Financial Model, Operational Models, Record of Assumptions and 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.

2.19.2 Business Excellence

The Authority is committed to delivering business excellence within the UK rail industry and to this end, applicants at the pre-qualification stage submitted a self assessment questionnaire. Bidders are required to provide an overall Quality Plan as part of their Operational Integrity and Deliverability submission.

Section 3 : The Base Case Specification

3.1 Train Service Specification

3.1.1 Franchise Commencement Date 1 April 2006 to December 2006 Passenger Change Date

Service Level Commitment 1 (SLC1) comprises the December 2005 timetables, as operated by the Incumbent TOCs. SLC1 is defined by the Passenger Service Requirements (PSRs), agreed derogations and additional commercial services in those timetables. The PSRs, derogations and June 2005 timetables, (which are not expected to be materially different from the December 2005 timetables), have been placed in the Data Room.

3.1.2 From December 2006 Passenger Change Date to franchise end

SLC2 comprises the train service specification from the December 2006 Passenger Change Date and for the remainder of the Thameslink/GN franchise. SLC2 is provided at Attachment A.

In respect of those services currently operated on the Thameslink Routes, Network Rail has developed a timetable that is compliant with SLC2 (the Thameslink Timetable). The Thameslink Timetable is provided at Attachment B. A letter of support in respect of the validity of this timetable is provided in the Data Room. The Authority requires Bidders to use the Thameslink Timetable when developing their bids, but Bidders should note that SLC2 alone will have contractual force for the purposes of the Franchise Agreement.

Trains that must be operated in 8-car formation are identified in a separate list supplied with the Thameslink Timetable.

3.1.3 Efficient Engineering Access Assumptions

Network Rail is working on an 'Efficient Engineering Access' proposal for the Thameslink/GN franchise area. However, its aspiration for increased access has not been reflected in the train service specification and it is envisaged that engineering access will be negotiated, obtained and compensated for through the standard industry mechanisms.

3.1.4 Demand

Bidders are required to form their own view about passenger demand for Passenger Services and, where this leads to overcrowding, put proposals to the Authority which are designed to remedy this whilst acknowledging the objectives set for the franchise.

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

3.1.5 Overcrowding

There will be no peak-hour crowding regime for the Thameslink/GN franchise along the lines of the former 'Passengers In eXcess of Capacity' (PIXC) regime. The SLC2 timetable changes to the Thameslink services north of the Thames are designed to address the most serious overcrowding on the route. The Brighton Main Line (BML) timetable in Priced Option 1 also addresses crowding. Within the constraints of the Authority Train Service Specification the

Franchisee will be expected to formulate its proposals to ensure crowding is minimised. These requirements are explained further in Section 4 (Operational Integrity and Deliverability).

3.1.6 New Year's Eve Services

Services are required to operate from close of normal service to 05.00 hours from London Blackfriars to Sutton, at 30 minute intervals, outbound direction only and calling all stations.

3.2 Rolling Stock

3.2.1 General

Following the White Paper published last year, the 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.

Detailed information on the rolling stock currently used by the Incumbent TOCs is available in the Long Form Reports and the Data Room. The Authority estimates that the Thameslink Timetable requires 78 four car unit diagrams in the Monday to Friday Peaks. The type of rolling stock to be used is not specified, although Bidders will need to be aware of the physical and operational constraints on the Routes.

Bidders should consider how to offer best value rolling stock solutions within the framework of the 4+2+3 year Franchise Term. The Base Case Specification assumes that an undertaking pursuant to Section 54 of the Act (S54 Undertakings) will not be available in support of rolling stock leases and none currently exist. Bidders are free to propose an Alternative Tender that demonstrates how the value for money position might be improved if a S54 Undertaking was to be made available for up to nine years.

3.2.2 Class 319 units

Class 319s are owned by Porterbrook Leasing Company Limited; 66 units are currently leased to Thameslink and 20 units are leased to New Southern Railway Limited (Southern) until 2009. At present Thameslink sub-lease from Southern to cover 6 unit diagrams on each weekday.

The Class 319 fleet is currently undergoing a C6 overhaul programme which will be partially complete by 1 April 2006. In addition, the current franchise agreement of Thameslink contains an obligation for a number of Class 319 units to pass through a programme of performance improvement modifications in advance of C6 overhaul. These obligations are described at paragraph 34.2 of the 'Franchise Plan', forming part of the existing franchise agreement of Thameslink. A derogation has recently been issued in respect of the door modifications included in this programme for the remaining unmodified units. This element of the work is now intended be dealt with as part of the C6 overhaul.

3.2.3 Thameslink 2000 Programme

The service specification intended by the Thameslink 2000 Programme is currently predicated on the use of new rolling stock. Any final decision on the use of new rolling stock will be dependent on value for money and affordability constraints. The continued use of the current fleets for up to nine years following commencement of the Thameslink/GN franchise is considered to be consistent with the Thameslink 2000 Programme. The requirement for Bidders to demonstrate their approach and capability in respect of a possible future requirement to assist in the specification, procurement and commissioning of new rolling stock is described at Section 4.2.2.

3.3 Depots

3.3.1 Overall

Bidders are invited to determine the optimum maintenance and depot strategy which best delivers the Authority's Thameslink/GN franchise objectives. The following sections relating to Hornsey, Bedford and the arrangements at Southern Depots aim to provide important information which Bidders ought to be aware of when considering their proposed solutions. Additionally, Bidders should note that no electrified link currently exists between the Thameslink and GN routes.

3.3.2 Hornsey Depot

The maintenance of the WAGN fleet of Class 365, Class 313 and Class 317 trains is currently undertaken at Hornsey Depot. Additional capacity has existed at Hornsey for a number of years, which WAGN, as the incumbent Facility Operator, has utilised by undertaking maintenance of rolling stock for other Train Operating Companies that National Express group plc operates in the region. Additionally, it should be noted, National Express has advised that the maintenance of the Class 315 fleet may transfer out of Hornsey depot from December 2005.

3.3.3 Bedford Cauldwell Walk Depot

The new Bedford Cauldwell Walk depot (Bedford depot) was commissioned and operational from September 2004 in time for the CTRL blockade works at St Pancras to undertake servicing and maintenance of the fleet required to operate the timetable north of the Thames. The project required industry parties, the private sector and the Authority to work closely to ensure delivery was on time and within budget. The project was led by the SRA and funding was provided

through the extension to the existing Thameslink franchise agreement. The freehold of the site is owned by Network Rail. The depot is owned by HSBC and leased to Thameslink for 20 years. As Thameslink does not have an engineering capability, it sub-leased the depot to Southern who act as Depot Facility Owner. The staff based at Bedford depot are Southern employees. Bidders should note that the arrangement whereby the operation of the depot is sub-leased to Southern need not continue beyond the end of the current Thameslink franchise agreement. Details of the contractual arrangements relating to Bedford depot are included in the Data Room. Bidders considering alternative arrangements need to be aware that a S54 Undertaking is currently in place between Thameslink, HSBC and the Authority. This ensures continuity of rental payment for the depot for 20 years. Bidders opting not to employ the facilities at Bedford depot will have their quoted premium adjusted to account for the cost committed by the Authority when their bids are evaluated.

3.3.4 Southern Depots – Selhurst and Brighton Lovers Walk Depot

The primary location for heavy maintenance of the Thameslink Class 319 fleet is currently Selhurst depot in south London. Servicing is also carried out at Brighton.

Regulated Depot Access Agreements are in place between Thameslink and Southern to ensure continuity of access to the facilities at Selhurst. These agreements will transfer to the new operator of the Thameslink/GN franchise.

3.4 Performance

3.4.1 Minutes Delay

The Authority requires the Franchisee to deliver the Passenger Services in accordance with the following Service Delivery Benchmarks.

Thameslink

| Year | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Minutes delay | 104,514 | 103,991 | 103,471 | 102,954 | 102,439 | 101,927 | 101,418 | 100,910 | 100,406 | 99,904 |

Great Northern

| Year | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Minutes delay | 104,990 | 104,465 | 103,943 | 103,423 | 102,906 | 102,391 | 101,879 | 101,370 | 100,863 | 100,359 |

The consequences of failing to meet the Service Delivery Benchmarks are detailed in the Franchise Agreement.

Benchmarks for short formations and Cancellations are to follow and will be set out in the Franchise Agreement.

3.4.2 Network Rail

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.

The Franchisee will be required to actively manage Network Rail to ensure it secures the best performance that is reasonably available. More details on this element of the performance specification are set out in paragraph 9 of Schedule 1.2 (Operating Obligations) of the Franchise Agreement.

3.5 Major Project Interfaces

3.5.1 Interface with Thameslink 2000 Programme

The Thameslink 2000 Programme intends to deliver the physical connection between Thameslink and GN Routes, significantly increased capacity through the Thameslink core section and at London Bridge, 12 car operation on Thameslink and expansion of the network served by Thameslink services. The ongoing Transport and Works Act (TWA) Inquiry is expected to reopen in autumn 2005 and it is hoped that this will lead to powers being granted to the Secretary of State in the summer of 2006. The Thameslink 2000 Programme is currently unfunded but it is envisaged that construction work, which will be of approximately five years duration, could commence early in 2008. Further information on the current Thameslink 2000 specification has been provided in the Data Room.

Base Case bids must include the capability to liaise with the Network Rail Thameslink 2000 Programme Team, led at an appropriate level in the proposed TOC management structure of the Franchise. This is the only issue in relation to the Thameslink 2000 Programme which is required to be included in the base price.

The Thameslink 2000 Programme will require a succession of service changes during the construction period and when the infrastructure works are complete. The timing and detail of these changes is not yet known with sufficient certainty to be specified as Priced Options. If required, such service changes will be introduced as changes to the prevailing Service Level Commitment. It is intended that all adjustments for disruption will be made through Franchise Payments, save where compensation is received from Network Rail under the Track Access Agreement or otherwise.

The Franchisee may be required to support the specification, procurement and commissioning of new rolling stock. Any such requirements shall be a Change. The Franchise Agreement will also

require the Franchisee not to object to network and other Closures required as part of the Thameslink 2000 Programme.

Bidders are required to demonstrate their approach to these issues. Deliverability scoring will include an assessment of each Bidder's approach to planning and management of disruption and a partnering approach to provision of management information and the pricing of change as described in Section 4.2.2.

3.5.2 Other Projects affecting Thameslink/GN 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 bids. Section 10 (Further Information) references those projects that are known about and are most likely to impact on the Thameslink/GN franchise. Their inclusion is illustrative only and is intended to assist Bidders in understanding the environment within which the Thameslink/GN 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.

3.6 Fares

3.6.1 Regulated Fares Assumption

All regulated Fares will be capped at RPI+1 per cent. throughout the Franchise Term. This assumption also applies to regulated Fares set by other franchisees and franchise operators.

3.6.2 Fares Baskets

The SRA will undertake the amalgamation of the Fares Baskets for Thameslink and GN, creating two combined Fares Baskets for regulated and protected fares.

3.6.3 Transport for London (TfL) Assumption

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

3.7 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 up to nine full years, as well as the possible seven Reporting Period extension that the Authority may unilaterally require under Schedule 18 (Franchise Continuation Criteria) to the Franchise Agreement. Continuation for years 5 and 6 will be subject to achievement of performance targets specified in that Schedule. Continuation for years 7 to 9 will be at the Authority's discretion.

