



East Midlands Franchise

Invitation to Tender

31 October 2006

TABLE OF CONTENTS

IMPORTANT NOTICE.....	4
SECTION 1: INTRODUCTION AND CONTEXT	6
1.1 PURPOSE OF THIS INVITATION TO TENDER	6
1.2 SCOPE OF THE EAST MIDLANDS FRANCHISE	6
1.3 THE DfT's OBJECTIVES FOR THE EAST MIDLANDS FRANCHISE.....	7
1.4 CLOSING DATE FOR BIDS	7
SECTION 2: INFORMATION AND INSTRUCTIONS TO BIDDERS.....	8
2.1 FRANCHISING TIMETABLE AND PROCESS	8
2.2 RESTRICTION ON COMMUNICATIONS/PRESS RELEASES ETC DURING FRANCHISE COMPETITION	8
2.3 CHANGES IN CIRCUMSTANCES	9
2.4 COST OF BIDDING AND MODEL AUDITS	9
2.5 PREPARATION OF BIDS	9
2.6 DATA SITE	10
2.7 QUERY PROCESS	10
2.8 FORMULATION OF QUERIES	10
2.9 STRUCTURE AND FORMAT OF BIDS	11
2.11 INCREMENTAL OPTIONS	13
2.12 SYNERGIES BETWEEN BIDS	13
2.13 NON-COMPLIANCE STATEMENTS	13
2.14 NON-COMPLIANCE	14
2.15 PRESENTATION AND SUBMISSION OF BIDS	15
2.16 VALIDITY OF BIDS	16
2.17 INDUSTRY CONSULTATION AND DISCLOSURE OF INFORMATION IN BIDS	16
2.18 EVALUATION OF BIDS	17
2.19 MANAGEMENT OF ROLLING STOCK DEMANDS ACROSS MIDLANDS FRANCHISES.	17
2.20 NEGOTIATION AND AWARD	18
2.21 COMPETITION MATTERS	19
2.22 REDACTIONS FROM THE FRANCHISE AGREEMENT	20
2.23 FREEDOM OF INFORMATION ACT 2000	21
2.24 DEBRIEF FOR BIDDERS	21
SECTION 3: THE BASE SERVICE SPECIFICATION, INPUTS AND ASSUMPTIONS.....	22
3.1 FRANCHISE DURATION	22
3.2 BASE SERVICE SPECIFICATION	22
3.4 TRACK ACCESS AGREEMENTS.....	28
3.5 DEMAND MANAGEMENT AND CROWDING.....	29
3.6 FARES AND TICKETING	30
3.7 ROLLING STOCK	31
3.8 DEPOTS AND TRAIN MAINTENANCE	32
3.9 PUBLIC CONSULTATION: DECEMBER 2008 TIMETABLE	33
3.10 PERFORMANCE IMPROVEMENTS	33
3.11 STATIONS AND ACCESS	35
3.12 SECURITY	37
3.13 ENVIRONMENT	38
3.14 CUSTOMER SERVICES	38
3.15 FRANCHISE MANAGEMENT	39
3.16 MOBILISATION AND MIGRATION	42
SECTION 4: THE BID: DELIVERY PLANS.....	47
4.1 INTRODUCTION	47
4.2 REQUIRED RESPONSE	47
4.3 EVALUATION PROCESS	48
SECTION 5: THE BID: FINANCIAL AND ECONOMIC ELEMENTS	55
5.1 INTRODUCTION	55

5.2	FINANCIAL MODEL AND OPERATIONAL MODELS	55
5.3	GENERIC BIDDING ASSUMPTIONS	59
5.4	FINANCIAL MODEL AND OPERATIONAL MODELS STRUCTURE	59
5.5	PRICED OPTIONS AND INCREMENTAL OPTIONS	60
5.6	FINANCIAL TEMPLATES	60
5.7	OPERATING MANUAL AND RECORD OF ASSUMPTIONS	62
5.8	FINANCIAL STRUCTURE AND FUNDING	63
5.9	MODEL SIGN-OFF - TERMS OF REFERENCE	64
5.10	OTHER INFORMATION REQUIRED	66
SECTION 6: PRICED OPTIONS		67
6.1	REQUIREMENT TO SUBMIT PRICED OPTIONS	67
SECTION 7: FURTHER INFORMATION.....		71
7.1	INTRODUCTION	71
7.2	INTERCITY EXPRESS PROGRAMME	71
7.3	NETWORK RAIL REQUIREMENTS	71
7.4	ETCHES PARK ENHANCEMENTS.....	72
7.5	EUROPEAN RAIL TRAFFIC MANAGEMENT SYSTEM	72
7.6	THAMESLINK PROGRAMME	72
APPENDIX 1: MAP OF EAST MIDLANDS FRANCHISE AREA ROUTES AND STATIONS.....		74
APPENDIX 2 – STATIONS		75
ATTACHMENTS		76
A	EAST MIDLANDS FRANCHISE SERVICE LEVEL COMMITMENT 1	76
B	EAST MIDLANDS FRANCHISE SERVICE LEVEL COMMITMENT 2.....	76
C	EAST MIDLANDS FRANCHISE AGREEMENT (TO FOLLOW END NOVEMBER)	76
D	NATIONAL RAIL FRANCHISE TERMS (TO FOLLOW END NOVEMBER)	76
E	CONDITIONS PRECEDENT AGREEMENT (TO FOLLOW END NOVEMBER).....	76
F	SERVICE QUALITY STANDARDS.....	76
G	EAST MIDLANDS FINANCIAL TEMPLATES	76
H	EAST MIDLANDS STAKEHOLDER BRIEFINGDOCUMENT	76
I	DECLARATION OF CONFORMITY STATEMENT.....	76

IMPORTANT NOTICE

This document is issued by the Department of Transport (DfT) pursuant to its functions and duties under the Railways Act 1993, the Transport Act 2000 and the Railways Act 2005 (together the 'Railways Legislation'). The powers of the DfT in relation to franchising and the re-letting of franchises can be found in the Railways Legislation, which can be accessed via [OPSI - Legislation](#).

All references in this document to the DfT include, where appropriate and unless the context otherwise requires, references to the DfT'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).

This document is not a recommendation by the DfT, 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 East Midlands Franchise. In considering any investment in the shares of any company or in bidding for the award of the East Midlands 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 East Midlands Franchise and of the legal, financial, taxation and other consequences of entering into the East Midlands 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 East Midlands 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 East Midlands 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 Secretary of State for Transport or his officials, appointed 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 East Midlands 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 East Midlands Franchise or the acquisition of shares in any company or the operation of any railway service (as defined in the Railways Legislation) 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 DfT, 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 East Midlands Franchise, or if the DfT notifies the recipient that the process has ceased, or that the recipient is no longer being considered for the award of the East Midlands Franchise or otherwise upon request by the DfT, the recipient will promptly return this document and any other information provided in connection with it to the DfT, without retaining any copies or reproductions in any form.

The DfT 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.

Eversheds, Ernst & Young and Steer Davies Gleave are acting for the DfT, in each case in relation to the award of the East Midlands Franchise, and will not regard any other person as their client or be responsible to anyone other than the DfT 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 DfT 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 East Midlands Franchise opportunity, the award, or any bid for the award of the East Midlands 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 and the National Rail Franchise Terms (NRFT) which will be issued later.

31 October 2006

SECTION 1: INTRODUCTION AND CONTEXT

1.1 Purpose of this Invitation to Tender

This Invitation to Tender (ITT) sets out:

- the East Midlands Franchise proposition for which the DfT 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 DfT's aim is for the new East Midlands franchise to commence operations with effect from 02.00am on Sunday 11 November 2007.

1.2 Scope of the East Midlands Franchise

Train services to be operated by the new East Midlands franchise will comprise services operated within the current Midland Mainline franchise, and a number of Central Trains service groups which currently serve the East Midlands / East of England.

The current Midland Mainline franchise operates regular services between London St Pancras, Leicester, Nottingham, Derby and Sheffield, with some services extended to Leeds, Burton-on-Trent, Barnsley and Scarborough. The two Midland Mainline service groups are:

- Fast Intercity services between London – Sheffield and London – Nottingham; and
- Stopping services between London – Nottingham and London – Derby.

The current Central Trains services, which serve commuters and rural passengers in the east of the country and inter-urban journeys across the country will transfer to the new franchise. The following Central Trains service groups will be included in the East Midlands Franchise:

- Liverpool-Nottingham-Norwich;
- Crewe-Stoke-on-Trent-Derby;
- Leicester-Nottingham-Newark-Lincoln (incorporating “Ivanhoe Line” stops between Leicester and Loughborough);
- Derby- Matlock;
- Nottingham-Mansfield-Worksop;
- Doncaster-Lincoln-Spalding-Peterborough;
- Nottingham-Grantham-Skegness; and
- Lincoln-Grimsby-Cleethorpes.

A map of the East Midlands Franchise area and routes is included as Appendix 1 (Map of the East Midlands Franchise Area Routes and Stations).

1.3 The DfT's Objectives for the East Midlands Franchise

1.3.1 To achieve sustainable value for money from the new franchise within the constraints of the overall franchise budget through:

- a reduction in subsidy profile or an increase in premium over the franchise term;
- an improvement in resource efficiency; and
- an increase in the level of economic benefits delivered by the franchise.

1.3.2 To improve the operational performance of trains in the East Midlands franchise and those of overlapping franchises and to contribute towards national performance targets by:

- building on recent timetable changes and other performance improvements; and
- improving alignment between the franchise operations and Network Rail's route structure to facilitate joint working.

1.3.3 To seek to accommodate current and anticipated future growth in passenger demand through:

- the identification of exogenous growth and strategies for its accommodation and management;
- alignment with the Department for Communities and Local Government (DCLG – formerly the Office of the Deputy Prime Minister) Sustainable Communities Plan;
- initiatives to manage crowding and improve journey quality; and
- the generation of more off-peak journeys.

1.3.4 To reflect passenger needs and stakeholder aspirations within the context of the other primary objectives including:

- improving customer satisfaction;
- providing a safe and secure environment on trains and at stations;
- promotion of integrated transport solutions and social inclusion by, for example, enhancing passenger facilities, provision for cycle-rail integration and access to stations by all modes;
- seeking to improve accessibility for all to East Midland franchise services and stations;
- co-operation with stakeholders promoting initiatives which may influence the franchise;
- Consideration of other schemes which affect the franchise alignment with projects which will affect the franchise including e.g. Network Rail re-signalling, The Thameslink Programme, the 2012 Olympics, and the reintroduction of passenger services to Corby;
- alignment with the published Midland Mainline Route Utilisation Strategy; and
- facilitating locally sponsored increments and decrements.

1.4 Closing date for Bids

Bids must be submitted by 12.00 hours GMT on Monday 26 February 2007.

SECTION 2: INFORMATION AND INSTRUCTIONS TO BIDDERS

2.1 Franchising Timetable and Process

An overview of the DfT's management process for the letting of a franchise is documented in the Franchise Replacement Process Manual (FRPM), a copy of which is on the DfT website [Rail Franchise Replacement Process Manual](#). The remaining stages of the process for appointing the Franchisee – Bid Preparation; Bid Evaluation and Negotiation; and Mobilisation – together with their indicative timings are set out below.

Table 2-1: Franchising timetable

Stage	Description	Party Responsible	Planned Date
Bid Preparation	Preparation of bids	Bidders	31 October 2006 - 26 February 2007
	Submission of bids	Bidders	By 12.00 GMT on 26 February 2007
Bid Evaluation & Negotiation of Bids	Evaluation of bids, clarification, negotiation and agreement to terms of the Franchise Agreement and related documentation. Secretary of State consent to East Midlands Franchise award	The DfT and Bidder(s)	February 2007 - July 2007
Mobilisation	Prepare for transfer of operations	Franchisee	July 2007 - 11 November 2007

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

2.2 Restriction on Communications/Press Releases etc during Franchise Competition

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

Therefore, during the Bid Preparation Phase and until the award of the East Midlands Franchise, the DfT 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 East Midlands Franchise, Bidders are asked to refrain from comment to national, local and industry media, Passenger Focus, Members of Parliament and stakeholders about matters connected with the East Midlands Franchise competition. If there are compelling reasons to make a public statement or comment then, so far as practicable, the DfT expects Bidders to discuss the content of such statements or comments with the DfT in advance.

2.3 Changes in Circumstances

Bidders (including for this purpose each participant in any joint venture or consortium arrangement) are required to notify the DfT of the occurrence of any of the events listed below (for the purposes of this Section 2.3, a 'change in circumstances') promptly, and in any case no later than 21 days after such change in circumstances occurs. 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 be accredited 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 DfT as part of the accreditation process; or
- any other changes to their circumstances, or the basis of their bids, which may be expected to influence the DfT's decision on the suitability of the bid vehicle to be the Franchisee for the East Midlands 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 DfT reserves the right to approve or reject such changes (including any changes to the basis on which the Bidder was accredited to receive this ITT), or to impose such conditions as it considers appropriate. The DfT further reserves the right to exclude a Bidder from further participation in the competition where it rejects any such changes.

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 East Midlands Franchise letting process, whether or not its bid and/or associated negotiations are ultimately successful or the process is subsequently varied in any way. Bidders will be responsible for all costs associated with the Modelling Best Practice Confirmation and, if required, Model Audit (each as defined in Section 5.9 (Model Sign-off – Terms of Reference)). Bidders shall bear the risk of errors within the Financial Model, the Record of Assumptions and any associated Operational Models and of any adverse impact this may have on the subsidy or premiums payable. Further information on the requirements in relation to the Financial Model is provided in Section 5 (Financial and Economic Elements).

2.5 Preparation of Bids

The DfT expects to receive bids that contain minimal qualifications. Bidders should make full use of all the information provided with this ITT, in the Data Site as defined in Section 2.6 (Data Site) and, thereafter, the query process described in Section 2.7 (Query Process).

2.6 Data Site

The DfT has established a 'virtual data room' (the Data Site), operated by Merrill Corporation, containing, in electronic form, documents and information specifically relating to the East Midlands Franchise, together with a Central site of information relevant to all three concurrent franchise competitions. These sites will contain data relating to the incumbent operators of Midland Main Line and Central Trains franchises respectively. They will remain available throughout the Bid Preparation Phase and until the Franchise award.

2.7 Query Process

All queries and requests for information must be submitted by Bidders in the Microsoft Excel format prescribed in the 19 September 2006 letter from John Gilbert, Divisional Manager, DfT Rail Contract Procurement to accredited Bidders.

Queries and requests for clarification or additional information should be submitted by e-mail to: eastmidlands@DfT.gsi.gov.uk (in respect of East Midlands specific issues) or central@DfT.gsi.gov.uk (in respect of Central issues).

2.8 Formulation of Queries

Any query or request for clarification or additional information must meet the requirements stated below. Failure to satisfy the DfT of the value of the information sought may result in the request not being accorded priority attention and/or it being viewed as an unreasonable request for information.

A Bidder may request that the DfT treat a query and its response as confidential. Any such requests must be made at the time of submission of the query. The DfT 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 (at the DfT's discretion) be transmitted to the other Bidders.

Bidders should clarify whether or not the information is available on standard industry systems or would be readily available within a Train Operating Company (TOC) owned by the Bidder (the latter only applies to the current TOC).

Bidders must ensure clarity as to the expected source, scope and format of the material required (e.g. passenger count details by period, by service group for the last year).