3.8 Agreements and Leases

3.8.1 Track Access Agreements

The Track Access Agreements (TAA) of the Incumbent TOCs currently run until the following dates:

- Thameslink - Passenger Change Date 2006; and
- WAGN – 12 December 2005.

Bidders should note discussions with the relevant industry parties will take place to extend the WAGN TAA to co-terminate with that of Thameslink.

Bidders should assume that these Track Access Agreements will be in force at the point of commencement of the Thameslink/GN franchise and that they will need to be transferred to the Franchisee. The Authority is working with Incumbent TOCs, Network Rail and the ORR to ensure that the SLC from December 2006 is provided for during the planning for the 2006 Timetable change.

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

- to accept their terms; and
- to discharge the obligations in each and manage each for the benefit of the Thameslink/GN franchise,

The Franchisee will also be expected to negotiate with Network Rail a single replacement Track Access Agreement in model clause format that reflects the SLC and discharge its obligations thereunder and manage that agreement.

3.8.2 Service Delivery – Stations

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

- Thameslink Station Leases – 30 September 2006;
- GN Station Leases – 30 September 2006;
- Thameslink Station Access Agreements – 11 April 2006;
- GN Station Access Agreements – 11 April 2006; and
- Kentish Town, Farringdon, Barbican and Moorgate - 30 September 2006

3.9 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 must be addressed in any proposal submitted and the net financial benefit should be separately identified within the Bidder's Financial Model.

Implementation of any Electronic Advertising Media proposals must be supported by objective evidence that passengers are receptive to the implementation of such a system and the proposed content of the transmitted messages. Consent will be granted by the Authority 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 premium.

3.10 Mobilisation and Migration

Establishment of the Thameslink/GN franchise requires the financial, operating and commercial systems and resource integration of two existing franchise entities. Bidders must demonstrate their capability, in the event they were to be selected as Preferred Bidder 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 maintain 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 with the intention of fulfilling the following aim:

- to complete integration activities and establish a single operating entity within twelve months of the Franchise Commencement Date.

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 Thameslink/GN 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.

3.10.1 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 Thameslink/GN 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.

3.10.1.1 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) rolling stock

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 Thameslink/GN franchise.

3.10.2 Employees

3.10.2.1 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).

3.10.2.2 Pay and Pensions

Bidders are required to confirm acceptance of the terms and conditions relating to pensions contained in Schedule 16 (Pensions) of the Franchise Agreement. This confirmation should be included in responses to Section 4 (Operational Integrity/ Deliverability).

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.

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

3.10.3 Operational and regulatory requirements

3.10.3.1 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 Thameslink/GN franchise as a condition precedent to the commencement of the Thameslink/GN franchise. The Franchisee will be responsible for maintaining the Safety Certificate for the term of the Thameslink/GN franchise. HMRI has provisionally advised that,

subject to any change resulting from current consultations on the proposals, provided the Franchisee maintains the same operational structures, safety management arrangements and services on day one of the new Thameslink/GN 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 Thameslink/GN 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 Certificates 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>

3.10.3.2 Licensing

The Franchisee will be obliged to apply for, and secure, licences to permit it to operate railway assets (including railway passenger services) within the United Kingdom.

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 3.10.3.1, can and must 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/>

3.10.3.3 Railway Safety Group

The Franchisee will be required 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 that the Franchisee engages 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 transfer to it.

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 level.

3.11 Changes to the Template Franchise Agreement in 2005

Since September 2004, when the Authority approved the previous iteration, a number of changes have been made to the template franchise agreement (the tFA) (on which the Franchise Agreement is based). The most notable changes are listed here. Unless the context otherwise requires, capitalised terms used in this Section have the same meaning given to them as in the Franchise Agreement and references in this Section to schedules are to schedules in the Franchise Agreement.

3.11.1 Structure

The tFA formerly comprised three elements:

- the franchise agreement, itself comprising the short-form contract and 19 schedules;
- a definitions agreement that was incorporated by reference into the terms of the franchise agreement; and
- a conditions precedent agreement.

The tFA still comprises three elements, but these now entail:

- a stand alone franchise agreement, containing the customisable elements of the given franchise;
- the 'National Rail Franchise Terms' (the Terms) which are incorporated by reference into the franchise agreement and which include the definitions and largely the same 19 schedules previously forming a direct part of the franchise agreement; and
- the conditions precedent agreement, which remains largely unchanged.

In addition to the agreements described, the tFA anticipates that a number of other documents will be entered into by the Franchise Commencement Date in an agreed form. Reference should be made to the Franchise Agreement for further details.

It is anticipated that the Terms in the form attached to this ITT will be approved by a joint written resolution of the Authority and ATOC at some point prior to selection of preferred Bidder. The Authority will notify Bidders when this occurs. Notwithstanding any approval of the Terms by ATOC, Bidders should not feel constrained in their ability to submit non-compliance statements in accordance with Section 2.8 (Non-Compliance Statements) in respect of any of the provisions contained in the Terms.

3.11.2 Operating services over and above the Service Level Commitment (Schedule 1.1 (Service Development))

Under the old tFA, franchisees were not permitted without the Authority's consent to seek and exercise additional Timetable Development Rights to operate additional services over and above those services specified in the Service Level Commitment. This consent restriction has now been removed, allowing franchisees the right to seek and exercise additional rights if they choose, subject to such right not preventing or hindering a franchisee from securing a Timetable that delivers the Service Level Commitment. The revenue, cost and other consequences of any

services that franchisees choose and are able to operate over and above those contained in the Service Level Commitment will not be treated as Changes and franchisees are entirely at risk for those consequences.

3.11.3 Performance (Schedule 1.2 (Operating Obligations))

In recognition of the industry initiative to provide a framework within which Network Rail and Train Operators work together to improve punctuality and reliability of train services, the Franchisee is now required to co-operate with the process for producing a Joint Performance Improvement Plan, for annual updating of the same and for agreeing and implementing recovery plans when performance falls below acceptable levels.

3.11.4 Franchise Facilities (Schedule 4.1 (Franchise Facilities))

This schedule in the old tFA originally provided for, amongst other things, the surveying of Stations, Depots and trains that each franchisee would operate in order to determine the extent and condition of such items at the beginning and end of the Franchise Term, and, in the interim, for franchisees to develop and implement maintenance programmes to maintain the Stations and Depots.

This schedule has now been deleted.

3.11.5 Service Quality (Schedule 7.2 (Service Quality Management))

The Authority has revisited this part of the tFA in response to criticisms from the industry that it was too prescriptive and onerous. The key changes from the September 2004 version are as follows:

- there is no longer any direct financial penalty/reward regime attached to the delivery of service quality;
- performance is now measured on a moving annual average;
- the Franchisee now self-certifies its own performance and reports this to the Authority every six months, rather than performance calculations being carried out on a Reporting Period basis as before; and
- the Authority retains the right of independent audit, and although this right is unfettered under the tFA, the Authority now anticipates that it will only exercise this right on an exceptional basis, rather than carrying out an expected level of independent auditing as a matter of course, as the tFA originally provided for.

Under the new regime, the Authority continues to issue Service Quality Standards (see Attachment E) as before, although these have now been simplified. The Service Quality Standards are expressed in terms of an ideal level of service quality that a customer might expect. Bidders are expected to review the Service Quality Standards and to produce their proposed Service Quality Management System and Service Quality Audit Programme in response.

The Service Quality Management System sets out the systems, resources and procedures each Bidder intends to use in delivering a level of service quality across the given franchise that is consistent with the level set out in the Service Quality Standards. Amongst other things, a Service Quality Management System must contain the benchmarks against which the Franchisee will be measured during the Franchise Term.

The Service Quality Audit Programme contains the proposed auditing programme for auditing the extent to which the Service Quality Management System is implemented in accordance with its terms.

Both the Service Quality Management System and the Service Quality Audit Programme are intended to be agreed form documents at the outset of the given franchise.

3.11.6 Limitation of Revenue Share (Schedule 8.1 (Franchise Payments))

It has been recognised by the Authority that the application of the revenue share regime may be in some cases be a disincentive to encouraging investment initiatives that a franchisee is not under any obligation to develop, but may nevertheless wish to take forward in order to further its business (Additional Investment). The tFA now provides that the Revenue Share regime will not apply to any Revenue that is generated by Additional Investment, but only in so far as additional resources are required to implement any such initiative. The use of existing resources to generate Revenue does not constitute Additional Investment.

Conversely, the Revenue Support regime will continue to apply in respect of any shortfalls in Revenue that the Franchisee experiences, including shortfalls attributable to such initiatives.

The tFA envisages that the parties will try to agree whether the Revenue Share regime should not apply to the given investment initiative and in the absence of agreement, the Authority reasonably determines this matter. This determination is subject to challenge by a franchisee. To the extent that the Revenue Share regime is switched off in respect of any Additional Investment, a franchisee will be required to separately account for any Revenue it subsequently generates as a result of that Additional Investment.

3.11.7 Financial ratios (Schedule 12 (Financial Obligations and Covenants))

The financial ratios contained in Schedule 12 originally applied on a rolling basis, looking six Reporting Periods back and six Reporting Periods forward from the point of determining financial performance. The ratios continue to operate in the same way as before, except that they now apply for 13 Reporting Periods back and 13 Reporting Periods forward from the point of determining financial performance.

The reason for the change is to fully capture the degree to which a given franchise is or may be subject to seasonality in passenger demand.

3.11.8 Information requirements (Schedule 13 (Information and Industry Initiatives) and throughout)

The Authority has scaled down the amount of information that must be provided by the Franchisee to the Authority on a periodic or annual basis under the tFA, in response to criticisms from the industry as to the management time and costs that providing such information entails.

Any franchise agreement will ordinarily represent a multi-million pound contract and the Authority has certain statutory and non-statutory duties that it needs information for in order to regularly perform. Franchisees remain the sole source for most of this information. These facts mean that corporate, business planning, financial and performance information will always be required from franchisees on a regular basis. The Authority recognises that the industry continues to seek the further scaling down of information requirements placed on franchisees and will keep those provisions of the tFA under review.

3.11.9 Pensions (Schedule 16 (Pensions))

It is now a requirement that an incoming franchisee takes over the Franchise Section of the Railways Pension Scheme that has been established by the outgoing franchisee. Previously, an incoming franchisee had the discretion to take over the existing section or create its own one. This discretion no longer applies. The incoming franchisee will not however be held accountable for any shortfall in the Franchise Section that arises because the outgoing franchisee has failed to comply with its obligations during its franchise.

Changes to the tFA reflecting this policy will be advised.

3.12 Financial Reporting

The Thameslink/GN Franchisee will be required to submit Annual Management Accounts and financial forecasts in a specified format. This format will be agreed with the Preferred Bidder but it is expected that:

- the format will be based upon the Templates defined in Section 5;
- reports will adopt a 31 March year end; and
- Annual Management Accounts will be reconciled to audited financial statements.

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 Thameslink/GN franchise. To this end, Bidders should include within their bids a set of plans which detail how this delivery will be achieved.

Diagrams A4.D1 to A4.D5 (inclusive) illustrate the elements that such plans could contain. Bidders must submit their bids based on the structure set out in these diagrams. The Authority expects that Bidders will underpin their plans with a level of detail that will allow the Authority to easily assess their robustness. Bidders should not interpret the diagrams as exhaustive but they should note that the Authority will form its view on submitted plans using that structure. The weightings for each critical issue adopted by the Authority are shown at 4.1.1 below.

The initial evaluation of the operational integrity and deliverability of Bidders' plans to deliver the Base Case Specification as set out in Section 3 (The Base Case Specification) will be performed independently of pricing information. The second phase of evaluation will consider consistency between the operational integrity and deliverability responses and the financial and economic submissions. Accordingly bidders are required to provide a response to this Section 4 that can be read independently from and yet is consistent with the content and presentation of the Financial Model and Operational Models submitted in response to Section 5 (Financial and Economic).

The Authority recognises that there are significant relationships and dependencies between different plans within each strategy and between different strategies. The evaluation process will cross refer between plans within the same strategy i.e. credit will generally be given for a required issue as long as it is covered somewhere within the strategy concerned. The evaluation process will not automatically cross refer between plans within different strategies but specific cross referencing in the response will be followed i.e. credit will only be given for a required issue covered outside the strategy concerned if an explicit cross reference is provided in the relevant part of the bid.

Sections 4.2 to 4.6 provide further guidance and information on specific elements of the delivery plans and associated diagrams (A4.D1 to A4.D5 inclusive). These sections only cover those elements which the Authority considers may require more detailed explanation and hence do not cover each element of the diagrams. The level of detail provided is dependent on the particular element in question. This is supported by weightings employed in the evaluation.

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 4.5.

4.1.1 Weightings

| Reference | Critical Issue | Weighting |
|-----------|-------------------------------------|-----------|
| 4.2 | Franchise Management | 25% |
| 4.3 | Service Performance | 45% |
| 4.4 | Service Quality | 15% |
| 4.5 | Other Passenger Service Obligations | 5% |
| 4.6 | Migration | 10% |

4.2 Franchise Management (Diagram A4.D1)

Bidders are required to outline their plans and strategies for the overall management of the Thameslink/GN franchise throughout its term. Bidders may add additional items as they see applicable to achieving the overall aims of the Thameslink/GN franchise.

4.2.1 Vision & Objectives Strategy

Bidders should explain their overall approach to the leadership and management of the Thameslink/GN franchise and how this will result in the overall achievement of the commitments and targets specified in the Franchise Agreement. In particular, Bidders should outline their approach to managing key infrastructure and service planning changes through the Franchise Term. A summary of the key features of the Bidder's approach to delivering the franchise should also be presented as part of the explanation.

4.2.1.1 Vision & Objectives Plan

Bidders should clearly and concisely state the purpose, business and principles of the Franchisee and what it plans to achieve in the future, through a mission statement, with linkages to specific and measurable objectives. Bidders should outline their vision for developing the Thameslink/GN franchise brand and to meet the Thameslink/GN franchise objectives.

Bidders should provide an overview of how the Franchisee's organisation will be structured. Bidders are required to state how they plan to manage a commitment to corporate social and safety responsibilities. Bidders are required to detail the Franchisee's corporate structure and the relationship with any parent groups.

4.2.1.2 Quality Plan

Bidders should describe their approach to developing an organisation with a focus on quality. This should include details of commitments to achieving accreditation in all aspects of the business and the approach to be adopted to ensuring a culture that fosters the achievement of excellence.

4.2.2 Managing Key Infrastructure and Service Planning Changes Strategy

The Authority expects the Franchisee to co-operate and facilitate the delivery of the Thameslink 2000 Programme in addition to fulfilling their commitments to train service delivery throughout the Franchise Term. Bidders are expected to outline their approach to achieving this objective in the areas noted below.

4.2.2.1 Preparing For Future Changes Plan

Bidders should describe their approach to the planning of robust alternative Timetables in response to planned disruption and infrastructure change. They should describe train planning tools and techniques they would use and to demonstrate their understanding of the approvals processes associated with the introduction of new Timetable specifications.

Bidders should explain their approach to determining the impacts of disruption on passenger movement at both stations and on trains. Bidders should detail their approach to liaising with Network Rail, DfT and other stakeholders. This response should also outline the approach to supporting the specification, procurement and commissioning of new rolling stock should this be required.

4.2.2.2 Managing Change and Disruption Plan

Bidders should detail their approach to service delivery during planned disruption and infrastructure change. This should include plans for publicising and communicating planned service disruptions and the extent of co-operation with other Train Operators. The Bidder's competence in securing alternatives means of transport where necessary should also be set out. In addition, Bidders should detail their processes to maintain performance and Service Quality Standards. This should include processes for the hiring of temporary staff and temporary changes to working practises.

Bidders are also required to detail their capability in the specification, procurement and commissioning of new rolling stock.

4.2.2.3 Pricing of Change Plan

Bidders are required to describe their approach to working with the Authority and other stakeholders to provide clear and precise information relating to the revenues, costs and risks associated with service disruption and service change. This should detail initiatives to develop an effective working relationship with the Authority.

4.2.3 Human Resources Strategy

Bidders are required to submit a Human Resources Strategy (HR Strategy) that supports the robust delivery of the Service Level Commitments and other outputs identified by the Bidder and explains the overall direction of employee development and other employee policies for the Thameslink/GN franchise. Diagram A4.D1 outlines the key areas the Authority wishes the Bidders to consider. The HR Strategy should address the approach to investment in the workforce and the outcomes the Bidder expects to achieve through this approach. The strategy should refer to the ongoing operation of the franchise with the bidders approach to merger being presented as part of the mobilisation and migration strategy.

4.2.3.1 Human Resources Plan

Bidders should submit adequate organisation charts to depict the staffing structure proposed for the Franchisee, including numbers of staff positions and roles and responsibilities proposed at each level of the organisation, including senior management, non-operational management and administration, operational management and supervision and 'front line' operational staff. The plan should also include the proposed approach to recruitment, selection and succession planning for normal and disrupted operations.

Bidders are expected to describe their approach to formally managing relations with Trade Unions, and in part, to identifying key areas of dialogue that need to be addressed.

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

4.2.4 Internal Communications Strategy

Bidders are required to outline their proposal for developing an internal communications strategy that seeks to engage and align the various employee functions in the range of issues that will affect the service and roles and responsibilities throughout the Franchise Term.

4.2.4.1 Staff Briefing Plan

Bidders are required to outline their plans in terms of coverage, frequency and type of issues they see as critical to the success of the Thameslink/GN franchise that should be addressed through staff briefing.

4.2.5 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 Franchise Agreement compliance issues. They should outline the key components of their Quality Plan to be made available on or before the Franchise Commencement Date and the resources they expect to deploy including details of the roles and responsibilities.

4.2.5.1 Franchise Agreement Compliance Plan

Bidders should propose a formal meeting structure to ensure that regular discussions are held with the Authority in accordance with the requirements of the Franchise Agreement. In particular, Bidders should confirm how key actions are cascaded to the relevant staff within the Thameslink/GN franchise to ensure successful completion of these requirements.

4.2.6 Marketing & Revenue Strategy

Bidders are required to submit their plans on how they intend to manage the commercial and retail activities of the Thameslink/GN franchise. Diagram A4.D1 shows the basic level of information required. Bidders are encouraged to include additional information should they feel it is pertinent to this activity. The plans should indicate how the Bidder intends to address the market and describe the approach to products, distribution and branding & advertising.

4.2.6.1 Marketing Plan

Bidders must outline the assumptions they have made in relation to the Thameslink/GN franchise market, and detail how they propose to develop the Thameslink/GN franchise brand. They must include an assessment of the risk to the business and where and how potential areas of growth can be achieved. The marketing plan should address how the branding of the Thameslink/GN franchise is to be developed, including the transfer (where required) from the existing brand, and managed in keeping with the Authority's goal of developing high quality passenger services throughout the Thameslink/GN franchise area.

Where re-branding is proposed the rationale behind the proposal is to be explained and the anticipated benefits for set out. The marketing plan should explain the Bidder's approach to growing revenue through advertising.

4.2.6.2 Fares and Ticketless Travel Plan

Bidders should outline their plan for the management of Fares throughout the Franchise Term; they should detail their policy regarding the range of ticket types, including the marketing, sales and revenue implications of these Fares. In addition, Bidders should provide evidence of how they plan to manage the price of individual Fares within the basket of regulated Fares, what their plans are for unregulated Fares, and state what liaison arrangements they intend to implement to ensure communication with stakeholders and passengers.

Bidders should detail their proposals for giving Fare information to passengers through a variety of media and provide evidence of how they intend to train and inform ticket sales staff of the range of Fares that are available from Thameslink/GN franchise outlets.

Bidders should submit a plan for assessing, monitoring and reducing the level of ticket-less travel and fare evasion on the Thameslink/GN franchise. The plan should explain how the Bidder would liaise with law enforcement agencies, other Train Operators and London Underground Limited on this issue, and should quantify the resource and cost implications of its terms.

4.2.7 Customer Services Strategy

Bidders are required to submit their strategies for managing the customer services aspects of the business.

4.2.7.1 Customer Service and Charter Plan

Bidders are required to submit their plans for how they intend to deploy and develop their personnel and resources in providing customer service functions, or, if deemed preferable, to procure such provision through third parties. The plan should describe, amongst other things, the proposed structure of this aspect of the business, key roles and responsibilities, the role of information technology in delivering customer services and proposals for innovative ways to improve customer services.

Bidders must outline their plans for their Passenger's Charter, comparing these plans with the present arrangements of the Incumbent TOCs set out in their charters. Plans must state how the Franchisee will provide charter information to passengers and outline the approach to compensation and refunds for customers where the level of service falls below what is outlined in the charter.

4.2.8 Non-Passenger Revenue Strategy

Bidders are required to detail their strategies for securing and enhancing non-passenger revenue streams including (amongst others) in the following areas:

- car parking;
- station trading;
- commercial trading;
- inter-TOC trading; and
- on-train catering.

4.2.8.1 Other Revenue Plan

The Authority expects Bidders to provide details of their plans to provide adequate car parking at Stations throughout the Franchise Term, and to show how they intend monitoring and measuring the likely demand for car parking and matching that demand with a suitable number of parking places. This should include reference to the Bidder's approach to demand management.

Bidders should provide information on their plans to achieve secure car parks accreditation. They should describe how car parks would be managed, including how they intend to incentivise providers of these services to deliver their commitments. Details of proposals to outsource the provision and management of car parking should be provided.

A summary of the anticipated car park costs, capacity, forecast utilisation and revenue should accompany the plan. Where customers are offered an alternative to accessing Stations by car, Bidders should describe these alternatives, how they will be developed, and the impact on car parking take-up that is expected.

Bidders are required to explain their plans for on-train catering / refreshment facilities for the Thameslink/GN franchise. The plans should detail how Bidder's propose to change from current arrangements. In addition the projected impact on premia should be detailed.

Bidders should outline their plans for the management and leasing of retail space, and the anticipated costs and revenue associated with this, and should take into consideration other franchise plans. The Bidder's approach to commercial advertising and inter-TOC trading should also be described.