Queries from Bidders will be responded to expeditiously having regard to the nature, extent and availability of the information requested. The DfT will endeavour to respond to all queries before bids need to be submitted, but Bidders should note that the DfT cannot guarantee this, especially if queries are received later than ten working days before the required submission date, or if it has not been possible to collate the necessary data for a response.

The DfT reserves the right to transmit to other Bidders (without reference to the identity of the author of the query) the questions (other than those agreed as confidential) asked by, and the answers provided to, any Bidder. This will be done by means of bulletins published periodically on the Data Sites.

2.9 Structure and Format of Bids

Bidders should note that DfT will evaluate the compliance of bids with the structure set out in Table 2-2 (Structure and Format of Bids) 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.

The size of the main text of the bid including the Executive Summary and proposed means of delivery of the Base Service Specification *including all annexes/appendices* will be limited to 2,000 pages; and the size of the text relating to Priced Options will be subject to a separate overall size limit equivalent to 50 pages multiplied by the number of Priced Options requested by the DfT. Bidder generated Incremental Options will not be subject to a size limit equivalent. This requirement is summarised in Table 2-2.

The following elements of the bid will be outside the page limit:

- the contents of the financial part as described in Table 2-2;
- the contents of the technical data part as described in Table 2-2;
- the contents of the legal and compliance part as described in Table 2-2; and
- covers, section dividers and indices.

One page constitutes one printed side of A4. For main text the minimum font size is 11 pt and minimum line spacing is 13pt. Double sided printing will be permitted. Bidders will be encouraged to use a simple presentation style, avoiding expensive bindings, colour photographs and other high cost elements of production which do not directly add value to the substance of the bid.

DfT reserves the right to advise any Bidder exceeding the page size limit that their bid is non-compliant and not to evaluate that bid unless/until the Bidder informs the DfT, within a timetable stipulated by the DfT, which pages they wish to withdraw in order to become compliant.

Table 2-2: Structure and Format of Bids

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

Part		Hard Copy	Electronic	Size limit
1	Main text			
	Executive Summary Delivery Plans for Base Service Specification (Section 4)	5 copies	4 copies +1 unpriced copy +1 HTM copy	2000 pages including annexes/appendices
	Delivery Plans for Priced Options (Section 6)	5 copies	4+1+1 copies	50 pages x options
	Delivery Plans for Incremental Options	5 copies	4+1+1 copies	none
2	Financial			
	Operational Models and Financial Model (Section 5) including revisions in respect of Priced Options and Incremental Options	5 copies of Financial Model Output Templates	3 copies	none
	Record of Assumptions, Operating Manual, Modelling Best Practice confirmation, Financial Adviser's letter, Confirmation of Bond availability, ROSCO term sheets	5 copies	3 copies	none
3	Technical Data			
	Timetable submissions including: working timetables, rolling stock and crew diagrams and (if appropriate) platform workings in support of Delivery Plans for Base Service Specification, Priced Options and Incremental Options	3 copies	4 copies	none
4	Legal and compliance			
	'Deltaview' mark-up of the Franchise Agreement, including completion of those parts marked 'Bidders to populate' Non-compliance statements Changes in circumstances and competition matters Declaration of Conformity Confirmation that bid will be held valid for 275 days from bid return date as specified in Section 2.16	3 copies	3 copies	none

2.10 Timetable submissions

Bidders are required to present a submission that clearly shows a complete pathway for every passenger service required by Service Level Commitment 2 (SLC2) and all associated Empty Coaching Stock (ECS) movements required to deliver the passenger train service.

The timetable submissions must be provided in working timetable (WTT) format, using station banks that cover all of the routes contained within the relevant Network Rail Working Timetables, that include all compulsory timing points as listed in the Rules of the Plan (ROTP), and that show linecode and platform allocations at all locations where alternatives exist.

This timetable submission must be supplemented by a supporting commentary, and a complete set of rolling stock diagrams that show how rolling stock will be deployed to form each of the passenger and ECS trains, and how the Bidder's depot and stabling strategy is designed to operate. A platform-working table is also required for key locations including, as a minimum, London St Pancras, Leicester, Nottingham and Derby.

2.11 Incremental Options

The DfT welcomes proposals that enable the delivery of a more efficient service, representing better value for money for passengers and taxpayers (Incremental Options). Such Incremental Options must be presented, fully specified and priced incrementally from the Base Service Specification, and should be self-contained, i.e. not dependent on any other Incremental Option which may be included in the submission.

The DfT requires the Incremental Option to be expressed as a clearly defined commitment, with clear timed plans for implementation that describe the circumstances and conditions under which the Incremental Option can be delivered, the benefits which will be achieved, and (if appropriate) how Bidders will engage with stakeholders in implementing proposals. Bidders will be expected to identify clearly the risks, constraints or other factors which may affect deliverability of any Incremental Option and any ways in which these might be mitigated or overcome.

2.12 Synergies Between Bids

Bidders for different franchises, being competed concurrently, who share the same parent organisation may be in a position to offer operational and cost synergies were they to be successful in more than one franchise. As such synergies would be conditional upon something over which the Bidder has no control, these cannot form part of the Base Service Specification. Bidders are free to propose such synergies as an Incremental Option should they wish.

2.13 Non-Compliance Statements

2.13.1 Franchise Agreement Non-Compliances

Bidders are required, when submitting their bids, to list in the format set out in the following table, all requirements of this ITT with which they are not able to confirm compliance in full. 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 in the format set out in the following table, all clauses, sections and schedules of the Franchise Agreement and associated contractual documents with which they are not able to confirm compliance in full. 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.

Table 2-3: Format of Non-Compliance Statement

Document	ITT Sections/Terms and Conditions which have NOT been complied with	Details
<i>ITT</i>		
<i>Franchise Agreement</i>		

2.13.2 Changes in Circumstances and Competition Matters

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

Table 2-4: Format of Statement of Changes in Circumstances and Competition Matters

Change	Reporting Required
Change in Circumstances	Bidders should include details in response to the instructions contained in Section 2.3 (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 2.21 (Competition Matters)

2.13.3 Secretary of State's Risk Assumptions - Early Discussion

At least one month before submission of the bid, Bidders will be invited to meet the DfT to discuss the Secretary of State Risk Assumptions (SSRAs) that they are likely to include in their submission. Where themes are emerging, this may enable the DfT to prepare a common approach to the proposed SSRAs, which could then be shared with the Bidders across the 3 franchises currently being competed. Bidders may then have an opportunity to reflect the DfT's comments in their final submissions.

2.14 Non-Compliance

If any bid is found not to comply with the DfT's requirements (including whether or not such non-compliance is specified in any Non-Compliance Statement), and lacks, in the opinion of the

DfT, any information necessary to enable evaluation, or is found to contain inconsistent information, the DfT may:

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

2.15 Presentation and Submission of Bids

Bidders are required to submit numbered copies of their bid, in accordance with the requirements listed in Table 2-2 (Structure and Format of Bids) and in the following formats:

Hard Copies

Hard copies should be contained in ring binders suitably segregated into the number of sets required. Bidders should clearly identify the part and set number (e.g. Part 1 Set 1, Set 2, Set 3, Set 4 and Set 5) and each ring binder must be labelled clearly with the volume name, copy number, the Bidder's name and an index of the contents of the binder.

Five hard copies are required of Part 1, the main text, and Part 2, financial. Three hard copies are required of Part 3, technical data, and Part 4, legal and compliance.

Electronic Copies

Electronic copies should be in CD format. Each CD must be labelled clearly with the part, copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word/Excel 97 (or later) format. Documents should not be submitted in Acrobat, except where unavoidable. All electronic copies should be packaged separately from the hard copy sets and identified as "Additional CDs".

Four electronic copies are required of Part 1, the main text, and Part 3, technical data. Three electronic copies are required of Part 2, financial, and Part 4, legal and compliance.

Additional Electronic Copies

- one electronic un-priced copy of Part 1, the main text, in CD format be labelled clearly with the copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word/Excel 97 (or later) format. This copy, together with one of the Part 3 copies specified above, will be sent by the DfT to Network Rail. Documents should not be submitted in Acrobat, except where unavoidable; and
- one copy of Part 1, the main text, in HTM format to provide full electronic search functionality without changes to data or formatting. **Please note that elaborate navigation is not required.** Bidders may create an HTM version from MS Word by using "File, Save As", then Save as type Web Page, Filtered, (*.htm,*.html)". Further details of the HTM requirement may be obtained from Dale Ward (dale.ward@dft.gsi.gov.uk, tel 020 7944 3693).

Bids are to be submitted to:

Nick Seaward
Divisional Manager
Rail Procurement Strategy
Department for Transport Rail Group
3/27 Great Minster House
76 Marsham Street
London SW1P 4DR

by 12.00 hours GMT on Monday 26 February 2007.

Bidders should ensure that they complete and include the Declaration of Conformity Statement at Attachment I, in their Part 4 (Legal and compliance) responses.

No other documents or information shall be submitted with the bid. The bid must be submitted in boxes marked '**CONFIDENTIAL - East Midlands 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 DfT at the time of the submission of their bid.

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

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

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

Bidders will be required to present key elements of their submissions to DfT on the working day following bid submission.

2.16 Validity of Bids

Bidders shall confirm the validity of their bids including the terms, bid price, and any subsequent changes agreed for a period of 275 days from the date of bid submission.

2.17 Industry Consultation and Disclosure of Information in Bids

Bidders should be aware that, following the submission of bids, the DfT will need to consult HM Treasury, the Office of Rail Regulation (ORR) and Network Rail. The DfT 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 Passenger Focus), the Disabled Persons Transport Advisory Committee, affected Local Authorities, PTE's, PTA's, 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 DfT to disclose to any Consultee all or any of the information contained in, or supplied in connection with, such bids, excluding any commercially sensitive material as appropriate and which is clearly marked by Bidders as such.

In addition, Bidders are reminded that in order to develop and agree Track Access Agreements and Station Access Agreements, Network Rail will need to consult, amongst others, passenger and freight train operating companies and that this process may involve discussion of relevant aspects of the bids. Bidders are required to cooperate with these consultations. The DfT may ask Network Rail to comment on such elements of the bids and to address their comments to both the relevant Bidder and the DfT.

In developing their bids, Bidders can expect to be contacted by, and are encouraged to consult with stakeholders relevant to the East Midlands Franchise following the start of the Bid Preparation Phase. It is each Bidder's responsibility to decide on the scope and extent of Stakeholder Consultation but they should note that the DfT may seek views from stakeholders on the state of progress of consultation. Bidders should note that Network Rail will formally advise the DfT of the level of contact and engagement that it has had with each Bidder.

2.18 Evaluation of Bids

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 evaluation of bids shall be conducted in accordance with "[A Guide to the Rail Franchise Procurement Process](#)" and the detailed franchise evaluation process applicable to East Midlands will be made available later.

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

The Priced Options and Incremental Options will be evaluated. The results of the evaluation of these proposals will serve to inform the DfT on the procurement options to be pursued with the preferred Bidder, and only after the DfT has made its preferred Bidder decision.

2.19 Management of Rolling Stock Demands Across Midlands Franchises.

In previous franchise procurements the policy on rolling stock has generally been that the Bidders will decide the volume and type of rolling stock required to fulfill their obligations under the Service Level Commitment(s) and meet their other commitments in the Franchise Agreement. This has enabled Bidders to be innovative in the type of rolling stock they use.

In the Midlands franchise procurements, following this approach is complicated (a) by re-mapping of the four franchises into three and the need to provide continuity and certainty of service from Day 1, and (b) by the fact that three competitions are running simultaneously which are in some cases able to use the same rolling stock. A Rolling Stock Leasing Company (ROSCo) may refuse to offer a binding commitment to a Bidder that rolling stock will be available if it wins a franchise competition for a different franchise. The DfT may face the possibility of having to evaluate bids which are not deliverable unless the conflicts between them can be resolved.

The DfT is keen to allow Bidders maximum flexibility to develop their own innovative rolling stock requirements and solutions within these constraints. Following consultation with the industry, the following approach has been adopted.

2.19.1 Resolving Multiple Claims On The Same Rolling Stock

Bidders should develop their rolling stock strategies as they see best meet the need of that particular franchise. The DfT will therefore only seek to resolve multiple claims on the same rolling stock after bid submission. To do so, the following approach will be adopted:

- It is intended that prior to bid submission ROSCos will indicate to Bidders the instances where there is no certainty that rolling stock will be available for a particular franchise;
- As part of bid submission, where their preferred choice of rolling stock may not be available, Bidders should indicate their 'contingency plan' at a high level. This should form part of the response to the Rolling Stock Approach criterion described in Section 4 (Delivery Plans). Binding pricing is not expected in relation to contingency plans but the bid should indicate the likely cost and revenue impacts of such changes together with any other significant changes to the proposal;
- During the bid evaluation, the DfT will cross-check if there are competing demands on rolling stock amongst the leading Bidders in each competition (i.e. this could be more than one Bidder in each competition);
- The DfT will consider, taking advice from Network Rail, whether there is a clear case to allocate particular rolling stock to a route in order to minimise operational performance risk to the network. If a clear case exists this will determine the DfT's rolling stock allocation decision;
- DfT will then ask the Bidders concerned to develop more fully their contingency plan(s) as necessary, producing a revised subsidy/premium line on which they would be prepared to contract. Bidders will have an opportunity to undertake such re-working and will be provided with an indicative timetable showing when this additional response is likely to be required;
- Where allocation decisions have not been determined on the basis of operational performance risk, the DfT will determine the rolling stock allocation between the leading Bidders on the basis of the deliverable permutation offering the best combined subsidy/premium NPV; and
- After this process has been completed, a final ranking within each franchise competition will be made.

Note that Bidders for different franchises who share the same parent organisation need not necessarily deliver bids that are consistent between them.

2.20 Negotiation and Award

Following bid evaluation and clarification, the DfT reserves the right to negotiate with one, some, or all Bidders. There will be no public announcement of the preferred Bidder until after the Franchise Agreement has been signed. Franchise Agreement signature will occur after the London Stock Exchange closes and the Secretary of State has been informed of the identity of the winning Bidder. An announcement will be made to the London Stock Exchange at 7.00am the following morning.

2.21 Competition Matters

Bidders were previously advised that, while they are free to submit a 'Notification' to the OFT at any stage after qualifying to receive the ITT, they may wish to delay doing so until receipt of further advice from the DfT. The DfT has now taken guidance from the Office of Fair Trading (OFT) and the Competition Commission following a review of the procedures used during the inquiry into the acquisition by First Group plc of the Greater Western passenger rail Franchise, see: [Final Report Great Western Passenger Rail Franchise](#).

The OFT expects that notification to the OFT will be made following the announcement by the DfT of the identity of the East Midlands Franchisee. The OFT expects the parameters of the Franchise to be reasonably clearly established in order to undertake competitive analysis, which is only the case after this date. This should also save substantial public and private costs. Notwithstanding this, the OFT strongly encourages any Bidder who believes that a successful bid would give rise to a substantial number of overlaps with its other transport interests to contact the OFT as soon as possible, on an informal basis, to discuss the OFT's requirements in the event of a successful bid.

Following signature of the Franchise Agreement, the Franchisee will meet with the OFT to discuss the information the OFT requires in relation to a Notification. The OFT will only commence its inquiry into the award of the East Midlands Franchise following the receipt of a satisfactory submission from the Franchisee. If there are significant overlaps, the OFT will want survey evidence to consider the substitutability of alternative modes of transport in the Franchise area. If necessary the OFT will be happy to discuss further how any such survey should be carried out and how evidence should be supplied.

Following submission of the Notification, the OFT, or after any reference, the Competition Commission, may require undertakings from the Franchisee (and/or any companies within the Franchisee's group) to prevent pre-emptive action which might prejudice any reference or impede any possible future remedies. Such undertakings would be likely to be in relation to the on-going behaviour of the Franchisee (and/or any companies within the Franchisee's group) such as prices and service levels on overlapping modes of transport within the physical area of the East Midlands Franchise. The undertakings may be required until such time as any merger inquiry is concluded.

Where the turnover of parties to a merger exceeds certain turnover thresholds, the merger must be notified to the European Commission under the European Community Merger Regulation ("ECMR") for scrutiny. The European Commission however has previously indicated that it will not consider the merger until such time as the Bidder has been awarded the Franchise. Bidders must inform the DfT promptly if notification to the European Commission may be required. The OFT might seek, under Article 9 of the ECMR, to have the merger referred to the UK competition authorities if it seems likely that the merger might threaten to impede effective competition or if it affects a market within the UK which does not constitute a significant part of the common market. Alternatively, under Article 4(5) of the ECMR, the parties to a merger can ask the European Commission, prior to notification, to have the merger referred to the UK competition authorities for consideration, provided certain criteria are fulfilled. The European Union process may have an impact on the timetable in which the merger can be completed since completion of the deal is prohibited while the merger is subject to European Union scrutiny. The Bidder will co-operate with any inquiry and provide assistance to the European Commission in deciding whether to clear the concentration, or to initiate proceedings and undertake an in-depth investigation. Because completion of the deal is prohibited while the merger is subject to EU scrutiny the potential applicability of the EU regime is relevant to the deliverability of bids. Accordingly in addition to notifying the DfT of its assessment of the risks of the EU regime applying in its bid Bidders must

also indicate how it is proposed that the risks will be mitigated and its view of the likely effectiveness of such risk mitigation. DfT will take this into account in evaluation.

The DfT does not expect to delay entry by the Bidder into the Franchise Agreement if inquiries by the OFT and the Competition Commission are not complete. The Franchisee will be required to sign the Franchise Agreement and (subject to the special circumstances of the EU regime applying discussed above) commence the operation of the Franchise notwithstanding any ongoing competition law processes, investigations or negotiations. Bidders will be at full risk for implementing any requirements mandated by the OFT, the Competition Commission or the European Commission.

If any Bidder is advised by the OFT, the Competition Commission or the European Commission that the award of the Franchise would be subject to any prohibitions, divestments of interests or undertakings the Bidder will inform DfT as soon as possible and if such requirements would, in the view of the DfT prejudice the Franchise, or any other franchise, the DfT reserves the right to disqualify the Bidder from the East Midlands reletting process.

2.22 Redactions from the Franchise Agreement

Within four weeks of signature of the Franchise Agreement, the Franchisee will be required to submit to the DfT a list of proposed redactions from the Franchise Agreement, the National Rail Franchise Terms, the Conditions Precedent Agreement and any agreed Side Letters (together the “Franchise Signature Documents”). With reference to Section 73(3) of the Railways Act 1993 (as amended), the Franchisee will include a justification for each proposed Franchisee redaction. The DfT will then consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Secretary of State publishing the Franchise Signature Documents on the Secretary of State’s Public Register.

Prior to the commencement of the Franchise, the Franchisee is required to satisfy the conditions as set out in the Conditions Precedent Agreement. Satisfaction of those conditions may involve the entry into, or provision to the DfT, of a number of other Agreed Form Documents and other documents. Following the issuing of the Certificate of Commencement, the Franchisee will again be required to submit to the DfT a list of proposed redactions from these further documents. The DfT will again consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Secretary of State publishing these further documents on his Public Register.

Should agreement on a redacted version of the Franchise Signature Documents not be reached by the Franchise Commencement Date, the Secretary or State may, at his sole discretion, publish all or any part of the Franchise Signature Documents, redacted by agreement or otherwise. Similarly, the Franchisee’s consent is not required before the Secretary of State publishes the Agreed Form Documents and any other documents which constitute a ‘Franchise Agreement’ for the purposes of the Railways Act 1993.

Bidders should note that the DfT will also place a redacted copy of the ITT in the public domain following publication of the Franchise Signature Documents.

2.23 Freedom of Information Act 2000

The Freedom of Information Act 2000 (FOIA) came into force on 1 January 2005 and provides a general right of access to all information held by public authorities. The DfT 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 DfT must release that information unless one of the exemptions applies.

With the introduction of the FOIA the DfT 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 results for Section 4 (Delivery Plans) and their overall result and ranking vis-à-vis other Bidders. The DfT will not disclose the breakdown of scores, or 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 DfT in confidence or which they believe are commercially sensitive. Bidders should provide reasons why such information should not be disclosed following a request for information under the FOIA. Bidders should be aware of the Lord Chancellor's Code of Practice issued under section 45 of the FOIA (which can be accessed at <http://www.dca.gov.uk/foi/codesprac.htm>). This limits the circumstances under which a public authority should agree to hold information in confidence. It could be the case therefore, notwithstanding confirmation that parts of a bid have been provided in confidence or are commercially sensitive, that the DfT will be obliged to disclose those parts.

Bidders' attention is drawn to the provisions of the Franchise Letting Process Agreement (FLPA).

2.24 Debrief for Bidders

Debriefing of Bidders for a franchise is an important element in an open and transparent franchise procurement process. This assists DfT in the lessons learned process, and provides input that may help shape the development of future franchise procurements. Each Bidder will be invited to a separate debrief session. This session is to help them understand how their bid performed and how future bids could be improved. Following the debrief session Bidders will be advised that they may submit a list of questions to which the DfT will provide a written answer. After that point, a letter of closure will be sent to the unsuccessful Bidder to close the process.

Section 3: THE BASE SERVICE SPECIFICATION, INPUTS AND ASSUMPTIONS

This Section sets out the Base Service Specification. Submissions from Bidders should include commitments to meeting this Base Service Specification and explain how they will meet the DfT's objectives and specific requirements as set out in Section 1.3 (The DfT's Objectives for the East Midlands Franchise).

Bidders should explain how they will deliver this commitment to meeting the specification and achieving the objectives in the structure. The process for doing this is set out in Section 4 (Delivery Plans).

3.1 Franchise Duration

Bidders should note that Appendix 8 of the Franchise Agreement (Figures for Calculation of Annual Franchise Payments) requires them to price for a Franchise Term of 7 years 4 months and 20 days, as well as the possible seven Reporting Period extension that the DfT may unilaterally require. The Franchise will run to 31 March 2015, the last year and 4 months of which will be conditional upon achieving pre-set performance targets.

3.2 Base Service Specification

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

3.2.1 Service Level Commitment 1 (SLC1)

- From the start of the East Midlands Franchise the level of service the DfT requires to be operated on the East Midlands network is specified in SLC1. The current timetable being operated by Midland Main Line and Central Trains reflects the contents of SLC1. Bidders are asked to be aware that SLC1 may be updated to reflect the final Summer 2007 timetable, such that no derogations will be required at franchise implementation. SLC1 will run until the December 2008 Passenger Change Date, when SLC2 will be introduced.

3.2.2 Service Level Commitment 2 (SLC2)

It is not the intention to issue a Feasibility Timetable for SLC2. Bidders are required to develop full timetable proposals for SLC2, presented in accordance with the requirements in Section 2.10 (Timetable submissions).

A set of statements, giving details of assumptions to be made about other operators' services at key stations and junctions, is provided at Attachment J (December 2008 Timetable Constraints).

Where a Bidder offers an enhanced level of service in their bids, either in the base case or in any Incremental Option or Priced Option, Bidders are required to submit a marked-up version of the relevant sections in SLC2 to reflect the nature of the timetable offered in their bid.

Bidders should note that SLC2 does not include a full draft for the Midland Main Line Routes L and M. For these routes, Bidders should develop their timetable in accordance with 3.2.2.1 below. The DfT intends to fully draft SLC2 for route L and M based on the timetable submitted by the winning Bidder. Bidders may provide a marked-up version of SLC2 to reflect their timetable solution for Routes L and M. All Bidder drafted, or amended, sections of SLC2 will be subject to clarification and amendment by the DfT to ensure SLC2 commits the franchisee to deliver all aspects of the bid timetable.

For all other routes, the minimum requirements of the DfT are reflected in SLC2.

The intention of SLC2 is to deliver the following output specification:

3.2.2.1 *Midland Main Line (MML)*

The 'between the peaks' weekday service on MML must continue to provide 4 trains per hour to and from St Pancras:

- An hourly London-Sheffield service must call at Leicester, Derby and Chesterfield. Calls at Luton and East Midlands Parkway (EMP) may be made (at Bidders' discretion). Bidders are asked to consider the opportunities to accelerate journey times between London and South Yorkshire, and, in this context, Network Rail has identified an hourly accelerated path in each direction to give an indicative journey time of 2h 05m northbound (St Pancras depart xx25; Sheffield arrive xx30), and 2h 07m southbound (Sheffield depart xx27; St Pancras arrive xx34), with intermediate stops at Leicester, Derby and Chesterfield in both directions. Details of these paths are included on the Data Site. They are timed for class 222 traction so, if Bidders choose to include these paths in their timetables, traction capable of matching the performance of the class 222 must be deployed. Should Bidders choose to use the faster paths it is for bidders to determine the optimal trade off between journey time and performance allowance and the differential between Working Timetable and Public Book Timetable;
- The hourly fast London-Nottingham service must convey a train portion for Derby, with portions splitting and joining at Leicester. Bidders are required to satisfy Network Rail in relation to their approach to coupling/uncoupling, further information on this requirement is provided in Section 7.3.1 (Network Rail Requirements - Train Coupling at Leicester). The Leicester stop is the only mandatory call for the Nottingham portion: one portion must call at Loughborough and one portion must call at East Midlands Parkway (these calls may be in the same portion). The Derby portion must serve Long Eaton. Bidders are advised that it will not be acceptable for the other services from Nottingham or Sheffield to overtake a portion.
- The hourly semi-fast London-Nottingham service must call at Luton Airport Parkway, Bedford, Wellingborough, Kettering, Market Harborough, Leicester, Loughborough, East Midlands Parkway and Beeston.
- The fourth train will be an hourly service between London and Kettering, which must call at Luton, Bedford and Wellingborough, and be timed in such a way as to provide a London service as close to half-hourly as possible at Bedford, Wellingborough and Kettering. This service paves the way for the introduction of an hourly London-Corby service if it is decided

to construct a passenger station at Corby. Bidders are required to provide a Priced Option for the introduction of a Corby to London service, details can be found in Section 6 of this ITT.

It is anticipated that on weekdays, in order to satisfy the requirements of Section 3.4 (Track Access Agreements), it will be necessary to provide 5 arrivals at St Pancras in each of the hours 0800-0900 and 0900-1000, and 5 departures from St Pancras in each of the hours 1700-1800 and 1800-1900. Bidders are requested to develop timetable proposals for these peak services that need not necessarily replicate the calling patterns of the off-peak services. Three aspects only are mandatory:

- A morning service from Sheffield, with an arrival time at St Pancras before 1000 and a maximum journey time of 2h 10m, must be provided. Should Bidders choose to use the 'fast' path identified above to deliver this requirement they should consider the closure implications for the Erewash route;
- Service levels in these 2-hour morning and evening peak periods must provide London commuting opportunities which represent a commensurate level of service to meet the market need. Bidders are referred to the tables below, which specify the *minimum* number of peak stops at stations between London and the East Midlands and South Yorkshire. There are also a *maximum* number of calls for stations serviced by First Capital Connect. Calls at these stations should be as evenly spread as possible, and should be focused on providing the best journey opportunity from the north to the First Capital Connect stations; and
- Bidders are required to provide Northbound commuting opportunities similar to those offered today. Wellingborough, Kettering and Market Harborough should all have at least 3 arrivals at Leicester before 09:00. Luton and Bedford must have at least 2 arrivals at Leicester before 09:00. A London to Sheffield service, with a mandatory call at Derby, which arrives at Sheffield before 09:30 must be provided. A London to Nottingham service that arrives at Nottingham before 08:45 must be provided.

Minimum and maximum arrivals to London St Pancras before 09:59

Station	Minimum	Maximum
Sheffield	3	-
Chesterfield	3	-
Derby	6	-
Long Easton	3	-
Nottingham	5	-
Beeston	2	-
East Midlands Parkway	7	-
Loughborough	5	-
Leicester	12	-
Market Harborough	7	-
Kettering	12	-
Wellingborough	12	-
Bedford	6	6
Luton	4	5
Luton Airport Parkway	3	5

Minimum and maximum departures from London St Pancras between 16:00 & 18:59

Station	Minimum	Maximum
Luton Airport Parkway	2	3
Luton	4	4
Bedford	5	5
Wellingborough	8	-
Kettering	8	-
Market Harborough	6	-
Leicester	12	-
Loughborough	8	-
East Midlands Parkway	9	-
Beeston	4	-
Nottingham	7	-
Long Eaton	3	-
Derby	7	-
Chesterfield	3	-
Sheffield	3	-

- Where Bidders propose the use of rolling stock formations which are longer than the length of the platforms at a station they should explain how the operational issues will be resolved. Where this may lead to non-compliances with the specification Bidders are encouraged to raise the issue with DfT at the earliest opportunity.
- Capacity must be provided to deliver passenger loading compliant with the Departments crowding policy (as stated in Section 3.5 - passengers should not be required to stand for journeys in excess of 20 minutes). Bidders are required to demonstrate how this crowding standard will be achieved for the duration of the franchise.
- Provision of direct London services in the peak hours to and from Burton-on-Trent, Barnsley, Wakefield, Doncaster and Leeds will be at Bidders' discretion.

Saturday services should differ from the weekday pattern only in that the peak 2-hour requirements will not apply.

Sunday timetables should be developed in accordance with the delivery of the franchise objectives, but on the basis that the Rules of the Route that are applicable for the December 2006 Timetable Year will apply throughout the Franchise Term. The DfT requires Bidders to comply to the same crowding standard on Sundays. The DfT asks Bidders, within their Base Case or as an Incremental Option, to consider proposals which provide capacity and frequency improvements on the MML on Sundays.

It should be noted that the East Midlands Franchisee will be required to co-operate with Network Rail and First Capital Connect (and any successor operator) in the development of timetables for joint operation south of Bedford during any **planned** engineering works that either:

- Block access to the Thameslink through route south of Kentish Town, necessitating the diversion of some FCC trains to terminate at/start from, St Pancras, or
- Block access to St Pancras, causing East Midlands MML trains to terminate at an FCC station.

It is assumed that reduced levels of train service will be operated under such circumstances. Any **unplanned** route blockages that cause such interruptions to route or station access should be dealt with as required by contingency plans that may be developed with Network Rail in accordance with the Network Code, but it should be noted that FCC trains will not normally be diverted into St Pancras station in such unplanned circumstances.

3.2.2.2 *Leeds - Nottingham*

Bidders are asked to assume an hourly service is operated on this route by Northern Rail. DfT is still pursuing negotiations to contract the delivery of this service. Should it not prove possible to conclude negotiations with Northern, Bidders will be required to price a Leeds - Nottingham service. A further clarification, including operational and procurement details on the treatment of the Leeds - Nottingham service will be provided to Bidders by 1 December 2006.