4.2.9 Asset & Environmental Management Strategy

The asset and environmental strategies are intrinsically linked. They provide the Authority with the assurance that all assets are used as efficiently and effectively as possible in promoting continuous improvement and raising standards in accordance with all environmental legislation.

4.2.9.1 Asset Management Plan

Bidders should provide an asset management plan that should include a full evaluation of all future anticipated assets to be employed for the purpose of delivering the 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 knowledge management systems. The management of rolling stock should be described as part of the Fleet Strategy.

4.2.9.2 Environmental Management Plan

Bidders are 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 setting targets and working with Network Rail and other operators to deliver a co-ordinated programme of improvements and common positions.

4.2.10 Communications Strategy

Bidders should outline their approach to managing external relations and communications to ensure key stakeholders understand the needs for change throughout the Franchise Term.

4.2.10.1 Communications Plan

Bidders should develop a communications plan that outlines the Franchisee's objectives, target audiences (including, but not limited to customers, stakeholders, industry partners and the media), key messages/materials (project information, key performance indicators), proposed communications channels, and notably their resource requirements. The plan should also describe methods for measuring and evaluating the effectiveness of communications activities to support continuous improvement of the Franchisee's external relations.

4.3 Service Performance (Diagram A4.D2)

Bidders are asked to demonstrate in detail how they will deliver the outputs in the Franchise Agreement with regard to the performance of service over the Franchise Term. Responses must primarily address the factors relating to the delivery of the Service Level Commitments (SLCs) and address the key areas listed below and in diagram A4.D2.

4.3.1 Service Delivery

Bidders are required to demonstrate their ability to fulfil their commitments in relation to the provision of train services in line with the requirements of the SLCs. To this end, they are required to set out their approach to delivering the SLCs and the accompanying strategies and plans that achieve this. The accompanying strategies are intended to demonstrate how Bidders will deliver commitments in the core areas of fleet, traincrew (both drivers and on-train staff), and their proposals for the management of the Train Plan at stations and depots.

Bidders are required to submit indicative timetables for each Service Group except for Thameslink (SX) as defined in SLC2. On Thameslink the timetable shall be as in Attachment B. The timetables should clearly indicate first and last train times, service intervals throughout the day and calling patterns for each Service Group. Bidders are also required to define how they intend to contribute to and manage the Timetable development process, which should include co-ordination arrangements with third parties and how they intend to implement Timetable change.

4.3.2 Fleet Strategy

4.3.2.1 Rolling Stock Plan

Bidders are required to detail a rolling stock plan that explains their approach for the deployment and maintenance of rolling stock and plans for the improvement of existing stock or procurement of new rolling stock. Bidders should also detail reasons for opting for dry or wet leases and highlight the financial impact of the preferred approach.

Where Bidders plan changes to either the current rolling stock fleet operated by the Incumbent TOCs or propose the introduction of new rolling stock during the Franchise Term they must explain why they are recommending such an approach, and describe and evaluate the benefits which it will deliver.

Where new rolling stock is being procured, the Authority expects to receive rolling stock proposals that set higher standards in train performance, reliability and presentation than the fleet currently operated by the Incumbent TOCs and meet with the objectives the Authority has

stipulated for the Thameslink/GN franchise. In such circumstances, Bidders should be aware of the industry processes for acceptance of new rolling stock and demonstrate their approach to management of rolling stock introduction.

Notwithstanding their freedom in determining the rolling stock to be used, Bidders are required to ensure that, as a minimum, rolling stock is adequately specified and sufficient vehicles are available to resource the Train Service specification as set out in Section 3 (The Base Case Specification).

The rolling stock plan should include the rolling stock diagrams proposed to deliver the SLCs.

The Authority is seeking improvements in the operating performance of rolling stock used on the Thameslink/GN franchise. Bidders must provide plans for mitigating performance and operational train failures en route and for improving performance.

Fleet availability targets should be provided on a daily, monthly and yearly basis by fleet type and details should also be provided of expected fleet utilisation i.e. daily, monthly or yearly vehicle miles.

Bidders should also describe the delivery of their branding strategies as described in their marketing plans for rolling stock, the rationale for introducing any such strategy, when it will be implemented and the expected effect of its introduction, and any expected impact upon operations.

4.3.2.2 Depot and Maintenance Plan

Bidders are required to propose a depot and maintenance plan for the servicing, repairing 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 consider strategies that enable turn-round staff to conduct inspections and minor repairs to fixtures and fittings. Where Bidders are proposing the use of sub-contractors to undertake maintenance or depot responsibilities, this should be detailed including consequent contract management arrangements.

The depot and maintenance plan should include details on the impact of change, if any, to the current approach to maintenance. It should take into account existing contractual commitments. This strategy should describe how Bidders would structure the depot in terms of staffing and staff responsibilities. Bidders should explain how they would review the costs associated with different aspects of fleet maintenance, and devise initiatives for increasing efficiency and reducing costs.

Bidders should explain how they will address changes in the volume of work at Hornsey depot and how they will ensure that fleet maintenance undertaken at secondary depots will enable them to deliver their commitments under the Franchise Agreement.

Expected reliability targets should be provided on a yearly basis by fleet type over the Franchise Term. As a minimum Bidders are required to present the anticipated mean distance between failures which cause delays of five minutes or more. This analysis should include the relationship between miles per casualty by class of vehicle and the impact the figures have on performance.

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.

4.3.2.3 Depot and Fleet Management Staffing Plan

Bidders should describe the management structures they will employ to deliver the depot and maintenance plan and the duties of staff employed at depots including details of any outsourced activities.

4.3.3 Traincrew Strategy

4.3.3.1 Traincrew Plan

Bidders are required to provide a traincrew plan that outlines their process and procedures and plans for the rostering and management of traincrew, which includes both drivers and other on-train staff. The plan must be disaggregated in terms of the provision of resources by reference to each depot. Bidders should also identify the scope for making efficiency and productivity gains throughout the duration of the Thameslink/GN franchise. Bidders should clearly state their assumptions regarding Sunday and rest-day working arrangements.

4.3.3.2 Traincrew Management Plan

Bidders should describe their proposals for developing and delivering the proposed standard of performance for on-train staff, how they will monitor these standards and ensure that they are compliant with relevant regulations and standards.

Bidders are required to submit their strategy for the deployment and training of on-train staff by location. Each plan should describe the Bidder's recruitment proposals and how these will be consistent with service delivery.

4.3.4 Station Management Strategy

Bidders are required to submit a plan that outlines their approach to the management of all the Stations within the Thameslink/GN franchise and how they will work with other Facility Owners.

4.3.4.1 Station Management and Staffing Plan

The station management and staffing plan must set out how Bidders intend to comply with their obligations to provide staff at stations which meet both the operational and retail requirements of the Thameslink/GN franchise.

Bidders should demonstrate how they intend to organise the management and supervision of stations within the Thameslink/GN franchise area, including Section 12 stations, to ensure that standards and commitments are maintained to a consistent level throughout.

Bidders should comment on how they manage the relationship with station owners and in addition, must demonstrate how, through the management of the stations, that continuous improvement in the level of service can be achieved.

Bidders are required to submit proposals for improving efficiency and productivity with regard to Station management. They must demonstrate that any efficiency proposed does not have a detrimental effect on the delivery and quality of the service offered at Stations.

4.3.5 Punctuality and Reliability Strategy

Diagram A4.D2 highlights the areas the Authority wants to see addressed in Bidders' responses, the list is not exhaustive and Bidders at their own discretion are able to include other elements at their own discretion.

Bidders are required to explain how they intend to manage and improve train service performance, and how performance will be measured and monitored. This strategy should address all aspects of the Thameslink/GN franchise, which may impact upon performance, or the ability to manage performance.

Bidders are also required to detail where they plan to deploy staff at stations for which they are not the Station Facility Owner (SFO).

4.3.5.1 Service Control Plan

Bidders are required to outline their plans for the real time management of the Passenger Services as part of the punctuality and reliability Strategy. Bidders should describe any proposals for improving the operation of the control centre and the expected impacts these may have.

4.3.5.2 Network Rail Interface Plan

Bidders are also required to detail their interface arrangements with Network Rail and proposals to improve performance through joint working and participation in industry initiatives such as Joint Boards and the Integrated Control Centre programme. They are expected to provide details of liaison and control arrangements as well as comment on their approach to the formulation of regulation policies to ensure prioritisation of services during time of disruption.

Bidders should outline their proposals for working with the different performance systems used by Network Rail and recommend ways to improve the interface with Network Rail, for example through sharing information and joint working. Bidders should also explain how their control systems would interface with other key providers such as Network Rail and rolling stock maintenance providers to ensure delivery of the inputs specified under the Franchise Agreement.

4.3.5.3 Performance Improvement Plan

Delivery of improved operating performance is one of the key objectives of the franchise replacement process. Bidders are to state how they intend to undertake performance improvements from the current levels achieved by Incumbent TOCs to at least the standards specified by the Authority in Section 3, and to outline the timescale by which they will achieve these improvements.

In addition, Bidders are required to outline their proposals for employing performance data to identify causes of poor performance and to develop plans to improve performance.

4.3.5.4 Service Recovery and Contingency Plan

Bidders are required to detail their service recovery and contingency plans to cover severe weather conditions, address the critical issue of train performance during periods of leaf fall and describe their intended procedures should access be restricted on certain key routes (e.g. Blackfriars to King's Cross and the ECML). Responses should describe resources to be deployed and identify the key risk areas that affect the delivery of the Plan of the Day, and the Bidders' approaches to mitigation.

4.3.6 Demand Management Strategy

4.3.6.1 Demand Management Plan

Bidders are required to ensure their plans cater for seasonal variations in passenger demand, based on their own forecasts. The Franchise Agreement contains an obligation to manage, where appropriate, the available resources so as to minimise overcrowding. There is also a requirement to determine on a regular basis Actual Passenger Demand using the most accurate, commercially available technology (as at the Franchise Commencement Date). The passenger demand numbers that are generated are to be used in the management of resources and the planning of train formations to meet forecast changes in patterns of demand and to promote efficiency.

Bidders are required to outline their proposals for determining Actual Passenger Demand in the way outlined, and for analysing this information each time it is generated. The plan should specify the anticipated frequency with which the calculations will be undertaken, their scope and the outputs delivered. Bidders should confirm that the plans will deliver appropriate, timely and robust outputs.

Bidders are required to outline their plans for addressing overcrowding, both on trains and at stations and to minimise the impact of overcrowding upon operations. These plans should be consistent with other Thameslink/GN franchise commitments. The Authority requires Bidders to explain proposals for demand management to mitigate overcrowding, explaining how these measures will be implemented, their expected impact and any associated risks. Bidders should consider means to reduce overcrowding and explain in detail how demand management and train service strategies reduce overcrowding in view of the Bidders demand forecasts. Bidders should outline the impact of their proposals on other Train Operators and SFOs.

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 set out their Service Quality Management Systems for delivering that level of service quality. The Service Quality Management System must set out the benchmarks against which the Franchisee will monitor its own performance each Reporting Period and against which the Authority can audit that performance from time to time. The accompanying diagrams highlight the key areas the Authority expects as part of the overall service quality offering.

4.4.1 Station Environment Strategy

4.4.1.1 Station Cleaning and Maintenance Plan

The Authority is seeking Bidders to demonstrate their approach to the management, delivery and monitoring of Stations, which should offer an accessible, welcoming and comfortable environment with fully functional systems and amenities. Bidders should demonstrate in their cleaning and maintenance regimes that standards of presentation will be 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. This should also detail the approach to reactive maintenance.

Bidders will need to propose plans for liaison with third parties (both other Train Operators and sub-contractors), such that a high standard of service quality is maintained at all Stations.

4.4.1.2 Station Enhancement Plan

Where Bidders propose enhancements to Stations they should describe their plan, specifying the type of upgrades that are planned, the stations identified for improvement and the timescales to which these enhancements are planned.

4.4.2 Train Environment Strategy

4.4.2.1 Train Cleaning and Cosmetic Repair Plan

Bidders are expected to provide details regarding their strategy to ensure that the on-train experience is matched with the Station experience. Passengers should be offered a clean, secure, welcoming environment in which to undertake their journey. In addition, Bidders are required to outline their plans to maintain the external and internal appearance of the rolling stock, and how they will liaise with rolling stock owners to successfully deliver a level of service that is consistent with the levels specified in the Service Quality Standards.

Bidders will be expected to describe their strategy for monitoring train cleanliness and interior repair, specifying plans for planned and reactive maintenance, and in the case of the latter, setting standards for the reaction times.

4.4.2.2 Train Refurbishment Plan

If Bidders are proposing rolling stock enhancements to improve the presentation and on train environment they should provide their plan for undertaking these enhancements, including the specific enhancements proposed, the timescales to which the enhancements will be undertaken and how they will liaise with rolling stock owners.

4.4.3 Customer Information Strategy

4.4.3.1 Customer Information and Liaison Plan

The Authority requires Bidders to provide details of how they will deliver timely, accurate and comprehensive information throughout the Franchise Term and with third parties, on stations, trains and other areas, such as car parks. The plans should describe both the maintenance of existing systems and details of the plans to enhance information provision through a range of mediums. Bidders should explain how they will monitor and improve the accuracy of

information provided. The plans should detail the arrangements to cover timetabled services, planned and unplanned disruptions, to ensure that all passengers are kept fully informed of the operation of services during their journeys and given reasons for delays.

4.4.4 Security Strategy

4.4.4.1 Security Plan

Bidders are required to outline their plans for ensuring that the security of service, premises, customers and their staff is maintained at all times. They are required to describe how they intend to maintain the current systems and procedures whilst detailing their proposals to identify new risks, upgrade existing systems and install new measures to reduce the level of risk and loss to the Thameslink/GN franchise.

The security plan must cover on-train activities, stations, depots and sidings, to ensure that the risks to operation of the train services is minimised. Bidders should include within the plan details of the approach to be adopted in liaison with British Transport Police and Network Rail.

Bidders should describe their strategy for increasing the number of stations, which achieve Secure Stations Accreditation, identifying the timescales to which they will seek to achieve accreditation and with reference to which stations they will target in this area.

4.4.5 Ticket Sales Strategy

4.4.5.1 Ticket Sales Plan

Bidders are required to provide detailed plans on how they propose to provide access to ticket retailing facilities at all Stations, including passenger operated ticket vending machines. Bidders should also provide information on how they would maintain the capability, reliability and availability of their ticket machines.

Bidders should describe how ticket offices should be opened and staffed in accordance with the requirements of the Ticketing and Settlement Agreement. The ticket sales plan should describe how Bidders would:

- monitor service quality;
- manage staff training and responses to passenger queries;
- approach improvements in ticket retailing and technology; and
- accord with pan-industry retailing agreements.

Bidders are also requested to provide details on how they propose to explore and develop new retailing opportunities including pre-travel sales, for example telephone and Internet bookings. They should also detail their approach to ticket retailing during service disruptions and periods of exceptional demand.

In addition Bidders are also required to set out proposals to re configure ticket office opening hours where they believe such changes will assist in the delivery of the Authority's objectives for the Thameslink/GN franchise. Such changes must consider arrangements for ticket sales where a reduction in ticket office opening hours is proposed.

4.5 Other Passenger Service Obligations (Diagram A4.D4)

Bidders should describe their commitments to cover the range of items described in diagram A4.D4 and provide a detailed commentary on their plans to ensure their delivery. Bidders may add additional items as they see applicable to achieving the objectives of the Thameslink/GN franchise.

4.5.1 Transport Integration Plan

The Authority expects Bidders to outline their plans for multi-modal integration of transport throughout the Thameslink/GN franchise area. Bidders are expected to outline their proposals to work with TfL and other statutory bodies, as well as other industry partners.

As part of the transport integration plan, Bidders are expected to consider issues such as a plan for managing Connections and the potential for increasing ‘through’ ticketing, as well as considering the provision of information regarding other transport connections at stations.

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 Strategy

4.5.2.1 DDA Compliance Plan

The Authority expects Bidders to detail their proposals to ensure compliance with the Disability Discrimination Act (DDA). Bidders are requested to describe in detail their compliance strategy for both stations and, trains. Bidders are required to provide details of the working procedures they will employ to assist mobility impaired passengers when travelling by rail. Bidders must outline their plans for staff training and detail their procedure for the sale of tickets to disabled travellers.

4.5.2.2 DDA Consultation Plan

The consultation strategy with both national and local disabled groups to ensure that the needs and requirements of those groups are taken account of and, where appropriate, met, both with existing facilities and via enhancements should be submitted.

4.6 Mobilisation (Diagram A4.D5)

The Authority requires the Franchisee to present its plans to take over the existing Thameslink and Great Northern franchises and undertake their merger in an efficient and cost effective manner. It also expects the Franchisee to produce plans to migrate existing licenses, contracts, systems and processes to the new franchise entity.

4.6.1 Merger Strategy

Bidders should explain how they would manage the process to align the two organisations operationally, strategically and culturally. As part of this process and activities, Bidders are asked to fully demonstrate plans for mobilisation, including management of risk and contingency plans.

4.6.1.1 Business Combination Plan

In describing their merger strategy, the Authority expects Bidders to be able to demonstrate how the merger will be delivered. This should include a business combination plan that identifies mobilisation arrangements, the structure and staffing of transition planning and project management teams, and the project plan for mobilisation and merger including critical path items and their timing. Bidders should describe management responsibilities, any specialist expertise required and the approach to managing and delivering the merger.

Bidders are required to detail the location of headquarters and each of the administrative functions. Where Bidders propose to draw upon the resources of other Train Operators to manage elements of the operation of the Thameslink/GN Franchise, this must be clearly set out. Bidders are required to identify the issues they face with achieving a merger of operations, assets, systems and processes and how they will address these. The nature of any synergies should be spelt out.

4.6.1.2 Human Resources Merger Plan

Bidders are required to develop a human resources merger plan that outlines how they will identify resource requirements, demonstrating how, in accordance with TUPE regulations, they plan to effectively align job functions, salaries and pensions to support the delivery of the merger. Where Bidders have identified any redundancies, they should fully describe their rationale and measures to ensure succession of responsibilities to remaining Franchise Employees.

4.6.2 Migration Strategy and Plan

Bidders should outline their strategy for achieving the transfer and integration of the existing operations, supporting assets, systems, and commercial and contractual arrangements.

The migration plan should set out the activities to be undertaken, the timescale for achievement of milestones, the critical path of activities and the management arrangements for delivering the plan. Bidders should indicate the responsibilities of members of the migration management team and identify key members indicating their relevant experience for the role.

The migration of licenses, permissions, leases and contracts should be outlined in the separate plans specified below, but Bidders should identify any other relevant activities in the migration plan.

4.6.3 Licensing & Permissions Strategy

Bidders are required to describe their plans and schedule for obtaining all necessary approvals and licenses to enable them to operate the Thameslink/GN franchise from the Franchise Commencement Date.

4.6.3.1 Safety Case Plan

For the Safety Case approval process, Bidders should describe any constraints, the operational and financial implications and the timescales for actions to obtain the necessary approvals. Bidders should outline any proposed material change to the existing safety case.

4.6.3.2 Licensing & Permissions Plan

Bidders are required to develop plans to demonstrate to the Authority their compliance with the necessary obligations (Consumer Protection Conditions) as a prerequisite of the application process for station, rolling stock, depot and other Licences. The plans should detail where Bidders require exemptions and in so doing, their approach to working with the Authority and the ORR for the granting of these.

Bidders should outline any proposed material change to the existing licenses and permissions.

4.6.4 Agreements & Contracts Transfer Strategy

Bidders should identify their strategy for transferring commercial contracts and other agreements. They should outline the extent to which they wish to take over current agreements on existing terms, and should indicate any material changes in scope, terms and conditions which they have negotiated with potential suppliers.

4.6.4.1 Rolling Stock Lease Transfer Plan

Bidders are required to describe in a rolling stock plan, if relevant, how they will manage, in liaison with rolling stock leasing companies, the transfer of all leasing agreements from the incumbent Train Operators to the Franchisee. A schedule of the critical path items and key transfer dates should accompany this plan.

4.6.4.2 Other Agreements & Contracts Transfer Plan

Bidders should describe their approach for ensuring that all other leases, contracts and agreements are transferred from the Incumbent TOCs.

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 to ensure comparability 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 periods 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 electronically in Attachment F (CD-Rom). 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.

In addition to the requirements described below, the Bidder's Operational and Financial Models should be capable of forecasting the impact of adopting annual increases in regulated fares at different rates to that specified in the Base Case Specification.

5.2.1 Financial Model and Operational Model Principles

The Models submitted by 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 (see note below).
- *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 Thameslink/GN 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 Thameslink/GN 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 be preferably 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/revenue 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; and

- 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 or 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 (RPI) to increase at 2.5% per annum and the nominal Average Earnings Index (AEI) to increase at 4.2% per annum for 2006/07. For 2004/05 Bidders should assume RPI to be 2.8% and AEI to be 3.9%. Bidders should provide their own estimates for 2005/06;
- the real discount rate to be applied is 3.5%;
- present values (PVs) of the revenues, costs and franchise subsidies/premia will be discounted back to the first year of the Franchise Term (i.e. mid-2006/07);
- Bidders should assume that the Thameslink/GN franchise will commence on 1 April 2006;
- Bidders should calculate their calculations of franchise support or premium payments assuming the Franchise Term is nine years;
- the Thameslink/GN 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 Agreements 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 they are held constant in real terms thereafter); and

- the methodology for calculating the amount of franchise subsidies/premia should be applied consistently on an annual basis (although input assumptions can vary between years).

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, HRATs 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. The switch would be expected to change the price base of the output Templates, but not the Bidder's input data or calculations.

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 Templates attached automatically incorporating the additional requirements and implications of each Priced Option.

Each Priced Option is to be capable of being exercised individually and independently of the other Priced Options and the information provided should reflect such a situation. However, the Bidder may propose and reflect additional cost savings or revenue generation that may result if any combination of Priced Options is jointly taken forward. Such inter-option correlations and relationships shall be clearly shown in the Financial Model and explained and detailed in the Record of Assumptions. However, please note that as part of the initial evaluation process, the Authority does not intend to assess combinations of options and therefore Models are only required to switch between the Base Case and any one Priced Option. However, the Authority

does require that the Priced Options can be activated in any year, i.e. if a Priced Option has been selected; the interface needs to allow the user to specify the start date. The Models should also consider the effect of factors such as, although not limited to, demand build-up, and the standard timetable change dates.