3.2.2.3 *Liverpool - Norwich*

Bidders should assume that these services will occupy their existing paths between Liverpool and Sheffield (although calls at Liverpool South Parkway should be incorporated wherever this can be timetabled robustly) and between Grantham and Norwich.

The calling pattern between Sheffield and Grantham is at Bidders' discretion. Unless further guidance is issued, Bidders should assume the Leeds – Nottingham service operated by Northern calls hourly at Langley Mill, Alfreton and Dronfield. Bidders may wish to investigate opportunities to extend dwell-times at Nottingham in order to attach or detach vehicles, with a view to the provision of increased capacity on the Liverpool-Nottingham leg of the journey, over which some crowding problems are experienced at present, particularly between Manchester and Sheffield. Bidders may also consider using a longer dwell at Nottingham to improve performance.

3.2.2.4 *Other Routes*

In timetabling the remainder of the East Midlands services, Bidders are encouraged to explore the advantages and disadvantages of through-linking the individual service groups, both with a view to reducing platform congestion at Nottingham, and to providing through journey opportunities between East Midlands cities and towns. It is a particular aspiration that trains serving Lincoln should provide a good range of journey opportunities.

Bidders are also asked to develop timetables for the rural routes that are more market led than SLC1. Where delivery of a market led timetable would require reductions in calls at lightly used stations, Bidders should highlight this in their submission. Where the number of calls at stations is required to be reduced below the minimum in SLC2, Bidders are asked to highlight these as non-compliances in their bid submission and provide a marked up version of SLC2 with the bid. For the avoidance of doubt, Bidders must not propose any station closures. Bidders will be required to explain the proposed changes, if any, to passengers and stakeholders as part of the Public Consultation described in Section 3.9 (Public Consultation: December 2008 timetable). Where bidders are proposing changes they are advised to consult Local Authorities and Community Rail Partnerships before finalising the Train Plan in their bid. Bidders will take the risk for the public relations implications of their proposals, and for any changes they are required to make as a result of stakeholder feedback.

Nottingham - Lincoln

No change is proposed to the current quantum or frequency on this route. Bidders should assume the same timing for crossing the ECML at Newark as in the December 2006 timetable, but otherwise timings and calling patterns may be adjusted to fit with Bidder's other timetable proposals. Bidders are requested to investigate the opportunities to make additional calls at Collingham.

Nottingham - Leicester

No change is proposed to the current quantum or frequency on this route, although Bidders are encouraged to timetable these trains in such a way that, taken together with Nottingham-St Pancras services, a sensible interval service is provided.

All services must call at the 'Ivanhoe' stations, and at Loughborough and East Midlands Parkway. Bidders are requested to investigate the opportunities to make additional calls at Attenborough and Beeston.

Nottingham - Mansfield - Worksop

In most hours a half-hourly service should be provided between Nottingham and Mansfield, with an hourly extension to Worksop, six days a week. Bidders are asked to note the introduction of a late evening service on this route.

The introduction of a Sunday service will form the basis of a Priced Option detailed in Section 6.1.3. This option will be exercised only if supported by Nottinghamshire County Council.

***Newark North Gate - Lincoln - Cleethorpes
Doncaster - Lincoln - Spalding - Peterborough***

No change is proposed to the current quantum or frequency of services on these routes in the Base Service Specification. However, Bidders are requested to optimise opportunities for connection between services on the East Coast Main Line at Newark Northgate.

The Lincoln to Doncaster section of this route is the basis of a Priced Option detailed in Section 6.1.4.

Derby - Stoke - Crewe

An hourly service is required, which must operate on the fixed pathways which will be provided in the Data Site.

Nottingham - Grantham - Skegness

No change is proposed to the current quantum or frequency of services on this route, although Bidders are asked to maximise the use of the new Allington Chord to provide stops at Grantham for East Coast Main Line connections.

Derby – Matlock

No change is mandated to the current quantum or frequency on this route, but Bidders may wish to consider whether there is a way to improve the morning commuter opportunities.

The off peak timetable is operated by one train unit, and is therefore 2-hourly with long layovers between services at Derby. The current demand does not justify the additional resources necessary to increase the service to hourly, but services could be operated at approximately 75-minute intervals without additional rolling stock. This possibility could be explored either for a period in the morning, or as an all-day proposal.

Derby - Nottingham

A new, hourly, all stations (except Spondon - which need only be served four times a day in each direction) service between Derby and Nottingham is required, to operate in addition to the 2tph provided by the New Cross Country Franchise. Bidders are asked to note that the Cardiff - Nottingham services provided by New Cross Country will run non-stop between Nottingham and Derby.

3.3.3 Feasibility timetable

The DfT has not developed a Feasibility Timetable (FTT) for SLC2. Bidders are invited to submit timetables that comply with the guidance detailed in Section 3.2 above. Bidders are reminded of the need to consult and seek agreement of Network Rail in the development of their proposed timetable.

3.4 Track Access Agreements

The Track Access Agreements of Midland Mainline and Central Trains are not due to expire until December 2008. However, work has commenced on the creation of an East Midlands Track Access Agreement, designed to take effect at the commencement of the new franchise on Sunday 11 November 2007. This TAA will consist of all relevant provisions from the existing Midland Main Line and Central Trains TAAs, which will, therefore, be terminated on 10 November 2007.

The incumbent TOCs will be required to bid, on the Priority Bidding Date in 2007, for an extension of the December 2006 timetable to continue to operate throughout the timetable year from December 2007 until December 2008.

The DfT is working with Network Rail to ensure that a draft Supplemental Agreement to grant the rights necessary for the December 2008 Timetable change will be ready for submission to ORR for approval in summer 2007.

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

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

In order to gain a full picture of the requirements for access rights in the December 2008 timetable, the Office of Rail Regulation (ORR) is conducting a capacity review of the area and routes to be served by the Central England franchises. The progress of that review is reported on the ORR website at <http://www.rail-reg.gov.uk/server/show/nav.205>.

ORR intends that the initial results of this review should be available to bidders in good time for them to be able to take account of those results before submission of bids. It is anticipated that access rights for services required by DfT to be operated in fulfilment of SLC2 are likely to be granted, but rights sought for additional services contained in Priced or Incremental Options could be affected by applications from passenger or freight OAOs.

An assumption will be provided to Bidders in the Data Site regarding the allocation of the Fixed Access Charge from Central Trains to the three new Franchises.

3.5 Demand Management and Crowding

3.5.1 Demand

Bidders are required to form their own view about demand for the passenger services and, where this leads to overcrowding, put proposals to the DfT to remedy this.

Demand growth driven by the expanding London and south-of-England economy, and regional economies across the franchise area and the impact upon levels of overcrowding is the most significant opportunity – and challenge - posed by the Franchise. There is limited scope for additional train paths into London St Pancras in the morning peak, which limits opportunities to run extra trains.

Similar opportunities and challenges exist in the East Midlands conurbations.

3.5.2 Crowding

The Base Case Specification presents the opportunity for Bidders to meet this challenge in the short term through the use of longer trains on a number of routes, and a review of the deployment of the rolling stock to better meet the demand. In particular, Bidders will be encouraged to consider options for making better use of the shoulder-peaks.

In addition, Bidders would be expected to consider (but not exclusively) a package of measures that might include a combination of one or all of the following:

- revised rolling stock configuration and deployment;
- further train lengthening;
- introduction of new ticketing systems and station gating to enable new, innovative and more flexible ticketing arrangements;
- additional services (subject to the appropriate infrastructure capacity); and
- use of ticketing technology to flex prices throughout the day, including within the peak, to encourage a change to current travel behaviour.

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

There will be no peak-hour crowding regime for the East Midlands Franchise along the lines of the former 'Passengers In Excess of Capacity' (PIXC) regime. However, taking into account the DfT's

guideline that no passenger should stand for more than 20 minutes, the Franchisee will be expected to formulate its Train Plan to achieve this aim within value-for-money constraints.

3.5.3 Load Management Data

The DfT requires monitoring of train loadings across all days of the week and times of the day. Bidders are required to fit automatic load monitoring equipment to vehicles in the Rolling Stock fleet used in the Franchise such that a statistically significant sample of data for all services can be obtained and supplied to the DfT in an efficient manner. The DfT expects that not less than 10% of the vehicles in a fleet would require to be fitted. Annual passenger counts ("Green Book" counts) are also required to be provided in the autumn of each year on London commuter routes.

3.6 Fares and Ticketing

3.6.1 Fares

The standard DfT fares policy will be applied to the East Midlands franchise.

All fares baskets will be simplified by removing the lowest value flows (up to 5% of basket value) and all baskets will be subject to the DfT's current fares policy, which increases the permitted aggregate value of the fares baskets by RPI+1% each year, and limits increases in individual fares to no more than RPI+6% year-on-year. Bidders should assume that this policy will apply for the duration of the franchise.

Other fares will be unregulated, and may be priced or varied at the commercial discretion of the operator, subject to the normal constraints of the Ticketing & Settlement Agreement and other industry arrangements.

Consideration will be given to requests to vary fares regulation on lines designated as Community Rail Lines to develop pricing and retailing when this is done in conjunction with the local rail partnership and stakeholders and can improve the long term value for money of the routes concerned.

3.6.2 Lead Operator

Because of re-mapping of the franchises, the Lead Operator on certain routes will change, details can be found on the Data Site.

3.6.3 Ticketing Technology

Bidders must include a change in ticketing technology for the new East Midlands Franchise. This supports the decision to develop and introduce smart ticketing for all surface transport modes.

Bidders are required to include the introduction of Integrated Transport Smartcard Organisation (ITSO) compliant ticketing throughout the Franchise area on all ticket types no later than January 2010.

The Franchisee will provide an ITSO-compliant ticketing system comprising ticketing issuing equipment, readers/validators, and where appropriate gating, throughout the Franchise, including the GLA area, and any ITSO back-office functionality. This will also require negotiations with

other train operators through the Association of Train Operating Companies (ATOC) and the Rail Settlement Plan.

The Franchisee shall use all reasonable endeavours to join any ATOC approved smartcard related ticketing schemes.

For the avoidance of doubt it shall be acceptable for ticket issuing equipment, reader and validators to be placed on trains rather than on station. As a minimum Bidders must provide ITSO compliant ticket issuing equipment at the following stations:

St Pancras; Bedford; Wellingborough; Kettering; Market Harborough; Leicester; Loughborough; East Midlands Parkway; Nottingham; Derby; Chesterfield; Sheffield; Lincoln; Luton; Luton Airport Parkway; Long Eaton and Beeston.

3.7 Rolling Stock

3.7.1 Rolling Stock to December 2008

From Franchise start on 11 November 2007 to the introduction of the new timetable in December 2008, it is planned that there will be trading between the New Cross Country, West Midlands and East Midlands Franchisees for traincrew and Rolling Stock maintenance. This is particularly the case for services currently operated by Central Trains using Class 15x trains and Class 170 trains which will be split between the three new Franchises and self contained diagrams established from the June 2007 timetable change. One of the issues involved in planning this is traction knowledge and depot location. In order to give certainty to the Bidders and the industry more widely, the proposed allocation of existing 15x and 170 planned to be in place to deliver the operational service from 11 November 2007 will be placed in the Data Site shortly and form the basis of a common approach for all three Franchises.

Bidders have the flexibility to propose alternative Rolling Stock for this period (such as bringing in vehicles that may be off-lease), but will have to provide a full explanation of what this may mean if other franchises are affected and how they would manage any risks to delivery of Day 1 operations given the complexities around traincrew provision, trading and route knowledge. Any such proposals should be discussed with the DfT in confidence during the bid preparation phase.

3.7.2 Changes to Fleet

The DfT is prepared to consider the use of alternative classes of vehicles for the East Midlands Franchise (subject to Sections 3.7.3 below and 2.19 above) and Bidders must develop their own fleet strategies in relation to total fleet size, disposition, allocation to routes, availability of spares and other considerations.

Details of the numbers and classes of rolling stock currently utilised by the incumbent TOC's have been placed in the Data Site.

3.7.3 Changes to Rolling Stock Leasing Arrangements

Following the White Paper published in 2004, the DfT has reviewed the structure of the rolling stock leasing industry and has considered whether and how overall industry costs may be reduced and better value for money obtained.

At the date of issue of this ITT the DfT has made a reference to the ORR under the Enterprise Act (the “**Referral**”). The ORR is not due to report back until the autumn and at this stage the Referral may yet give rise to a number of possible outcomes.

Bidders should note the above and, in preparation of 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 DfT in ensuring that:

- any benefits regarding rolling stock leasing terms which may arise as a result of the Referral or any associated work by the ORR and/or the Competition Commission are passed through the Franchise agreement and fully reflected in the subsidy receivable or premium payable to the DfT;
- if the Referral and any associated work by the ORR and/or the Competition Commission reaches a conclusion prior to the selection of the Franchisee, the Bidders will facilitate any changes to their Franchise bid submission arising from or necessitated by the outcome of the Referral;
- if the Referral and any associated work by the ORR and/or the Competition Commission reaches a conclusion after signature of the Franchise Agreement, the incoming Franchisee will enact any changes to the Franchise Agreement in accordance with its terms; and
- the Bidders agree that they will provide transparency of all rolling stock leasing costs affected by the Referral or any associated work by the ORR and/or the Competition Commission, in order to enable its true value to be established by the DfT.

3.8 Depots and Train Maintenance

3.8.1 Train Maintenance Depots

All train maintenance services to the incumbent operators are currently provided by Maintrain Limited.

National Express Group has made a commitment to transfer the elements of Maintrain supporting Midland Main Line into the TOC before the end of the current franchise. Bidders will therefore become Depot Facility Owner (DFO) for Etches Park and the MML element of Neville Hill. These activities will transfer to the franchise through the Start Date Transfer Scheme.

The leases for the depots supporting Central Trains expire at the beginning of December 2006. The DfT's understanding is that Network Rail is not prepared to extend these leases beyond the end of the current Central Trains Franchise. Bidders should assume that the Nottingham Eastcroft depot will transfer to them and that the East Midlands franchisee will be DFO. Similarly, Bidders should assume that Tyseley depot will transfer to West Midlands franchisee and that there will be a trading arrangement in place to support the initial East Midlands fleet up to December 2008. The East Midlands franchisee will be bound to purchase this support, unless there is mutual agreement to vary the arrangement.

The DfT expects more information to be made available during the bid preparation phase. The DfT reserves the right to make normalisation adjustments to any bid if this is considered appropriate.

3.8.2 Traincrew Depots

Bidders should assume that the traincrew based at the following depots transfer to the East Midlands Franchisee. It is planned that trading for the traincrew up to the commencement of SLC2 in December 2008 will be put in place in advance and that the arrangements will not be able to be varied or terminated before then except by mutual consent of the 'buying' and 'selling' parties.

ex Midland Main Line
St Pancras
Derby

ex-Central Trains
Boston
Lincoln
Norwich
Nottingham

At Nottingham, it is expected that there will be trading of traincrew until at least December 2008. The initial trading arrangements are expected to require the East Midlands Franchisee to purchase traincrew based at Cambridge depot from the New Cross Country franchise and based at Crewe from the West Midlands franchise. Arrangements for Leicester traincrew are to be clarified. Further details will be provided shortly, and draft contracts will also subsequently be provided.

3.9 Public Consultation: December 2008 timetable

The Franchisee will be required to consult publicly on the detail of the SLC2 timetable. Bidders are required to set out in their bid how they intend to engage with passengers and stakeholders to communicate the implications of the new timetable. Bidders are expected to detail how, when and with whom they intend to engage and how feedback from the consultation will influence the ongoing development of the timetable.