5.6 Mandatory Variants, Mandatory High Return Alternative Tender and Alternative Tenders

Mandatory Variants (if required) and Alternative Tenders shall be provided as 'switches' applied to the Models or as separate worksheets. Unless otherwise stated in Sections 6 to 9, any Mandatory Variants or Alternative Tenders should reflect the model requirements as set out in this Section 5.

5.7 Financial Templates

The Authority requires that the form of the output from the Models follows the attached Templates. 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 IIT 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 table sets out the worksheets contained in the 'Template' and a brief summary of each worksheet's content and status.

| Sheet | Content | Status |
|-----------------------|--|-------------------------------------|
| Front | Contents, legend | Bidder free to use/update/delete |
| Vb | Used for Comparator Model | Bidder must not alter |
| Map | Aid navigation | Bidder free to use/update/delete |
| Version | Aid version control | Bidder free to use/update/delete |
| Control | Suggested scenario control sheet | Bidder free to use/update/delete |
| Inputs>> | | |
| Financing Inputs | Template for forecasts of selected option(s) | Bidder free to use/update/delete |
| Calcs>> | | |
| Financing Calcs | Blank sheet for financial calcs | Bidder free to use/update/delete |
| Templates>> | | |
| Ass 1off | Template for forecasts of selected option(s) | Bidder must not alter |
| Ass Yr-Yr | Template for forecasts of selected option(s) | Populate but do not alter structure |
| Ass SS | Template for forecasts of selected Standard Sensitivities – bidder should use this to show the definition of options | Not required for this transaction |
| | | |
| CAPRI Pax Revenue | Template for forecasts of selected option | Populate but do not alter structure |
| Other Revenue | Template for forecasts of selected option | Populate but do not alter structure |
| Staff Costs | Template for forecasts of selected option | Populate but do not alter structure |
| Other Operating Costs | Template for forecasts of selected option | Populate but do not alter structure |
| ROSCO Costs | Template for forecasts of selected option | Populate but do not alter structure |
| NR Costs | Template for forecasts of selected option | Populate but do not alter structure |
| Performance Regimes | Template for forecasts of selected option | Populate but do not alter structure |
| TOC Capex | Template for forecasts of selected option | Populate but do not alter structure |
| SS1 to SS10 | Template for bidders to show the incremental change from the Base Case caused by each option | Not required for this transaction |
| Detailed P&L | Template for forecasts of selected option | Populate but do not alter structure |
| CF | Template for forecasts of selected option | Populate but do not alter structure |

| | | |
|------------|---|--|
| BS | Template for forecasts of selected option | Populate but do not alter structure |
| Appendices | Template for forecasts of selected option | Populate but do not alter structure |
| SS Sum | Calculates the total impact of all selected options | Not required for this transaction |
| P&L | Template for forecasts of selected option | Contain formulae, do not alter structure |
| Eff | Calculates the total impact of all selected options | Contain formulae, do not alter structure |

Bidders should not employ the Standard Sensitivity Templates within their bid.

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 Models 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 using them 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, Alternative Tenders and Mandatory Variants) 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; and
 - 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 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, Alternative Tenders and Mandatory Variants: 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 : Mandatory Variant – This Section not used

Section 7: Priced Options

7.1 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 (List of Priced Options) to 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 responses to the Priced Options identified in this Section 7 allow the Authority to perform evaluation to this end. For example, a Priced Option that requires a different approach to the plan to deliver the Base Case Specification, as set out in its response to the requirements as set out in 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.

Bidders are requested to provide a bid for each of the Priced Options set out below, bids for combinations of Priced Options are not required at this stage.

7.2 Option 1 : Implementation of the Brighton Main Line Route Utilisation Study (BML RUS)

The Authority expects the final BML RUS to be published soon. Once published, the Authority will explore ways to implement the BML RUS. Upon reasonable notification from the Authority, the Franchisee would be expected to operate services on the Brighton Mainline in accordance with a Service Level Commitment that reflects the BML RUS.

South of Gatwick Airport the calling patterns of both Thameslink and Southern services change. Bidders should be aware that the majority of service changes associated with this option are to other TOC services. Bidders are invited to show cost and revenue consequences to the Franchisee of the changes to Thameslink and other TOC services in the timetable which will be placed in the Data Room.

Bidders should base their bids on the following assumptions:

- transfer of Gatwick Express services to Southern;
- current Gatwick Express fares would be extended to all services between Gatwick and London terminals. The Thameslink/GN franchise would be free to set their own TOC specific fare;
- the standard hour inter-peak timetable, a morning peak timetable for services to London, and an evening peak timetable for services from London provided;
- the Saturday timetable is based on the standard hour inter-peak timetable. Bidders should assume that the Southern Sunday timetable is half the frequency of the standard hour Off-Peak service;
- no material impact on Thameslink's TOC-on-self performance and NR from the option. Bidders should forecast TOC-on-TOC delays in so much as they impact on Thameslink;
- no changes to the allocation of SFOs, depot facilities operators and other ancillary services;

- payments to SFOs on the BML will not differ from those they forecast for the Base Case; and
- the fast Southern services to Gatwick would be operated by a combination of Class 460s and 377s.

Bidders should assess how the changes to the Thameslink and Southern timetables affect their ability to access depots, and make non-passenger or ancillary train movements.

Implementation of this option would only take place at a December timetable change date. The Authority will provide reasonable notice.

7.3 Option 2 : Additional peak trains between London and Cambridge/Peterborough
Bidders are requested to provide a costed option for additional Peak trains between London and Cambridge / Peterborough. This would be achieved by three of the current Letchworth – King’s Cross stopping trains in the Morning Peak, and four returns in the Evening Peak being curtailed to become Welwyn Garden City – King’s Cross trains (and vv). The purpose of this proposal is to release paths over Welwyn Viaduct for the benefit of providing a small number of faster trains to meet the demand envisaged as a result of the growth in the London – Stansted – Cambridge – Peterborough corridor.

Bidders should be aware that these trains may need to be operated by diesel traction, because of the restrictions in the power supply between Wood Green and Hitchin.

The Authority requests Bidders to propose means to achieve these outputs.

7.4 Option 3 : Transport for London Priced Options

7.4.1 Train Service Specification

7.4.1.1 Thameslink: Priced Option

Bidders are requested to provide the following priced service enhancement option for consideration:

Additional trains required to deliver St Albans / Blackfriars to Sutton via Herne Hill, Tulse Hill with 2tph via Wimbledon and 2tph via Mitcham Junction - weekday ‘Metro’ service serving all stations to be maintained at 4 tph distributed generally evenly around the clockface from 0600 until 0030 ex Blackfriars.

Monday – Saturday

The pattern should be repeated between 0600 (arrival in London) and 0030 (departure from London).

Sundays

The pattern should be repeated between 0730 (arrival in London) and 2330 (departure from London), with 2 tph before 0900, and 4 tph after this time.

7.4.1.2 Great Northern: Priced Option

Bidders are requested to provide the following priced service enhancement options for consideration.

Additional trains required to deliver Moorgate to Welwyn Garden City via Potters Bar – weekday ‘Metro’ service of 4 tph serving all stations distributed generally evenly around the clockface from 0600 until 0030 from Moorgate (King’s Cross from 2200 until 0030). A further sub-option is to be priced for retaining Moorgate branch services until 0030.

Additional trains required to deliver Moorgate to Gordon Hill/Hertford North via Crews Hill – weekday ‘Metro’ service of 4 tph serving all stations distributed generally evenly around the clockface from 0600 until 0030 from Moorgate (King’s Cross from 2200 until 0030). A further sub-option should be priced for retaining Moorgate branch services until 0030.

Monday – Saturday

The pattern should be repeated between 0600 and 0030 (departure from London).

Sundays

The pattern should be repeated between 0730 and 2330 (departure from London), with 2 tph before 0900, and 4 tph after this time.

7.4.2 Class 313 Capacity Enhancements: Priced Option

TfL requests bidders to provide a priced option for refitting the Class 313 fleet internally to increase the capacity (standing + seating) by a minimum of 10%. The option should include outline drawings, indicative programme and costs/revenue changes.

7.4.3 Investment Projects

Bidders should price any costs or revenue implications arising from the investment projects described in outline below.

TfL has a 5 year Business Plan in place to deliver the Mayor’s Transport Strategy objectives for National Rail services in the London region (available on the TfL website). TfL requests that the franchisee to implement existing and new projects, in accordance with the project plans and funding arrangements agreed between the parties.

The franchisee is expected to cooperate with TfL with regard to the implementation of major projects with an impact on public transport provision in London. Specific projects include Crossrail, East London Line Extension, provision for the 2012 Olympics and Thameslink 2000. This requirement applies equally to implementation of Oyster Pre Pay and Zonal Fares, anticipated by January 2007. Cooperation will also be required with TfL and London Boroughs on interchange projects and Borough Spending Plan implementation. The franchisee will be expected to work with TfL on any improvements identified through the TfL Interchange Plan or identified as strategic orbital locations.

In order to deliver its Business Plan, TfL London Rail will work closely with the successful bidder. Details of current and proposed projects are provided in the annexes. It should be noted that TfL reserves the right to amend or delete the proposed projects listed. The successful bidder will be asked to provide project management resource to ensure delivery of TfL projects.

Prior to projects being authorised, TfL would agree on a case by case basis the apportionment of incremental revenue between itself and the successful bidder following implementation of each project. For projects where the revenue stream cannot be identified clearly, TfL expects the current project implementation model to apply, i.e. TfL capital funding is matched by TOC taking on project management and ongoing maintenance responsibilities.

For projects which deliver improved passenger safety and security, the successful bidder would be expected to liaise with the British Transport Police during the project development and implementation phases. For CCTV schemes at stations and on trains, the successful bidder is expected to have in place arrangements for data retrieval, to be agreed with British Transport Police and TfL.

Investment Projects 2004/5

- **Great Northern stations** – installation of CCTV and passenger Help Points (including Induction Loops) at 8 stations: Hornsey, Haringay, Alexandra Palace, Bowes Park, Palmers Green, New Southgate, New Barnet and Oakleigh Park.

Waiting shelters at New Southgate and New Barnet.

Total funding from TfL - £495k – to be completed in May 2005.

The CCTV cameras are not linked to a central Control Centre within current GN TOC.

- **Thameslink stations** – installation of CCTV and passenger Help Points, linked to central Control centres, new seating and improved Wayfinding signage, at 7 stations: Loughborough Junction, Elephant and Castle, Kentish Town, West Hampstead, Cricklewood, Hendon and Mill Hill Broadway.

Upgraded CIS at 6 stations: Kentish Town, West Hampstead, Cricklewood, Hendon, Mill Hill Broadway and Elephant and Castle.

Waiting accommodation at West Hampstead and Hendon

Improved lighting at Mill Hill Broadway, Elephant and Castle and Loughborough Junction.

All works completed by April 2005 – TfL contribution is £835k.

- **Great Northern Class 313 rolling stock.**

Purchase and installation of on-train CCTV

Investment Projects 2005/6 - subject to authorisation by TfL

Thameslink

- Upgrade, and some new installation, of CCTV and Passenger Help Points at the following stations: Tooting, Haydons Road, Wimbledon Chase, South Merton, Morden South, St Helier, Sutton Common and West Sutton.

- Provision of real-time Customer Information Systems at above stations.
- Lighting improvements at above stations.
- Subway cladding at Morden South.

Investment Projects 2006/7 - subject to authorisation by TfL

GN

- Purchase and installation of CCTV and Help Points at the following stations: Winchmore Hill, Enfield Chase, Grange Park, Gordon Hill, Crews Hill and Hadley Wood;
- Lighting enhancements at all GN stations; and
- Communication linkage to central control centre (currently located on Thameslink) for all CCTV and Help Points, to provide 24/7 monitoring capability.

Investment Projects 2007/8 - subject to authorisation by TfL

Installation of on-train CCTV on all rolling stock operating within GLA area.

7.4.4 Monitoring and Reporting

Bidders should price the cost of the requirements outlined below.

TfL will require access to the financial and performance data which will be reported on a periodic basis to the Authority 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 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

7.5 Option 4 : Access For All – Specification for full staffing at key stations

7.5.1 Service to be provided

One member of staff to be available at the Stations identified in Section 7.5.3 below, to advise and assist passengers, including physical assistance where appropriate, throughout the public areas of the station and on/off trains (who may, or may not, have previously booked assistance). 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 unbooked passengers can summon assistance from elsewhere on the station within a reasonable time.

This service is to be provided at each Station during the whole time period when each such 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.

It is accepted that the member of staff concerned may have other duties to perform (e.g. revenue collection) and Bidders should identify any other benefits of the additional staff this option requires. However, the member of staff must make themselves available as and when required to provide the service outlined above.

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.

7.5.2 Staff capabilities required

The staff deployed in providing the service outlined above 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;
- understanding of the needs of disabled passengers;
- 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).

7.5.3 Thameslink GN stations

1. Harpenden
2. Elstree & Borehamwood
3. Hitchin
4. Welwyn Garden City
5. Potters Bar
6. Leagrave
7. Mill Hill Broadway
8. Huntingdon
9. West Hampstead Thameslink
10. Hertford North
11. Radlett
12. Flitwick
13. Palmers Green
14. Winchmore Hill
15. Enfield Chase
16. Gordon Hill

7.6 Option 5 : Change from Pentonville Road to St. Pancras Midland Road

In advance of the Thameslink 2000 Programme, the DfT is considering fitting-out St. Pancras Midland Road station and closing the existing Pentonville Road station. Details of the proposed station are contained in the Data Room.

The Authority requests an option which would allow it to understand the revenue and operating cost implications of Bidders fully operating this station.

Bidders are requested to employ the following assumptions:

- the franchisee would be the SFO, but not responsible for the fit-out;
- the fit-out will be undertaken by a third-party. The SFO will be required to pay access charges throughout the franchise term. This access charge would be regulated by the ORR and Bidders should assume that they will be the same as those charged for access to Pentonville Road;
- the fit-out will provide all “fixed” infrastructure and equipment. The franchisee will be responsible for items including, but not limited to, signage, ticket machines, ticket barriers, moveable furniture and any branding expenditure or anything relating to the generation of ancillary revenue (e.g. from retail activity);
- the franchisee will be consulted on the fit-out and reasonable efforts will be made to accommodate its needs, but the Authority and fit-out contractor are not bound to accede to their requests;
- the franchisee will be the sole-user of the station;
- the existing concourse of Pentonville Road station will transfer to LUL and the franchisee shall bear no ongoing costs or liabilities (both legal and financial);
- the existing interchanges between the LUL platforms and Pentonville Road station will transfer to LUL;
- the station will retain its classification (e.g. ‘sub-surface’);
- the Station License would be held by the SFO and operation of the station covered in the Franchisee’s Railway Safety Case (RSC);
- the timetable requires no changes (for example, from reduced or increased dwell times);
- the station will not be fitted with platform edge doors;
- the location of signalling will be planned to facilitate both Thameslink 2000 Programme and the continued operation of the Base Case and all Options; and
- the change of station location will not have any impact on the levels of structures of fares for both Thameslink and LUL services.

In addition to these assumptions, Bidders may wish to consider the following:

- the potential impact on operational flexibility the new station might offer (for example, by changing the potential to split-and-join, turnback services, or the extent to which it may change incident response procedures);
- the staffing requirements as SFO based on the detailed designs contained within the Data Room. Bidders should both consider the requirements from the perspectives of customer service, operations and safety;
- the potential resources and costs required to re-locate staff and inform passengers of the transfer of services to the new station;
- the requirements for ongoing maintenance as SFO, which would be under the terms of ORR's proposed Station Code;
- the implications of the change to the interface with LUL. This should include both physical and operational interfaces (for example, where incident response roles may be covered by LUL staff); and
- the potential impact, if any, on demand and revenue associated with the new station.

Bidders should price their bids assuming there is no disruption to services from the fit-out of the new station.

The list is unlikely to be exhaustive, and if further clarification is required, Bidders should contact the Authority through the Bidder Query process.

Section 8: Mandatory High Return Alternative Tender

The Authority requires Bidders to propose a lowest cost/high return alternative tender (HRAT) to the Base Case Specification. The HRAT is to be produced in addition to the proposals in respect of the Base Case Specification. In producing the HRAT, Bidders are required to comply with the Thameslink/GN franchise objectives set out in Section 1.6. 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 Thameslink/GN franchise could increase the amount of premia paid to Government and generate increased non-financial benefits.

Bidders should present the HRAT as a switch to their Base Case Specification or in a separate model, 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.

8.1 Objectives of the HRAT

Overall, Bidders must demonstrate that:

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

8.2 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 SLC1 and/or SLC2; and
- changes to unregulated Fares and contractual obligations.

8.2.1 Changes to SLC1 and/or SLC2

Bidders may wish to consider changes to SLC1 and/or SLC2 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 SLC1 or SLC2. However, Bidders should indicate if increases in journey times are proposed and what increases in journey times these represent in absolute and percentage terms against the maximum journey times specified in SLC1 or 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 Connections and modal interchanges;
- 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 what the effect of such proposals will be; and
- proposals should not involve a major recast of the Timetable.

8.2.2 Changes to fares regime and other contractual obligations

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

- the provision of franchise bus services (to be developed in consultation with 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.

8.2.3 HRAT Bid Deliverables

The Authority requires clear plans that describe the circumstances and conditions under which their proposals can be delivered, how Bidders will engage Stakeholders in developing proposals, and how changes can 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 (as measured by the 'Public Performance Measure' (PPM)) to which they are prepared to commit in each year;

- a statement of what this operational performance will be against the performance the Franchise Agreement will require in terms of Cancellations, capacity 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 resources necessary to operate the HRAT proposals robustly;
- a statement of any significant changes to the overall pattern of timetabled services;
- the draft SLC's that Bidders would be prepared to operate, identifying which services should be underwritten by the SLC's and which services would be additional to the current Service Level Commitments. Bidders should note that changes to SLC's will be subject to Stakeholder consultation;
- in support of the SLC' proposed a detailed commentary, which identifies the advantages and disadvantages in the resulting Timetable; 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 9 : Alternative Tender Proposal

Bidders may wish to submit a fully compliant and priced 'Alternative Tender' proposal. Bidders should note that while the Authority will fully evaluate Alternative Tender proposals, the results of this evaluation will not form any part of the determination of ranking of bids.

Any proposals must meet the objectives set out in Section 1.5 (The Authority's Objectives for the Thameslink/GN franchise).

Alternative Tenders must demonstrate how the Thameslink/GN franchise objectives are met, but need not necessarily rely upon SLC1 and/or SLC2 to do so.

Bidders may consider within any Alternative Tender proposals the self-financing of small (i.e. generally less than £10 million each and certainly no more than £60 million in aggregate) infrastructure schemes that Bidders believe would significantly improve performance and/or increase capacity.

In cognisance of the limited ability of Network Rail to resource multiple development processes, Bidders are required to consult the Authority before seeking to develop any proposed infrastructure schemes. The Authority recognises that Bidders may not be able to offer fixed prices for all such infrastructure schemes without making an excessive provision for risk. In this event, Bidders should clearly set out how and by when they will be able to fix prices to contract for such infrastructure schemes.

Bidders should also note that the Authority expects them to finance the delivery of any Alternative Tender infrastructure works. Accordingly, each Bidder is required to submit a detailed proposal for the financing of these works over the life of the Thameslink/GN 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 Thameslink/GN franchise and the triggering of the two-year continuation.

Bidders should present Alternative Tenders as switches to their modelling responses to the Base Case Specification in sufficient detail to meet the requirements of Section 5. The provision of separate models is not expected. Bidders should be aware that if the Authority chooses to procure the Alternative Tender proposal, Bidders must expect to be contracted directly against the Alternative Tender offer precisely as bid.

Section 10 : Further Information

10.1 Introduction

This section references the projects most likely to impact on the Thameslink/GN franchise during the Franchise Term and are included to assist Bidders in gaining as complete a picture as possible of the environment within which the Thameslink/GN franchise will operate. The Authority expects normal industry mechanisms to operate in respect of them and therefore they do not need to be priced or considered within submissions to the Base Case Specification. 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.

10.2 Transport for London: background

A proportion of the Thameslink/GN 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 (Mayor's D&G) from the Mayor of London. 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. Subsequently, the Railways Act 2005 has received Royal Assent.

Under the proposals from the Rail Review White Paper and the Railways Act 2005, the Mayor/TfL may gain additional powers over national rail services, both within London and to/from London, which are strategically important in terms of regional communication and the local economy. These powers permit TfL to specify inputs to London's suburban and regional services and provide TfL with the ability to purchase enhancements. The Secretary of State may decide to devolve further authorities to the Mayor and TfL regarding determination of fare structures and fare levels. In the interim, the Secretary of State's Directions & Guidance to the Authority have set out a requirement on it to work with TfL and the DfT Rail in developing and implementing these proposals, including sharing of information and the specification of franchises that have a significant impact on services in London.

The Mayor's 'London Plan' is accepted by Government as the basis for the future planning of London. The London Plan sets out the expected pattern of growth in terms of population, employment and spatial development. It is planned that by 2016, population will have grown by 9% from 2001 levels and by 14% in employment terms. Much of the increase in employment will be located in Central London, the city fringes and in East London. These are all regions served by the Thameslink/GN franchise.

Planned population growth within London is not always located in the same areas as planned employment growth within the London Plan. In North London, by 2016 population is planned to grow by 9% from 2001 levels and in South London by 7%. In contrast, by 2016 employment in North London is only planned to grow by 2% from 2001 levels. In South London employment is actually forecast to decline slightly from 2001 levels. Access to the significant planned growth of Central London employment of 11% by 2016 from 2001 levels (500,000

additional jobs) will therefore be critically important. Equally important will be access to the growth in employment in East London of 21% over the same period (170,000 additional jobs).