3.10 Performance Improvements

3.10.1 Network Rail

Bidders are referred to DfT's projections for Delay Minutes 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 Site and are derived from Network Rail's National Business Plan.

In their calculations for payments under Schedule 8 of the Track Access Agreement and in forecasts of any associated revenue effect, Bidders should develop and justify their own projections for Delay Minutes attributable to Network Rail and also include an explanation for the differences where these depart from the DfT projections. Bidders should use their own methodology for the calculation of Performance Minutes (Average Minutes Lateness and Deemed Lateness). The Franchisee will be responsible for the cost and revenue implications of any mismatch between their Network Rail performance projections and actual Network Rail performance.

3.10.2 TOC-on-Self

Bidders should provide their submissions based on the delivery of the Delay Minute targets which have been provided in the Data Site. Bidders are expected to provide evidence as to how these targets will be delivered in their Performance Plan.

In developing the target, the following methodology has been applied. Service Delivery data is based on remapped historical data developed by DfT and Technical Advisors. Using Network Rail's IPPR and PEARS data from the existing train operators' services, a series of complex remapping procedures was used to define TOC on Self, TOC on TOC and NR delay. Two years of remapped data has been developed to reflect the new franchise set-up.

The starting target is an MAA of the remapped TOC on Self delay by the end of 2005/6 with a 10% improvement in TOC on Self delay by the start of the franchise based on recent performance improvements. The benchmarks are set to give a 2% linear improvement for the first 5 years of the franchise, then no further improvement. The Improvement Plan, Breach and Default levels have been set to be 7.5%, 15%, and 20% less challenging respectively than the Target figure after 5 years and this absolute difference applied throughout the 5 years. All benchmarks have been rounded to the nearest 250 delay minutes.

3.10.3 Cancellations

Bidders should provide their submissions based on the delivery of the Cancellations targets appended to the Franchise Agreement sent out with this ITT. Bidders are expected to provide evidence as to how these targets will be delivered in their Performance Plan.

The Cancellations data has been calculated as per the definition in the Franchise Agreement with 1 total Cancellation counting as 1 Cancellation and 1 part Cancellation counting as 0.5 of a Cancellation. All Service Recovery and Force Majeure Cancellations have been taken out of the calculation of the benchmarks. The source of the Cancellations data is based on the remapped data supplied by DfT. These include all Cancellations; therefore the remapped PEARS deemed minutes has been used to identify the split in Cancellations between the TOC and other parties (NR and TOC on TOC). The starting target is an MAA of the remapped data by the end of 2005/6 with no improvement at the start of the franchise. The benchmarks are set to give a 2% linear improvement over the first 5 years of the Franchise. The Improvement Plan, Breach and Default levels have been set to be 7.5%, 15% and 20% less challenging respectively than the Target figure after 5 years, and this absolute difference applied throughout the 5 years. All the benchmarks have been rounded to 2 decimal places.

3.10.4

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

3.10.5 Capacity

The requirement for capacity recording in the new franchise is different from that which currently takes place in the DfT's short formation regime. Current short formation 'seats to plan' data is not suitable to set a benchmark target. Therefore a standard base target is provided in the benchmark

table. Bidders are expected to demonstrate how this can be improved using their projected train plan and ensuring that sufficient stock is available to run peak and other key services. Monitoring of capacity provision will be based on the availability of vehicles instead of seating availability.

From period 06 of this performance year, the existing TOCs will provide periodically a report on all short formations by vehicle on a periodic basis. This will be placed in the Data Site to assist bidders with their projections.

Capacity tables will be revised to mirror the train plan delivered by the successful Bidder.

3.10.6 Target setting

The targets in the Franchise Agreement to be provided represent the minimum the DfT is willing to contract. Bidders are invited to propose a target that is more challenging than those provided. Should Bidders choose to offer a more challenging target they are expected to provide evidence as to how these more challenging targets will be delivered in their Performance Plan. This more challenging target will then form the basis of the Franchise Agreement. This target should be used in the calculation of the payments under Schedule 8 of the Track Access Agreement and in forecasts of any associated revenue effect. Offering to contract the more challenging target will receive credit during the bid evaluation.

To allow for any changes in performance between ITT issue and franchise commencement, targets will be recalibrated to reflect actual performance achieved up to 11 November 2007.

3.10.7 Remapped Performance Data

Recalibrated historic and forecast data for delay minutes, AML's, DML's, Schedule 8 payments and PPM will be placed in the Data Site to assist the Bidder in putting together their proposals.

3.11 Stations and Access

3.11.1 Stations

The new Franchisee is expected to be the Station Facility Owner (SFO) for 86 stations, and trains will call at a further 31 which are managed by a mix of TOCs and Network Rail. More information can be found in the Data Site. The DfT is interested to see Bidders' ideas for improvements to station environments.

Bidders are required to commit to installing ticket gate lines at Nottingham Station, by 1 January 2010. Bidders are required to propose appropriate hours of manning for the gate line. Bidders should be aware that proposals for gating stations will require the approval of Network Rail and proposals for Nottingham station need to be consistent with the Nottingham Station Master Plan proposals.

Bidders are encouraged to promote projects for other gating schemes across the stations at which the franchisee shall be SFO.

3.11.2 Cycling

The Government has adopted the Cycling Policy document produced in 2004 by the Strategic Rail Authority (SRA). This encourages all TOCs to carry folding bikes at all times and to carry non-folding bikes wherever possible, whilst recognising that in peak periods there may be circumstances where it is in the best interests of the majority of passengers not to do so, and to supply cycle parking at most rail stations. The policy recommends that TOCs provide sufficient cycle parking at stations so that 95% of all rail journeys start from a station with adequate cycle parking by 2009.

Bidders must submit proposals for improving facilities at stations for cyclists to encourage greater cycle use by passengers. In addition, Bidders should consider the needs of peak period travellers with cycles recognising the competing pressures of other passengers on crowded trains.

3.11.3 Car Parking

The East Midlands Consultation document issued in June 2006 and the SRA Midland Main Line Route Utilisation Strategy both identify car parking as a constraint at many stations in the Franchise area.

Bidders are required to present proposals for increasing the number of car parking spaces in the Franchise area as part of the wider issue of access to stations, mindful of planning issues and the need to consider other modes and environmental concerns.

3.11.4 Accessibility

Bidders should demonstrate their approach to improving the accessibility of the railway network, and in particular the access and egress arrangements at stations. In addition to the initiatives for cycling and car parking, Bidders should indicate their plans for wider transport integration and their approach to engaging with local authorities and other stakeholders to improve the journey opportunities and experience for passengers.

Appendix 2 sets out the DfT's approach to encouraging third party investment in stations.

3.11.5 Railways for All

The Railways for All Strategy was launched in March 2006. This can be downloaded from www.DfT.gov.uk/access.

This Strategy describes what the rail industry will be doing to improve disabled access. A key part of this is the £370m Access for All funding to deliver access improvements over the next 10 years. This is split into two parts:

- Around £35m per year is targeted at achieving an unobstructed and obstacle free 'accessible route' within Network Rail controlled infrastructure, from at least one station entrance (usually the main one) and all drop-off points associated with that entrance, to each platform and between platforms served by passenger trains. The decision on which stations are addressed is based on footfall, the 2001 census and geographic spread. These works are to be developed and delivered by Network Rail; and
- Up to £7m per year is available across England, Scotland and Wales as Small Schemes funding to be spent on specific projects developed and delivered by a range of bodies including TOCs, local authorities and other parties.

The stations included in the Strategy to be delivered over the next 3 years by Network Rail can be downloaded from www.DfT.gov.uk/access. This includes stations in the East Midlands area.

This station list will be extended over the course of the Franchise Term and may include other East Midlands stations, although this is not guaranteed.

The specific infrastructure required to achieve an accessible route is to be determined on a station by station basis, however the most likely solution will be the provision of lifts to new or existing bridges/subways. Bidders are requested to consider the additional impact of assisting and facilitating completion of access improvements at a limited number of stations in the East Midlands area over the course of the Franchise Term.

The Small Schemes funding allocation is made on an annual basis with the first round of applications for funding invited in April 2006 for proposals across England, Scotland and Wales. The new TOC may submit bids in line with the process and timelines outlined on the DfT website.

3.11.6 Disability Discrimination Act

Bidders' attention is drawn to the current requirements in Part 3 and Part 5 of the Disability Discrimination Act 1995 (as amended). Attention is drawn to the Disability (Transport Vehicles) Regulations 2005 which come into effect on 4 December 2006. Those regulations will lift the exemption in Part 3 of the Disability Discrimination Act 1995 for transport vehicles.

Attention is also drawn to the proposed changes to the Rail Vehicle Accessibility Regulations 1998 flowing from the Disability Discrimination Act 2005 which it is proposed to introduce from December 2006. Notably these would set an end date no later than 1 January 2020 for vehicles to comply with the Rail Vehicle Accessibility Regulations 1998 and enable the regulations to be applied to existing rolling stock at refurbishment.

The DDA places a duty on service providers to facilitate reasonable access to their services.

Bidders are requested to explain how, in providing their service, they will meet the requirements of the Disability Discrimination Acts and whether the service provided will exceed that currently available. Where that is the case, Bidders are expected to identify and price this separately. Examples could include provision of additional platform staff, improvements in processes or procedures or the provision of additional station works. A minor works budget should be included for improving accessibility to the value of £250,000. Bidders' attention is drawn to Schedule 4, paragraph 2.7 of the National Rail Franchise Terms which requires the Franchisee to establish and manage the Minor Works Budget to fund the carrying out of the Minor Works.

3.12 Security

The DfT is looking to ensure that the rail network provides a safe and secure environment for passengers and staff.

3.12.1 Secure Station Accreditation

Bidders will be required to cost and programme the achievement of Secure Station Accreditation (SSA) for those stations that experience the significant majority of footfall within the Franchise's stations, incorporating an appreciation of the experience of crime at the stations.

The Base Service Specification requires Bidders to deliver SSA for those stations with 80% of the Franchise footfall. Bidders will be required to assess with the British Transport Police (BTP) the security/crime risk at all stations in the Franchise and ensure that their proposals for covering 80% of footfall include all the identified high risk locations.

A priced option for attaining SSA status for 95% of station footfall within the Franchise and meeting those sites identified as high risk locations will be requested.

3.12.2 Operational Practices

Bidders will also be asked to assess the impact on passenger safety of changes to operational practices within the Franchise such as introduction of manned gate-lines at more stations and on-train staff being saloon-based to give an enhanced presence to passengers, checking tickets and providing service information. Bidders must gate Nottingham Station in the base service and are encouraged to promote projects for other gating schemes.

3.12.3 On Train Security

The East Midlands Franchisee will be responsible for security on board its trains. Bidders will need to include a brief assessment of current security arrangements at all levels from theft and assault to terrorist threat and they should demonstrate what measures the Bidder will take to make improvements. Investment in technological security solutions would be welcome. If financially positive to do so this could be provided as part of a base case; if not it may be offered as an Incremental Option.

3.12.4 Staff Security

Bidders will be required to outline how and what policy they intend to implement to protect staff security with the aspiration of driving down the number of verbal and physical assaults against staff. The Bidder must also demonstrate what support will be offered to staff who are victims of assault.

3.13 Environment

Although rail is a relatively clean and efficient means of transporting people and freight, as with all modes it must play its part in reducing its environmental impacts and contributing to Government's broader sustainable development objectives (the Government's sustainable development strategy which is entitled "Securing the Future" can be found at: <http://www.sustainable-development.gov.uk/publications/uk-strategy/index.htm>). In addition, with over 5 million people living near the railway, TOCs have an important role to play in managing their activities to reduce noise and disturbance to line-side neighbours.

Bidders should set out their approach to the environment including how they would plan to measure and reduce the environmental impact of the rail activities of this franchise including carbon emissions, air quality and noise, but also taking account of the need to conserve resources and to reduce waste and water/land contamination. The DfT would expect to contractualise initiatives that have a positive environmental impact as Committed Obligations.

3.14 Customer Services

3.14.1 Customer Services Provision

Bidders are expected to show how they will manage customer services provision in the new franchise.

3.14.2 National Passenger Survey

Bidders should note that it is the DfT's intention that a twice yearly National Passenger Survey of the East Midlands Franchise will be conducted by Passenger Focus.

3.14.3 Passengers' Charter

DfT is reviewing its policy in this area, and further guidance will be provided during the bid preparation phase. Bidders are advised that it is likely that the Franchisee will be required to base its compensation regime on a 'Delay, Repay' model, with ticket refunds of 50% for passengers on trains affected by delays between 30 and 59 minutes and of 100% for delays of 60 minutes or more.

3.15 Franchise Management

3.15.1 Committed Projects

Committed projects are listed at 3.15.2 and include East Midlands Parkway Station and Etches Park depot. Further information will be placed in the Data Site when available. During the course of the Franchise, the Franchisee must cooperate and work with industry parties and others in the development and implementation of these schemes. Bidders should assume that normal industry processes apply in relation to compensation for any disruption caused as a result of Network Rail re-signalling schemes. The Base Service Timetable Specification that underpins SLC2 assumes that no further enhancement projects are implemented during the Franchise Term.

3.15.2 Committed Projects affecting the East Midlands Franchise

Bidders should be aware of the following projects in the preparation of their bids. An assessment of their impact should be included in the bids:

- East Midlands Parkway station;
- Channel Tunnel Rail Link and new St Pancras station;
- West Coast Route modernisation;
- Etches Park depot enhancements; and
- Network Rail re-signalling schemes.

Bidders will be aware of the published Midland Main Line Route Utilisation Strategy. Bidders will be provided with a list of small scale enhancements developed by Network Rail in relation to minor depot, stabling and other enhancements. Bidders will be free to include these in either their core service proposition bids or as Incremental Options. Bidders will be free to propose funding mechanisms for these small scale enhancements, including the Regulatory Asset Base (RAB). If RAB funding is proposed for the asset life, the annual lease charge will be determined by Network Rail and ORR. The DfT is willing to take cost risk on the capital element of any project; Bidders will be required to take risk on operating costs and revenues.

East Midlands Parkway Station (EMP) will provide for the Station building, bridges, platforms with limited customer facilities. Bidders should assume the station will be commissioned in time for opening at the December 2008 Passenger Change Date. Further information will be placed in the Data Site when available, including an assumption of the incremental access charge. MML have signed a contract with Powergen in relation to building EMP. This contract sets out certain obligations that Network Rail and the successful Bidder will need to take into account. Network Rail is to provide a summary of these obligations to Bidders.

3.15.3 Other Projects affecting East Midlands Franchise

All other projects that may arise during the Franchise Term will be treated within the context of normal industry mechanisms and do not need to be priced or considered within Base Case submissions. The Franchisee will have a general obligation in the Franchise Agreement to cooperate with the DfT, Network Rail and other stakeholders with respect to the development and implementation of possible future projects. Examples are:

- The Thameslink Programme;
- London 2012 Olympic and Paralympic games;
- Midland Main Line speed enhancement;
- New station proposals (e.g. Ilkeston);
- Major station refurbishment work (e.g. Leicester Station Master Plan);
- Intercity Express Programme (ICEP). There is a duty for the franchisee to fully cooperate with ICEP. Further information is provided in Section 7; and
- Derby station canopy renewal.

Bidders are required to confirm that they will cooperate with key stakeholders over the life of the East Midlands Franchise to facilitate efficient development and implementation of Major Projects and any other industry change likely to impact on or affect the East Midlands Franchise. Bidders must separately identify resources which they attribute to such cooperation and should describe their approach in relation to committed and uncommitted projects within the 'Interface with major projects' component of their Franchise Management operating criteria response to Section 4 (Delivery Plans).

3.15.4 Management of the interface with Network Rail.

Bidders will be expected to enter into integrated and co-located operational control centres with Network Rail unless they can provide compelling evidence of the benefit of alternative approaches.

Bidders are directed to the Data Site to find details of additional functionality options developed by Network Rail. Bidders are expected to explore these additional functionality options for the East Midlands franchise and may propose Incremental Options. Where Bidders choose to propose an Incremental Option the cost should be separately identifiable within the Financial Model.

3.15.5 High Output Trains

Network Rail is planning two campaigns of use of the High Output Train for ballast cleaning on the Midland Mainline in 2007/08:

- Campaign 1- Leicester to Trent junction, up and down lines, from September 2007 to mid December 2007; and

- Campaign 2- Kettering to Wigston South, focusing mostly on the down line but with some work on the up, from January 2008 to March 2008.

Further campaigns are being formulated from April 2008 and details will be available at a later date. Additionally from 2010/11 the route will have use of the High Output Train for track relaying between London and Sheffield.

Both High Output Trains require mid week night and weekend possessions of eight and sixteen hours respectively. To facilitate the mid week night possessions, that commence typically at 2200 hours, Network Rail is looking for the TOC to work with Network Rail to divert or alter their late night services. Normal industry process and compensation shall apply should Network Rail seek additional or extended possessions.

3.15.6 Community Rail Strategy

The Government is committed to the implementation of the Community Rail Development Strategy aimed at improving the long term viability of local and rural railways - a copy of the Strategy can be found on the Department's web site.

The three aims of the Strategy are to increase revenue, reduce costs and increase community involvement in local and rural rail.

At the heart of the Strategy are Community Rail Partnerships (CRPs) who bring together the industry and local stakeholders to promote and develop their railways. The Franchisee will be expected to work with and provide support to relevant partnerships.

Some lines and services are officially designated as Community Rail Lines (with the services running on them) or as Community Rail Services. Where a line is designated, we expect a more flexible approach to the management of the infrastructure and service to minimise costs (whilst maintaining safety and long term sustainability). Where a service is designated, the DfT expect a more flexible approach to the management of the service, but not the infrastructure. All designated lines and services have a partnership in place, but not all lines or services supported by a partnership are designated.

Currently the following lines and services are designated or in the process of being designated:

East Midlands -	
Line or Service	Partnership
Grantham - Skegness service	Poacher Line Partnership
Derwent Valley Line (Matlock Branch)	Derwent Valley Rural Transport Partnership

There is also an active partnership on the North Staffordshire Line (Crewe - Stoke - Derby) - though there are no immediate plans for line or service designation.

Elements of the Community Rail Development Strategy can be successfully applied to many busier routes. In particular, station adoption and joint working with local authorities to finance station improvements can be implemented at a wide range of locations.

3.15.7 London 2012 Olympic and Paralympic Games

Bidders should note that the Franchise Agreement requires the Franchisee to co-operate and consult as reasonably required with the London 2012 Olympic Bid Team, the Secretary of State, Transport for London, Network Rail, the British Transport Police and any other relevant party in connection with any arrangements directly or indirectly connected with the Games.

The Franchise Agreement will include undertakings in relation to advertising.

3.15.8 Co-operation with key stakeholders

Bidders are required to confirm that they will cooperate with key stakeholders over the life of the East Midlands Franchise to facilitate efficient development and implementation of Major Projects and any other industry change likely to impact on or affect the East Midlands Franchise.

3.15.9 Electronic Advertising Media

Bidders wishing to propose the use of electronic advertising media on trains, for example video or audio broadcast systems, should make their intentions clear. The impact on the passenger environment of any proposed use of electronic advertising media and the net financial benefit should be separately identified within the Financial Model. Implementation of any electronic advertising media proposals must be supported by passenger surveys and objective evidence that passengers are receptive to the installation of such systems and the content of the transmitted messages. Consent by the DfT will be granted only if suitable proposals are made regarding the passenger environment.

3.15.10 Service Quality Management Systems

The Franchisee will be expected to implement a quality plan which sets out the company's approach to measuring and improving service quality. This will incorporate a Service Quality Management System (SQMS). The Franchisee will also be expected to comply with an enhancement to the existing annual Business Plan obligation to incorporate outputs from an annual assessment under the British Quality Foundation standard (or equivalent).

3.16 Mobilisation and Migration

3.16.1 Mobilisation

Bidders must demonstrate their capability, in the event they were to be selected as Franchisee, to carry out an effective mobilisation within the necessary timescales and proceed to commencement of operations on 11 November 2007.

The Franchisee must mobilise with the intention of fulfilling the following aims:

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

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 the new East Midlands Franchise.

The DfT expects a working group to be established including, the Franchisee, the incumbent TOCs and DfT 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.

3.16.2 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 East Midlands Franchise to the Franchisee via the Start Date Transfer Scheme.

3.16.3 Rolling Stock

The Franchisee will need to agree with the DfT, rolling stock leasing companies and vehicle maintainers as appropriate, the transfer of existing (or commencement of new) leases and associated contracts for the rolling stock that will enable it to deliver its obligations under the Franchise Agreement. This requirement will be a condition precedent to the start of the East Midlands Franchise.

Bidders should be aware that there is an assumed trading agreement requirement for the West Midlands franchisee to provide fleet maintenance to the East Midlands franchisee until December 2008. The assumption limits the maintenance trading agreement requirement to fleet Classes currently maintained at Tyseley that will be operated by the East Midlands franchisee.

3.16.4 Trading Agreements with New Cross Country and West Midlands Franchises

From the start of the Franchise Term until the implementation of SLC2 in December 2008 it is planned that there will be a requirement for trading of train crew, train maintenance and other resources between the East Midlands, West Midlands and New Cross Country Franchises.

It is planned that the main elements of the intended trading will be put in place and made available to Bidders during the bid preparation phase. The future Franchisees will be committed to participate in the trading arrangements on the terms that will be set out until at least the December 2008 timetable change, unless varied or terminated early by mutual consent of both the 'buying' and 'selling' party.

Immediately after the successful Bidders are announced, the three Franchisees, present incumbent management, Network Rail and the DfT will meet to resolve the detailed arrangements that will arise through the trading period. This will include working through the following issues:

- Rostering Arrangements during periods of heavy sickness or annual leave peaks;
- Ad hoc train crew/Rolling Stock hire agreements;
- Use of spare/stand by train crew;
- Control behaviours during service recovery;
- Short notice train crew sickness;
- Traction / Route Retention;
- Messing Facilities; and
- Operations On call arrangements.

3.16.5 Employees

3.16.5.1 Transfer of Undertakings (Protection of Employment)

Bidders should assume that the transfer of the Midland Main Line Limited business 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 2006 (TUPE). Details will be provided of employees of Central Trains Limited, who will transfer to the East Midlands franchise.

3.16.5.2 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 (Delivery Plans).

Bidders should not assume that the DfT 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.

The Franchisee will become the Designated Employer for:

1. the active, retired and deferred members of the current Midland Mainline Section of the Railways Pension Scheme (RPS); and
2. the East Midlands (ex-Central Trains) Section of the RPS, which will consist of active members who were formerly members of the Central Trains Section who will have transferred across to the East Midlands Franchise and 40% of the deferred pensioners and pensioners of the current Central Trains Section. Exact numbers are not known at present, but bidders should assume that numbers of actives will be determined during the bidding process.

Bidders are required to set out their approach to managing the existing pension schemes within the context of there being no need for merger of sections at day one. Instead the existing sections will continue, with the current schedule of contributions remaining in place until the results of the December 2007 valuation are known.

All assumptions should be clearly stated.

Subject to meeting their obligations under the Railway Pension Scheme, at the end of the Franchise Term the Franchisee shall have no responsibility for any deficit in the scheme (other than

contributions due and payable before the end of the Franchise Term by the Franchisee) and have no right to benefit from any surplus which may exist in the relevant section.

3.16.6 Operational and regulatory requirements

3.16.6.1 Railway Safety Case

Existing rail safety regulations changed in April 2006 as a result of the European Railway Safety Directive (2004/49/EC) and following the introduction of the Railways and Other Guided Transport Systems (Safety) Regulations 2006 (the Regulations). These will replace the existing safety cases with safety certificates for rail undertakings (i.e. TOCs).

The Franchisee will be required to obtain a comprehensive Safety Certificate for the East Midlands Franchise as a condition precedent to the commencement of the East Midlands Franchise. The Franchisee shall be responsible for maintaining the Safety Certificate for the term of the East Midlands Franchise.

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: Regulation & certification - : Office of Rail Regulation](http://www.rail-reg.gov.uk/Regulation%20and%20certification%20-%20Office%20of%20Rail%20Regulation)

3.16.6.2 Licensing

As a condition precedent for the start of the East Midlands Franchise, the Franchisee will be obliged to apply for, and secure, licences and a related Statement of National Regulatory Provisions to operate railway assets within Great Britain. Typically, this process can take up to 16 weeks to complete, allowing for consultation and due process. ORR normally requires appropriate safety authorisations to be in place prior to the final issue of these licences.

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

3.16.6.3 Railway Safety Group

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

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

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 DfT has an expectation of full engagement in safety at both Franchisee and parent company level.

3.16.7 Access

3.16.7.1 Station and Depot Access Agreements

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

Bidders should be aware that ORR is implementing the station access regime from July 2006. Whilst the basic principles of the stations access regime will remain the same, the detailed arrangements between Network Rail, Facility Owners and other users (beneficiaries) of stations will alter. This will vary the types of lease that are available, and the responsibilities within those leases. Bidders will be expected to consider these arrangements, and ways in which these can be exploited to develop opportunities. Bidders should contact ORR for further information.

3.16.7.2 Track Access Agreements

The current Track Access Agreements held by the incumbent TOCs, and the arrangements to put in place a new TAA for the East Midlands Franchise, are detailed in Section 3.4 (Track Access Agreements). Details of the existing Track Access Agreements can be found in the Data Site and on the ORR website.

SECTION 4 : THE BID: DELIVERY PLANS

4.1 Introduction

The DfT 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 East Midlands Franchise. In line with paragraph 20 of the DfT document [“A Guide to the Rail Franchise Procurement Process”](#), the DfT requires Bidders to produce three principal delivery plans, setting out how they intend to improve the reliability, reduce the cost and increase the revenue of the service.

4.2 Required Response

4.2.1 Plans and Criteria

Bidders are required to provide the three principal delivery plans by submitting responses to fourteen operating criteria. Table 4-1 shows the fourteen operating criteria and suggested component items. It should be noted that the list of component items is not intended to be exhaustive but the DfT will expect Bidders to at least consider these elements when developing their proposals. Bidders may wish to introduce further components. For the avoidance of doubt, this section of the ITT requires a specific response to each of the fourteen operating criteria, and only these will be assessed.

Bidders are required to provide a separate response in respect of each operating criterion covering the contribution made by that criterion to the overall Performance, Cost and where relevant, Revenue Plans. The DfT evaluators will read across the Performance, Cost and Revenue elements in respect of each operating criterion so there is no need to repeat information within the response for the same criterion.

Bidders are not required to provide a response in relation to all three principal delivery plans in respect of every operating criterion. Table 4-2 shows the minimum acceptable coverage which is required by the DfT. Bidders may submit plan responses in relation to operating criteria not considered essential by the DfT if they consider this helpful to the understanding of their solution.

4.2.2 Executive Summary

Part 1 of the bid should also include an Executive Summary which describes the Bidder's vision for the East Midlands franchise and how the DfT objectives for the franchise will be met. The Executive Summary should outline the proposed approach and indicate the relative importance placed by the Bidder of each of the fourteen operating criteria.

4.2.3 Performance Plan

The Performance Plan should address the business performance of the proposed franchisee. Whilst the ability to deliver improved operational performance in terms of punctuality and reliability forms an important component of business performance, the Performance Plan also needs to address how the DfT specification and objectives will be delivered.

4.2.4 Annexes and Appendices

Bidders may include annexes and appendices to their response which should be clearly referenced in the main text. Bidders are reminded that any annexes or appendices are subject to the size limits described in Section 2.9 (Structure and Format of Bids).

4.2.5 Cross Referencing

The DfT evaluators will follow cross references to specific identified components of the response in relation to other operating criteria e.g. the response in relation to Security & Environmental might cover the contribution made to security by station gating but cite specific paragraphs of the Ticket Sales & Revenue Protection response in order to describe the solution proposed and provide evidence of its deliverability. No credit will be given for unspecific general references e.g. "further evidence on this issue is provided in our Ticket Sales & Revenue Protection response".

4.3 Evaluation Process

4.3.1 General

The DfT will assess each response according to the Office of Government Commerce (OGC) and European Foundation for Quality Management (EFQM) guidelines. The Franchise will be awarded to the Bidder who offers the DfT the best, robust proposition, in terms of price and reliability, for operating the Base Service Specification.

The DfT has not attributed any level of relative importance to the fourteen operating criteria and they will be weighted equally. The DfT will assess the overall risk to delivery of the performance, revenue and cost principal delivery plans. Evidence from the revenue and cost plans will also be used to inform the DfT's risk adjusted view of the premium or subsidy offered by the Bidder and the assessment of the financial risk of the bid.

Bidders' attention is drawn to the guidance on risk assessment which is set out in paragraphs 21 and 22 of "A Guide to the Rail Franchise Procurement Process".

4.3.2 Evidence

The DfT requires evidence that the Delivery Plans are sound and achievable. Bidders are not expected to repeat evidence of their general competency as a transport operator which will have already been submitted and assessed as part of the EFQM evaluation undertaken at the Accreditation stage. However, evidence is required of deliverability of the specific plans presented for the new franchise, which may be in the form of relevant examples from other operations. The more ambitious the improvement offered by the Bidder, or the more innovative its approach, the greater the need for evidence to support the bid.

4.3.3 Application of RADAR

The Delivery Plans will be evaluated using the RADAR® process. Bidders are encouraged to identify the RADAR components of their response in respect to each operating criterion, which will be applied as follows:

RADAR component	Contents	Weighting
Results	A short statement of the desired outcome - this should be derived from the DfT specification and objectives.	0%
Approach	The Bidder's description of the outcomes which will be achieved and why. This component should include analysis of the existing position supporting the approach proposed and the expected future results.	25%
Deployment	How the outcomes proposed by the Bidder will be delivered. In addition to describing what resources are required and how they will be deployed, this component should include evidence that promised improvements can be secured.	40%
Assessment	What KPIs the Bidder will measure in order to ensure the delivery of outcomes.	10%
Review	How the business is structured and what processes are in place to react if the desired results are not achieved. This component should consider the risks to delivery and how the Bidder would manage and mitigate them.	25%

The weightings adopted for each RADAR component reflect the application of this system to Delivery Plans for a new business. RADAR® scoring is the evaluation method used to score for the European Quality Award.

Table 4-1: Operating Criteria for East Midlands Franchise

The Operating Criteria should be submitted in the sequence shown but the DfT has not attributed any weighting or relative importance to these criteria. Components are not an exhaustive list.