As a result, there is likely to be increasing demand for travel to Central London and beyond (principally to East London). This has important implications for the growth in passenger demand both for radial journeys into London on the Thameslink/GN franchise routes and for interchange to other routes (such as the various London Underground lines and the National Rail's North London Line). The spatial development patterns in the London Plan and resulting increased demand for travel creates a number of issues for the future development of the franchise. Bidders need to have regard to this in preparing their bids.

In addition, in relation to suburban services, the Mayor's 'Transport Strategy' - which underpins the 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 Thameslink/GN franchise Base Case Specification does include a number of initiatives which meet the Mayor's objectives in several areas. The train service specification from December 2006 on the Thameslink routes does go some way to providing a four-train per hour service at regular intervals to stations within London north of King's Cross Thameslink.

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/>

10.3 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 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 front 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.

10.4 Additional schemes that may impact on the Thameslink/GN franchise

Bidders should be aware of the following projects in the preparation of their bids. An assessment of their impact should not be included in the bids, although bidders may wish to identify a resource within their organisation who would be responsible for input into the development and refinement of the proposals.

Cricklewood new station: A new station is proposed at Cricklewood, which may replace the existing Cricklewood station and would be located to its north. A large new development is proposed that would comprise both new housing and extensive new office accommodation. The new station would also be significantly closer to the Brent Cross Shopping centre, and would also be served by new bus routes and services its vicinity. The development at this location is large and would have a significant impact on the demand patterns on the Thameslink network, in that it would make Cricklewood a major destination for employment and act as a significant dormitory development. It should be noted that the current view is that it is probable that the existing Cricklewood station would have to close as a result. It is unclear whether the new station could be delivered in the period of the Thameslink/GN franchise (if so it would be toward its end). It is likely that the implementation of the station could cross two franchise terms. The Authority is working with the developers' consultants – Scott Wilson – on the proposal to assess viability and the operational impacts of the new station. Much work remains to be done.

Further development work is being pursued at present. The Authority will expect the Franchisee to cooperate in the assessment development and implementation of the scheme as required throughout the Franchise Term.

Elstow new station: A new station is proposed on the Thameslink Route south of Bedford to serve a new development of approximately 5,000 new homes – with other facilities also being provided. The station has been proposed by JJ Gallaghers (the developers) and the provision of the site on which the station to be located is subject to a 'Planning Contribution' (formerly known as a 'Section 106 Planning Obligation'). The full site would take some 15 years to complete, with initial housing completions expected in 2007/8. The ODPM / Department for Transport announced the scheme was a preferred scheme with the Communities Infrastructure Fund announcement on March 17th – with a contribution of £2.5m to the capital cost of the project of around £16m to be spent by March 2008. Final decisions on this funding allocation will be made this Autumn. It is expected that the full station scheme would be implemented by late 2008. The station is probably the most likely new station scheme in the growth areas described in this Section to go ahead. The project is currently being developed further by JJ Gallaghers and SDG and Network Rail are being engaged on detailed infrastructure design. The Authority has seen some initial business case work on the project (which is currently being updated) and the Authority is broadly supportive of the project – as long as the usual caveats (regarding performance, operational impacts and the business case) can be resolved to its satisfaction.

Elstow station is highly likely to be delivered within the next franchise term, given the financial backing it has received and because of its alignment with government housing policies.

Chesterton new station: Cambridgeshire County Council is proposing a new station to the north of the existing station near Chesterton junction. The new station would act as a park and ride station for Cambridge and also start the process of the redevelopment of North Cambridge (possibly linked to the guided busway). The parking provided at the station would be large (approx 1500 spaces are planned). The exact services that would use the station, the station layout and the infrastructure design etc are the subject of further work that is currently being undertaken by Cambridgeshire County Council and Atkins. The delivery date of the station is currently unknown but could be towards the end of the Franchise Term.

It is expected that the Thameslink/GN franchise may deliver up to two trains per hour (Off-Peak) to Chesterton, and that there would be additional services above this provision in the Peak hour.

Further development work is being pursued at present. The Authority will expect the Franchisee to cooperate in the assessment, development and implementation of the scheme as required throughout the Franchise Term.

St Neots: Bidders should be aware of the proposed car park extension at this station and the effect of new houses near to St Neots, which may warrant changes to the train service.

Wimbledon – Sutton conversion to Tramlink: Bidders will be aware of plans being developed by TfL for conversion of the Wimbledon – Sutton line into a tram, and for this to incorporate the Epsom Downs branch as well. If the conversion takes place within the Franchise Term, significant changes to the operation of the Thameslink inner services would be necessary, and all parties would be expected to work closely together to achieve this objective.

DDA compliance: A number of stations, including St Albans, feature on the list of stations where improvements to the accessibility are proposed. This is under the ‘Access for All’ programme. Station change procedures will be initiated as appropriate for the stations affected, although no finalised timescales have been determined yet.

St Albans car park/Station Development: The majority of the existing Victoria Street surface car park is to be developed for residential use. To maintain the present station car parking facilities the developer will - on the retained section of the car park - construct a multi storey car park. It is envisaged that the car park will contain 813 spaces, 276 more than is presently available. As part of the Land sale the developer will also upgrade the present station facilities. This may include; improvement to the present bus interchange facility, an extended concourse, new retail facilities, and the three lifts from the existing footbridge to platforms. The lifts will be DDA compliant.

Radlett new rail connected distribution park: A property developer has proposed construction of a distribution park near Radlett on the Midland Main Line, the site is proposed to be rail connected via construction of a grade separated junction to the slow line. The development is at an early stage, with operation planned to commence in 2009. Feasibility

studies are to be undertaken in relation to the capacity availability for the proposed additional freight traffic.

Crossrail impact at Farringdon: construction of a new station at Farringdon to serve the new east-west London link

Opening of CTRL: impact of Eurostar and IKF Domestic Services on Thameslink at St Pancras

Opening of LUL Northern Ticket Hall at King's Cross St. Pancras: easing of passenger flows into/out of LUL, especially from St Pancras. The construction phase of the project will include tunneling works under platforms 1-4 at King's Cross necessitating a 'construction zone' that will result in a shortening of the tracks adjacent to these platforms for a period of around four months during late 2006 or in early 2007.

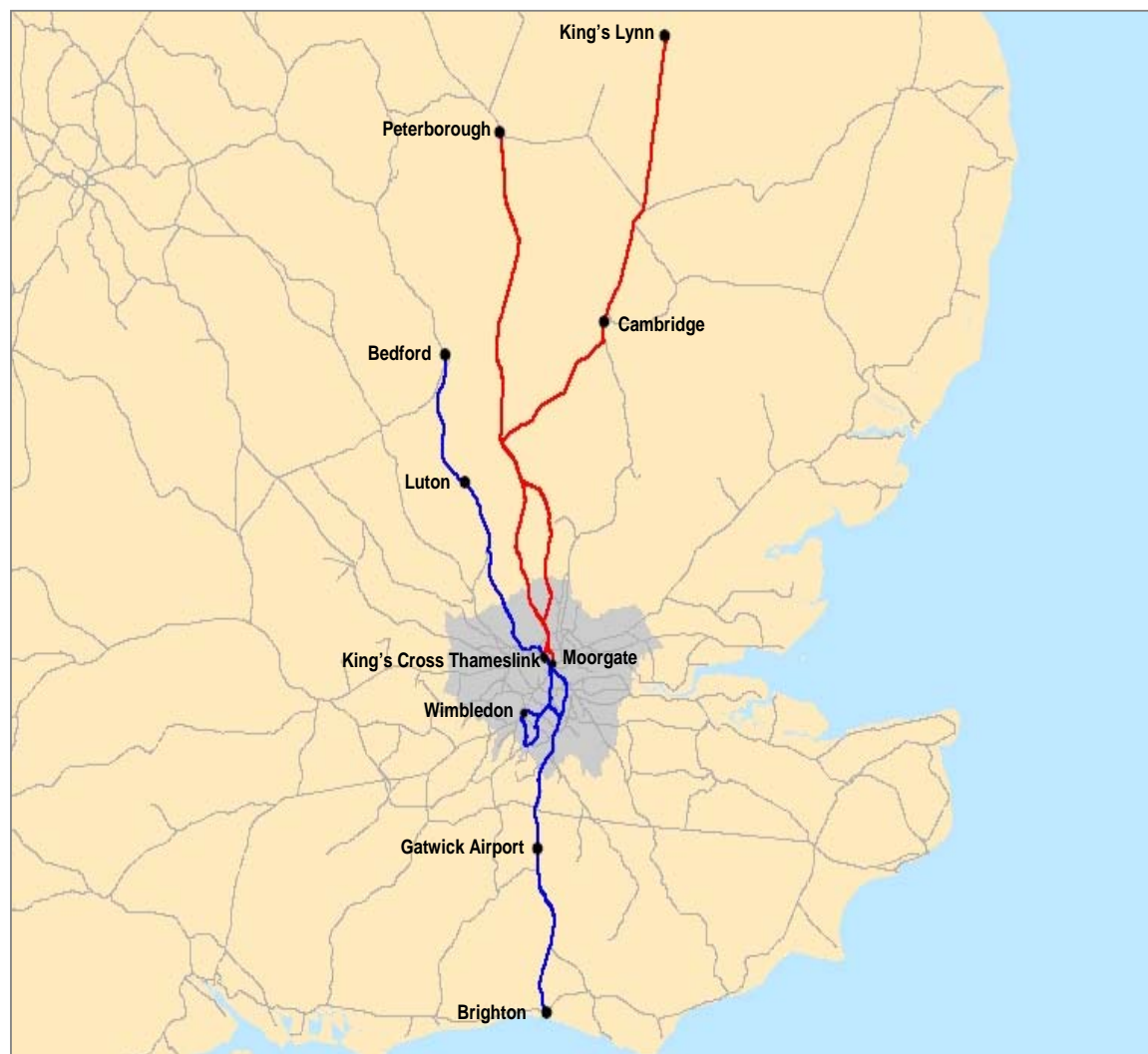
Completion of Southern Region Power Supply Upgrade: giving the ability for the new mark 1 replacement stock to operate. The works will be complete by the start of the Thameslink/GN franchise.

Renewal of existing Customer Information System: Bidders should be aware that Network Rail and the incumbent operator have been in discussions to develop a scheme to replace the life-expired Customer Information System (CIS) at stations on the Thameslink North section of the route. The original proposal envisaged Thameslink contributing to the capital cost of the scheme.

Further details are available within the Data Room.

It should be assumed that the industry's Network Change process will be used to agree future changes to the infrastructure relevant to the Thameslink/GN franchise.

Appendix 1 : Map of the Thameslink/GN Franchise Area and Routes



Appendix 2 : Stations

The Authority and other stakeholders are anxious to improve the passenger journey experience particularly in relation to the station environment. The template 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.

Bidders should be 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.

Attachments (copies bound separately)

- A Thameslink/GN Franchise Service Level Commitment 2
- B Thameslink Timetable
- C Thameslink/GN Franchise Agreement
- C National Rail Franchise Terms
- D Conditions Precedent Agreement
- E Service Quality Standards applicable to the Thameslink/GN Franchise
- F CD-Rom containing electronic versions of ITT and Supporting Documentation including Financial Templates