Title	Components
Franchise Management	Corporate structure Business planning Approach to Quality management inc SQMS Interface with major projects Stakeholder Management Community Rail Olympics 2012
Human Resources & Staffing	Total Establishment, Headcount Organisation charts (Summary) Job descriptions (where change is proposed) Management accountability & Delegated authorities Safety responsibility statements Internal communication Performance management & Review process Recruitment & Selection Career planning & Succession Training, development Relations with trade unions Reward policy and expected salary and wage inflation Pensions
Market Position & Fares	Market Position and Offer Market analysis and exogenous growth Marketing Plans Fares structure Premium & Standard fares Off peak fares Concessionary fares Multi Modal Schemes and fares Fares basket management Customer fares information
Other Revenue	Car Park demand Car parking provision and pricing Car park maintenance Car park upgrades New car parks Co-operation with other parking providers On train catering Other on board services Premium product services Property portfolio incomes Retail space income Commercial advertising Inter-TOC trading

Title	Components
Ticket Sales & Revenue Protection	Ticket vending machines Ticket office systems ITSO On train sales On line sales Other sales outlets Monitoring and assessment of service levels Improvement plans New sales channels Collaboration with other parties Availability of fares information Revenue protection Revenue Protection resources and training
Demand Management & Crowding	Data capture Data analysis Peak Hours - On Train Peak Hours - On Station Seasonality Fares - based solutions Train Planning/ Rolling Stock Initiatives Management of crowding Timetable development Other Initiatives and Mitigations
Rolling Stock Approach	Rolling stock approach & policy overview Fleet composition for Franchise term Fleet deployment (with respect to service groups & demand forecasts) Fleet utilisation Fleet improvement programmes Cost assumptions including fuel costs Management and quality principles Environmental issues Rolling Stock fall back plans
Depots & Train Maintenance	Depot & Maintenance approach & policy overview Depot arrangements Facilities at stabling locations Outsource service and maintenance arrangements (if applicable) Fleet preventative maintenance arrangements Reactive maintenance (depot and line of route) Quality systems Supply chain and spares management Staff utilisation Train cleaning procedures Train Presentation Standards Timescales for repairs Checking and monitoring Environmental issues

Title	Components
Timetable Plan & Resources	Fit with timetable constraints Compliance with SLCs Timetable planning Timetables Train plans Unit diagrams including stabling Rostering approach & systems Indicative staff diagrams Spare cover / Utilisation levels Locations Driving standards management Compliance with NR standards Route and traction learning
Performance Improvement	Data collection & analysis Use of benchmarks (All) Performance Initiatives JPIP development process Network Rail interface Information sharing Day to day control arrangements Train Reporting Control centre arrangements Contingency planning Severe weather & leaf fall Engineering Access & Network restrictions Other service and station disruption risks Rescue capability
Stations & Access	Management Structure Ticket Office opening times Rostering approach & systems Staff Duties & responsibilities Spare cover/utilisation levels Dealing with emergencies & contingencies Monitoring of service levels Station Presentation Standards Management of non SFO stations Station Maintenance and Repairs Station Enhancement and investment Timescales and Upgrades Transport Integration Initiatives Provisions for cycles DDA related initiatives
Customer Information & Services	Station information On-train information Real time information initiatives Literature Process of reviewing and revising customer targets Communicating targets to customers

Title	Components
Customer Information & Services (cont)	Other information sources Maintenance of current systems Proposals for future improvements Signage and advertising Data integrity and accuracy Disruption information Information for customers with disabilities Customer Services Organisation structure Complaints handling policy and process Passenger Charter information provision Compensation & Refunds policy and process
Security & Environmental	Station security On-train security Depots & sidings security Car park security Security of staff Security of customers Trespass and vandalism Terrorism Assessment of potential new risks and mitigation Improvement commitment Liaison with law enforcement agencies Co-ordination with Network Rail Use of private security contractors Staff training Security Accreditation Overall environmental approach and policy Energy efficiency including driver education Noise and light pollution Managing waste and recycling Water/land contamination and biodiversity Air quality Interface with Network Rail
Mobilisation & Migration	Management arrangements Mobilisation programme to Dec 08 Skills and resources Liaison with industry stakeholders Safety Certificate for Nov 07 Licences Industry IT systems Track access Station Access Trading Train Crew/Rolling Stock maintenance Maintenance Depots Rolling Stock TUPE Pensions Switch from trading to in-house Dec 08 Implementation - ops issues Dec 08 Implementation - staff issues Dec 08 Implementation - customer issues Dec 08 Implementation - consultation on new timetable

Table 4-2: Minimum acceptable coverage of Operating Criteria to achievement of the Principal Delivery Plans

Operating Criteria	Principal delivery plans		
	Performance	Revenue	Cost
Franchise Management	■		
Human Resources & Staffing	■		■
Marketing & Fares	■	■	■
Other Revenue	■	■	■
Ticket Sales & Revenue Protection	■	■	■
Demand Management & Crowding	■	■	■
Rolling Stock Approach	■		■
Depots & Train Maintenance	■		■
Timetable Plan & Resources	■		■
Performance Improvement	■	■	■
Stations & Access	■		■
Customer Information & Services	■		■
Security	■		■
Mobilisation & Migration	■		■

SECTION 5 : THE BID: FINANCIAL AND ECONOMIC ELEMENTS

5.1 Introduction

The DfT requires Bidders to provide information that will enable it to evaluate bids from a financial and economic perspective. This Section details how Bidders should achieve this and how the information should be presented for evaluation.

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), along with all relevant financial information. This must demonstrate the financial consequences of its business and operational plans over the Franchise Term from 11 November 2007 (start of rail period 9 of rail year 2007/08) to 31 March 2015 (end of period 13 of rail year 2014/15), including an optional 7 period extension at the end of the franchise period

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. The Financial Model must 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, 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 2007-8 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, expressed in 2007-8 terms).

These outputs should change automatically following the running of any sensitivity or variation. However, the Financial Model should have a functionality to freeze the Target Revenue as set out in Appendix 2 to the Franchise Agreement so as to allow simulation of Revenue Share / Revenue Support Adjustments triggered by revenue sensitivities.

The output schedules of the Models should be in the format of the Templates provided in Attachment F (the Templates). The Models should be presented in Microsoft Excel format, with workings and formulae intact (i.e. non input cells should not be 'hard-coded' with values), and be capable of running on a post - 1997 Microsoft Windows operating system. Five 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 (and Incremental Options if submitted).

5.2.1 Financial Model and Operational Model Principles

The Models submitted by the Bidders must be in line with best practice in accordance with the principles of Separation, Consistency, Integrity and Linearity described in section 5.9.

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). Where macros are required, their function should be clearly explained.

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 the formulae cannot be seen) that the calculation method is different, two cases have been identified when the formulae can differ:

- to allow a different approach to the treatment of forecasts before the East Midlands Franchise commences (ie 2005/6 to 11 November 2007), for the first part-year of the Franchise up to 31 March 2008 compared to the full years in the Franchise Term; and
- to allow units, indices and other useful modelling 'flags' to be included in the columns before the first forecast year East Midlands 2006/7.

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 East Midlands Franchise not commencing on the first day of the RSP year or a change to the Timetable), or demand build-up.

5.2.2 Models to be Submitted

The Models should preferably be self-contained within their own respective spreadsheets. Where there are cross-links between the Models these should be stored together electronically with a clear explanation of the links. All appropriate Operational Models that support the calculations within the Financial Model are required to be submitted. This will include but not be limited to workings and calculations linking the Financial Model inputs and outputs.

The Operational Models should include but not be limited to:

- a demand/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, but not be limited to, such factors as:
 - macro-economic factors, including competition with cars (disaggregated into individual factors where appropriate);
 - timetable changes;
 - real fare increases;

- performance improvements;
 - marketing;
 - revenue protection initiatives;
 - station retailing initiatives;
 - crowding; and
 - other investments or initiatives;
- a cost model that includes the following as part of one Operational Model:
 - a staff forecasting model showing the split by staff categories (e.g. drivers, station maintenance crew) and how these form the basis of the forecast of wage, pension and other staff remuneration costs in the Financial Model;
 - a rolling stock model showing the split by rolling stock classes and showing separately fixed, mileage or reliability performance based components of the lease charges. The split of capital and non-capital rentals should also be shown; and
 - a regulated facilities model showing the split between fixed access charges and variable access charges, track related, station and depot related, access and leases charges;
- a performance model, showing forecast average Minutes Delay, attribution of average Minutes Delay between the Franchisee and Network Rail, the impact on the Public Performance Measure and the basis upon which any performance receipts and payments are calculated. Performance receipts and payments between the Franchisee and Network Rail should be shown separately. All assumptions relating to the performance model and any performance improvement schemes and associated calculations should be clearly explained;
- where required, a capital funding model, showing the detailed total investment plan for all funding of infrastructure, other works and schemes that support the Bidder's proposals and that reflects the precise details of their own funding arrangements.

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

5.2.3 Sensitivities

The Models must be flexible and capable of supporting sensitivity analyses, a Priced Option switch, (and, if submitted, an Incremental Option switch). 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') on the following basis:

Parameter	Sensitivity Functionality
Total revenue	Percentage, absolute and compounding basis over franchise term
Total operating costs	Percentage, absolute and compounding basis over franchise term
Taxation rates	Percentage change in rate in any year
Interest rates	Percentage change in rate in any year
RPI	Percentage change in index in any year
AEI	Percentage change in index in any year

For a percentage sensitivity, the percentage should be specific to a year. For example, a percentage sensitivity of -2% of total revenue in Year 2 would reduce total revenue in that year by 2%. An absolute sensitivity would change total operating costs or total revenues by an absolute monetary amount, for example £500,000, in any specified year. Finally, a percentage change on a compounding basis would aggregate the percentage sensitivity year on year. For example a compound sensitivity of -2% in total revenues from year 1, would relate to a 2% decrease in total revenues in year 1, followed by 4.04% decrease in year 2, 6.12% decrease in year 3 and so on over the Franchise Term.

To illustrate the robustness of the Models, the Operating Manual and Record of Assumptions must include a table demonstrating the sensitivity of the Models to the changes to total operating costs and total revenues. The table shall show the year in which the first breach is triggered for (i) a 1% compounding increase in total operating costs and (ii) a 1% compounding decrease in total revenues. In addition, the table shall state the (iii) value of the absolute decrease in total revenues to trigger a breach in Year 3, and (iv) the value of the absolute increase in total operating costs to trigger a breach in Year 3.

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

The Models should 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. To this end the Financial Model should have a functionality to freeze the Target Revenue as set out in Appendix 2 to the Franchise Agreement so as to allow simulation of Revenue Share / Revenue Support Adjustments triggered by sensitivities. Bidders should note that revenue share and revenue support calculations should be separately disclosed in the financial model calculations.

The DfT requires that the Models form a robust basis for pricing Changes which may occur during the Franchise Term. The capability of the Models to price Changes will be considered as part of the evaluation, as a minimum, the following will be examined:

- Changes to Regulated Fares policy RPI+X (including any impact on crowding or unregulated fares).

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 UK 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 2007/8 prices;
- the tables listed below should be completed in 2007/8 prices:
 - Target Revenue table set out in Appendix 2 (Target Revenue (expressed in real terms)) to the Franchise Agreement; and
 - Franchise Payment table set out in Appendix 8 (Figures for Calculation of Franchise Payments) to the Franchise Agreement.
- Bidders should assume a Retail Prices Index of 2.7 per cent per annum and an Average Earnings Index of 4.4 per cent per annum shall apply from 01 April 2008 and annually thereafter. (Bidders should adopt their own inflation and AEI assumptions prior to then and such assumptions should be clearly identified);
- the real discount rate to be applied is 3.5 per cent;
- net present values of the revenues, costs and Franchise Payments will be discounted back to the start of the franchise (11 November 2007);
- Bidders should assume that the Franchise will commence on 11 November 2007;
- for the purposes of calculating net present values, Bidders should assume the following timings for cashflows:
 - 20 January 2008 for the part-year 11 November 2007 to 31 March 2008;
 - mid-year cashflows (30 September) for full Franchisee years (1 April – 31 March), and
- the East Midlands Franchise financial year commences on 1 April of each year;
- Revenue Support levels and thresholds are as per the Franchise Agreement (Bidders are free to propose their own levels and thresholds for Revenue Share);
- there will be no changes to the Track Access Agreement and charging methodologies as a result of any reviews conducted by ORR during the Franchise Term (Bidders should use CP3 rates as specified by ORR until the end of CP3 and assume that they are held constant in real terms thereafter); and
- the methodology for calculating Franchise Payments should be applied consistently on an annual basis, in accordance with the Franchise Agreement.

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, Priced Options (and Incremental Options if submitted) by use of a 'switch' applied to the Base Case Specification. Separate stand-alone models will not be accepted.

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 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 Operating Manual and 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 so as to view the financial outputs in both nominal and real terms.

Where relevant, DfT has anticipated that certain rows in the Financial Model are necessary for Bidders to provide their own cost or revenue titles (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 and will be deemed to be non compliant.

The model should be presented in annual terms, with year-ends coinciding with the Department's 31 March accounting year-end (as demonstrated on the templates). Part-year periods will be disclosed at the start of the franchise (from 11 Nov 2007 to 31 March 2008, and for the optional 7-period extension at the end of the franchise).

Any changes to the Financial Model after bid submission will need to be clearly logged and traceable, including an audit trail in the Financial Model itself.

5.5 Priced Options and Incremental Options

The DfT requires a consistent level of detail/information for each proposed Priced Option and for each Incremental Option, if submitted, to enable it to make an informed decision. Therefore financial outputs for each option should be automatically produced by use of a 'switch' which will update the financial outputs automatically incorporating the additional requirements and implications of each Priced Option. Separate stand alone models will not be accepted.

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

5.6 Financial Templates

The DfT requires that the output from the Models follows the Templates in Attachment G. The DfT 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 and 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 DfT reserves the right during the evaluation process to clarify and request further levels of detail from Bidders where it feels it is necessary for the completion of that process. Any derogation from the requirements of the Templates as set out in this ITT must be agreed with the DfT in advance of the return of any bid. Please note derogation is not the norm.

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 Templates shall be populated in full, with outputs from the Models specified in years that are consistent with the rail financial year. To this end relevant worksheets in the Templates are structured with columns that are headed with periods that represent the rail industry year to 31 March of each year.

The East Midlands Franchise runs part year from 11 November 2007 to 31 March 2008. In order to accommodate the difference between the rail year and the part year identified above, the relevant worksheets in the Templates provide an extra column where Bidders should derive the part year element from the full year columns. In addition, extra columns will be provided in the Templates for the part-year related to the first Franchise break-point, the optional 7-period extension following this, and the optional 7-period extension following the expiry of the full Franchise term.

The following table sets out the worksheets contained in the 'Template' and a brief summary of each worksheet's content and status.

Table 5-1: Worksheets contained in Template

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
Calc Sheets>>		
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 (with exception of cell G21)
Ass Yr-Yr	Template for forecasts of selected option(s)	Populate but do not alter structure

Sheet	Content	Status
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
Rolling Stock Company (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
Outputs>>		
Detailed P&L	Template for forecasts of selected option	Populate but do not alter structure
P&L	Template for forecasts of selected option	Contain formulae, 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
Eff	Calculates the total impact of all selected options	Contain formulae, do not alter structure
Franchise Agreement Numbers	Templates tables for insertion in the Franchise agreement	Populate but do not alter structure

The Templates do not make any provisions for NPV analysis. Bidders should set up their own calculation sheets for NPV calculations in their Financial Model.

5.7 Operating Manual and Record of Assumptions

The Operating Manual and Record of Assumptions is required to accompany the Models and shall contain all financial and operational assumptions used. The Operating Manual and Record of Assumptions shall explain and discuss the inputs of the Model, including the base unit cost for each input, and provide detailed instructions for operating the Models and also include the following:

- description of each Model, its structure and capability;
- explanation of the flow of data through the Financial Model and the interfaces with the Operational Models submitted. This may be presented diagrammatically with supporting narrative as appropriate;
- description of the purpose and operational characteristics of each worksheet and how it interacts with the Models;
- instructions on how to input data, select assumptions and calculate the financial outputs;
- instructions on how to run sensitivities;
- a table setting out the changes required in the variables in Section 5.2.3 to trigger a breach of the financial ratios and to trigger a lockup as per Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement;

- a table setting out the percentage of total Franchise other revenues, other operating costs and ROSCO costs (PVs over the Franchise Term) that are earned from or paid to HQ, group or other affiliates;
- instructions on how to optimise and produce financial outputs, in the required format;
- an explanation setting out the basis upon which the Franchise Payments have been calculated; and
- where macros (or other visual basic functions) have had to be used, a description of any macros used in the operation of the Models, the reason for their use and how they impact on the results.

The Operating Manual and 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 Priced Options (and Incremental Options if submitted) 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 Operating Manual and 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 Operating Manual and 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.

5.8 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, including explaining its linkage with the Financial Model;
- 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 its linkage with the Financial Model, 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 and Priced Options (and Incremental Options if submitted)) and by investment category;
- submit a letter from its financial adviser(s) confirming that:
 - the funding plans for all aspects of the bid have been developed to a stage that will allow funding to be made available to the Franchisee on execution of the Franchise Agreement;
 - financial adviser support of the funding proposition has been provided in the knowledge of the terms and conditions set out in the term sheets of the finance providers;
 - the funding plans are accurately reflected in the Financial Model;
- confirm the interest rates and contractual terms of any inter-company debt funding, subordinated loans or other funding arrangements between or to be between the Franchisee and any affiliate or third party; and
- provide details and assumptions for interest earned on cash deposits.

5.9 Model sign-off - Terms of Reference

5.9.1 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 DfT 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;
 - Inputs: should include data and assumptions but no calculations;
 - Calculations: 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: 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. 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 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.

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);
- **Macros**, where required, their function should be clearly explained.

5.9.2 Model Audit

Following bid submission and prior to contract award the DfT will request one or more Bidders to obtain an independent audit of the Models (the Model Audit) on all sections of the Models. The Model Audit shall be prepared for the benefit of the DfT 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 DfT'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 DfT will expect to receive the audit report within ten working days of it being requested of the Bidder.

The DfT 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 Operating Manual and Record of Assumptions appear materially consistent with current understanding of existing UK tax legislation;
- whether the key accounting assumptions in the Models and the Operating Manual and Record of Assumptions appear materially consistent with current understanding of UK 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 Operating Manual and Record of Assumptions have

in all material respects been consistently reflected in the Models;

- Priced Options (and Incremental Options if submitted): the DfT will require an audit to be performed on any or all of these sections of the Financial Model; and
- robustness testing: the DfT 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.

5.10 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 Operating Manual and Record of Assumptions.

Bidders are expected to refer to the Franchise Agreement which will be provided. 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 DfT'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 DfT will only consider such proposals if its budget allows. Bidders should bear in mind that financial support for such proposals from the DfT is likely to be extremely limited.

SECTION 6: PRICED OPTIONS

6.1 Requirement to submit Priced Options

Bidders are required to submit bids for the Priced Options which are set out below, in addition to the Base Service. These Priced Options may be included in Appendix 4 of the Franchise Agreement. They will be assessed for both deliverability and financial and economic impact in line with the requirements laid out in Sections 4 (Delivery Plans) and 5 (Financial and Economic Elements). Bidders should ensure their bids in respect of the Priced Options identified in this Section 6 allow DfT to make appropriate evaluations. For example, a Priced Option that requires a different approach to the plan to deliver the Base Service, as set out in its response to the requirements of Section 4, should provide details and show how the Priced Option will be delivered, using the same structure as appropriate. Bidders are reminded of the page size limits relating to Priced Options which are described at Section 2.9 (Structure and Format of Bids). Bidders should mark-up the Franchise Agreement as appropriate in relation to each Priced Option .

6.1.1 Corby Station

Corby has been targeted for substantial housing growth over the course of the Franchise, in line with the Sustainable Communities Plan and the Milton Keynes South Midland growth area.

DfT will require Bidders to price an option of serving a station at Corby. Bidders are required to deliver the entirety of the minimum requirements in the Base Case specification. The service will be formed as an extension of the hourly London-Kettering train. Bidders are asked to explore the feasibility of running additional trains to Corby in the peak and at the margins of the day. For the avoidance of doubt, services which run north of Corby shall be acceptable, as will calls at Oakham and Melton Mowbray.

The station shall consist of a single platform of 8 car length. The station and associated car parking facilities shall be required to achieve Secure Station Accreditation. Bidders should determine the appropriate level of staffing at the station. Details of the proposed station buildings will be provided in the Data Site in due course. Bidders are invited to contact the developers English Partnerships;

Mr Mark Pople
Regeneration Manager- North Northamptonshire & Bedfordshire
English Partnerships
Central Business Exchange
414-428 Midsummer Boulevard
Central Milton Keynes
MK9 2EA

The capital cost for the infrastructure works required to serve the station has been estimated at less than £15m. A detailed feasibility study is being completed by Network Rail. This study will give a better understanding of the costs and risks of the work required. When this report is available it shall be placed on the data site. It is anticipated the capital cost of the station will be funded by a third party. If the structuring of this funding mechanism leads to an increase in TOC payments to Network Rail, in relation to Corby station, this will be treated as a Qualifying Change.

Bidders will be required to operate Sunday services to Corby. The nature of this service will be dependent on the Bidders' mainline Sunday timetable. As a minimum an hourly shuttle shall be provided between Corby and Kettering connecting with a southbound main line service.

Bidders should assume that passenger services to Corby commence at the December 2008 Passenger Change Date. The price submitted in the Financial Model shall remain valid for exercise for a period of 365 days after signature of the Franchise Agreement. Bidders should be aware that if passenger services to Corby are at a later date, or after this Priced Option ceases to be valid, the DfT will expect the Change to be priced by reference to the Priced Option.

6.1.2 Introduction of the Global System for Mobile Communications - Railways (GSM-R)

Network Rail has initiated a Network Change to renew all of the United Kingdom's (UK) radio systems with GSM-R. This is to reflect the fact that the frequencies at which the current radio systems operate will no longer be available from 2012.

A pilot study is scheduled to take place in Strathclyde later in 2006, and a wider national roll-out is expected to commence in 2007 subject to the successful completion of the trial.

The exact details of infrastructure availability and hence the roll out of GSM-R in the franchise area are still to be finalised and detailed plans should be available by April 2007. It is anticipated that all of the infrastructure will become available mid 2009 to mid 2010 and hence the changeover to GSM-R can commence.

Bidders must include a price for the supply and installation of GSM-R to the East Midlands rolling stock fleet, and details of the notice period required to implement the Option. As part of the fitment costs those associated with the training of staff in the use and maintenance of the GSM-R equipment, costs associated with any ROCSO approvals and the removal/making good of the legacy radio systems should be included. Bidders will be required to work cooperatively with Network Rail in order to ensure an efficient changeover to the GSM-R system. First of class designs are currently being developed by Network Rail.

Bidders should note that this Option effectively removes the vehicles from the G1 Network Change process and no compensation would then be available for this project.

The detailed documentation on GSM-R can be located in the Central Data Site, this includes a copy of the current Network Change Notice and the Heads of Agreement for the Supply of GSM-R mobiles by Siemens.

6.1.3 Additional Sunday Service Mansfield to Nottingham

Bidders are asked to price the introduction of Sunday services on this route. This option will be exercised only if supported by Nottinghamshire County Council.

The service shall consist of ten return workings between Nottingham and Mansfield Woodhouse.

The Early Service shall be timed to arrive no later than, and the Late Service shall be timed to arrive no earlier than:

	Early service	Late service
To Nottingham	09:45	21:30
From Nottingham	08:30	20:30

A minimum of four services shall be extended to Worksop. These should be timed to give two arrivals at Nottingham before 12:00 and a late departure from Nottingham after 16:00.

Bidders are advised that value for money should be paramount when developing this service proposal.

If this option is procured the re-calibration mechanism in the Franchise Agreement Sch.7.1 will be used to reset the Service Quality Standards tables for Target Delay Minutes.

The price submitted in the Financial Model shall remain valid for exercise for a period of 90 days after signature of the Franchise Agreement.

6.1.4 Doncaster to Lincoln via Gainsborough decrements

Bidders are asked to price this service decrement at the request of South Yorkshire PTE. Bidders are asked to note that DfT will only call this option if the following criteria are met:

- A new station is constructed on the line to serve Robin Hood International Airport; and either;
- South Yorkshire PTE commits to fund an alternative and improved level of service on the route such that the service between Lincoln and Doncaster is maintained at least at the current level of service or;
- Lincolnshire County Council confirms they are content with the alternative level of service proposed by South Yorkshire PTE.

Bidders are asked to price an option for the withdrawal of the commitment to provide all services between Lincoln and Doncaster. Where these services are currently operated as an extension of other services only the commitment to provide the section between Lincoln and Doncaster shall be withdrawn. Bidders are asked to consider the most financially beneficial use, if any, which can be made of the resources released.

The services should be withdrawn from the December 2008 timetable change date. The price submitted in the Financial Model shall remain valid for exercise for a period of 90 days after signature of the Franchise Agreement. Bidders should be aware that withdrawal of these services is required at a later date, or after this Priced Option ceases to be valid, the DfT will expect the Change to be priced by reference to the Priced Option.

6.1.5 95% Secure Station Accreditation

The Base Case Specification requires Bidders to deliver Secure Station Accreditation for those stations with 80% of the Franchise footfall, ensuring that all high risk crime locations are covered.

The Priced Option requires Bidders to extend the coverage of SSA to 95% of station footfall within the Franchise area and to ensure that the sites meet those identified by BTP as high risk locations.

SECTION 7: FURTHER INFORMATION

7.1 Introduction

This Section references the more obvious projects that may impact on the East Midlands Franchise during the Franchise Term and is included to assist Bidders in gaining as complete a picture as possible of the environment within which the East Midlands Franchise will operate. They will be treated within the context of normal industry mechanisms and do not need to be priced or considered within Base Service submissions. The DfT 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 National Rail Franchise Terms if any such information proves in time to be incorrect.

7.2 Intercity Express Programme

Intercity Express Programme (ICEP) is the programme for replacement of the existing High Speed Train Fleet with a new train that can deliver the flexibility, performance and carrying capacity the railway will need to 2040 and beyond. ICEP is being led by the DfT.

There will be a requirement for the East Midlands Franchisee to fully cooperate with the ICEP which, it is anticipated, will reach an advanced stage of development during the currency of the franchise.

7.3 Network Rail Requirements

7.3.1 Train Coupling at Leicester

The successful Bidder will need to satisfy Network Rail that the coupling and uncoupling can be performed reliably and that appropriate support and contingency plans are prepared. Network Rail has in their consultation response highlighted several mitigating measures they would require a future franchisee to commit to before acceptance of this operation. The relevant sections of the Network Rail response will be provided in the East Midlands Data Site.

Mitigating strategies for operational issues may include but are not limited to the following:

- the basing of an engineering technician at Leicester station;
- a standby crew including driver, conductor and catering staff at Leicester station;
- spare catering provisions; and
- a spare set of stock to be used to operate services which fail or are subject to significant delay.

Bidders will be required to comply with all of the above unless they can provide compelling evidence of the benefit of alternative approaches. Bidders will be required to work with Network Rail when formulating their operational risk mitigating strategies.

Bidders will also be required to explain how they proposed to mitigate the passenger risks associated with splitting and joining. For example uneven loadings between the portions, confusion of the correct portion to join at St Pancras and strategies for dealing with passengers during times of disruption.

7.3.2 Platform Occupancy

Network Rail have requested a maximum platform occupancy time at Nottingham station of 25 minutes. Bidders will be required to comply with this unless they can provide compelling evidence of the benefit of a longer platform occupancy.

7.4 Etches Park Enhancements

Bidders should be aware that an investment scheme is planned at Etches Park Depot, Derby. Further information will be provided by Network Rail and placed in the Data Site.

7.5 European Rail Traffic Management System

Network Rail is leading the cross-industry programme addressing the scale and pace of the introduction of the European Rail Traffic Management System (ERTMS) within the UK. The migration from existing conventional signalling to ERTMS is designed to optimize the benefits and to avoid undue disruption to the performance of the railway.

The Cambrian Line will be the first UK project and should be operational in 2008. It will provide essential experience of delivering and operating a cab signalling system compliant with European standards and is intended to validate operating rules and migration aspects of the European Train control System (ETCS) subsystem.

Precise dates for the implementation of ETCS on the routes covered by this Franchise are not yet known and will depend upon the emerging national implementation programmes and the outcome of projects and activities in the UK and abroad. Co-ordination may be required between the Franchisee, ATOC, Network Rail and the rolling stock leasing companies to manage the successful transition within the context of the national rollout strategies. Bidders should understand that a decision to implement this cab signalling system would lead to additional training for drivers and potentially other staff and that co-operation may be required from the Franchisee during the feasibility and planning stages before formal issue of a Network Change Notice.

7.6 Thameslink Programme

Thameslink 2000 (known as the Thameslink Programme) is a major project to expand and upgrade the existing Thameslink network. It would extend the Thameslink service to 121 more stations than at present, and allow for more frequent and longer trains to run to and through central London. The project involves major works in London to relieve bottlenecks, provide for more through services, and improve circulation space at stations. The works in outer areas mainly involve lengthening platforms to take longer (12 car) trains. On the Midland Main Line the Thameslink Programme would (if implemented) deliver between 14 and 16 trains per hour (peak), and the majority of the services would be 12 car formations.

Network Rail has recently been granted statutory powers and planning permission for the scheme following recommendations made by the Inspector who held a public inquiry into the scheme in 2005. Related listed building and conservation area consents, and consents for consequential rail closures, have also been given. However these planning decisions do not amount to a final go-ahead for the project. They are made without prejudice to a decision on funding for the scheme, which the DfT is currently considering separately. Furthermore, none of the authorised rail closures can take place unless the Thameslink scheme is implemented.

APPENDIX 1: MAP OF EAST MIDLANDS FRANCHISE AREA ROUTES AND STATIONS



APPENDIX 2 – STATIONS

DfT and other stakeholders are anxious to improve the passenger journey experience particularly in relation to the station environment. The Franchise Agreement puts emphasis on maintaining an acceptable standard for passengers over the Franchise Term.

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.

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

- A East Midlands Franchise Service Level Commitment 1**
- B East Midlands Franchise Service Level Commitment 2**
- C East Midlands Franchise Agreement (to follow end November)**
- D National Rail Franchise Terms (to follow end November)**
- E Conditions Precedent Agreement (to follow end November)**
- F Service Quality Standards**
- G East Midlands Financial Templates**
- H East Midlands Stakeholder Briefing Document**
- I Declaration of Conformity Statement**
- J December 2008 Timetable Constraints**