



InterCity East Coast

Invitation to Tender

8 March 2007

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IMPORTANT NOTICE

This document is issued by the Department for 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 InterCity East Coast (ICEC) Franchise. In considering any investment in the shares of any company or in bidding for the award of the ICEC 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 ICEC Franchise and of the legal, financial, taxation and other consequences of entering into the ICEC 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 ICEC 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 ICEC 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 ICEC 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 ICEC 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 ICEC 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 ICEC 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.

Clifford Chance, Ernst & Young LLP and Atkins are acting for the DfT, in each case in relation to the award of the ICEC 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 ICEC Franchise opportunity, the award, or any bid for the award of the ICEC 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.

8 March 2007

SECTION 1: INTRODUCTION AND CONTEXT

1.1 Purpose of this Invitation to Tender

This Invitation to Tender (ITT) sets out:

- the ICEC 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, which set out the requirements for the completion of bids and additional relevant information are attached.

The DfT's aim is for the ICEC Franchise to commence operations with effect from **02.00am on 9 December 2007**.

1.2 Scope of the InterCity East Coast Franchise

The ICEC Franchise currently provides intercity passenger services between London, East of England, the East Midlands, Yorkshire and Humberside, the North East and Scotland along the East Coast Main Line ("ECML") and other routes. Connections are offered with other train operators' services at a number of locations along the route. ICEC Franchise services are resourced by a combination of 125mph electric trains and diesel high-speed trains.

The DfT has established an electronic data room (the Data Site), operated by Atkins, containing, in electronic form, documents and information specifically relating to the ICEC Franchise. It will remain available throughout the Bid Preparation Phase and until the Franchise award.

Details of the ICEC Franchise, its services and resources can be found in the Data Site.

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

1.3 The DfT's Objectives for the InterCity East Coast Franchise

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

- improvement in franchise payment profile over the franchise term;
- improvement in resource efficiency; and,
- addition of economic benefits delivered by the franchise.

1.3.2 To improve operational performance of the ICEC trains to contribute towards national performance targets

- build on GNER's performance, ensuring a sustainable and optimal trade off between capacity and journey time; and
- improve performance on the ECML.

- 1.3.3 To seek to accommodate current and anticipated future growth in passenger demand
- identification of exogenous growth and strategies for management;
 - alignment with Department for Communities and Local Government's Sustainable Communities Plan;
 - initiatives to reduce crowding and improve journey quality; and,
 - generation of more off peak journeys.
- 1.3.4 To seek to improve alignment with stakeholder and passenger aspirations within the context of the other objectives
- safe and secure environment on trains and at stations;
 - alignment with the emerging Network Rail ECML Route Utilisation Strategy;
 - promote integrated transport solutions and social inclusion by, amongst other things, enhancing passenger facilities, provisions for cycle-rail integration and access to stations by all modes;
 - seek to improve accessibility for all to ICEC franchise services and stations;
 - maximise benefits to the franchise from co-operation with stakeholders including ongoing parallel studies by stakeholders which may influence the franchise;
 - consideration of other schemes which affect the franchise, e.g. Network Rail infrastructure renewals, Thameslink project, the 2012 Olympics, the Channel Tunnel Rail Link (High Speed 1) and major work at London King's Cross;
 - facilitate locally sponsored increments and decrements; and,
 - improve customer satisfaction and service quality.

1.4 Closing date for Bids

Bids must be submitted by 12.00 BST on 6 June 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	8 March 2007 - 6 June 2007
	Submission of bids	Bidders	By 12.00 BST on 6 June 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 ICEC Franchise award	The DfT and Bidder(s)	7 June 2007 - August 2007
Mobilisation	Prepare for transfer of operations	Franchisee	August 2007 - 9 December 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 ICEC 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 ICEC Franchise, Bidders are asked to refrain from comment to national, local and industry media, Passenger Focus, Members of Parliament and other stakeholders about matters connected with the ICEC 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 ICEC 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 ICEC 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 Query Process

Queries and requests for clarification or additional information should be submitted by e-mail to:

EastCoast@dft.gsi.gov.uk

2.7 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 queries (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 Site.

Before accepting any question, DfT will require the Bidder presenting the question to:

- confirm that the Bidder has checked both the Data Room and the Long Form Report for the information requested prior to issuing the request.
- demonstrate how the question will help the Bidder to formulate their bid (i.e. which plan it is required for).
- 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. (This only applies to current TOC operators).
- In all cases, the Bidder 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).

2.8 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 30 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.

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 is 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 HTML 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 HTML version from MS Word by using "File, Save As", then Save as type Web Page, Filtered, (*.htm,*.html)". Further details of the HTML requirement may be obtained from Dale Ward (dale.ward@dft.gsi.gov.uk, tel 020 7944 3693).

Bids are to be submitted to:

John Stock
Rail Procurement Manager
Rail Procurement Strategy
Department for Transport Rail Group
3/29 Great Minster House
76 Marsham Street
London SW1P 4DR

by 12.00 BST on Wednesday 6 June 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 - ICEC 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.

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	5 copies	4 copies	2000 pages
	Delivery Plans for Base Service Specification (Section 4)		+1 unpriced copy +1 HTML copy	including annexes/appendices
	Delivery Plans for Priced Options (Section 6)	5 copies	4+1+1 copies	30 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 Outputs Worksheets 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'	3 copies	3 copies	none
	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			

2.9 Timetable Submissions

Bidders should provide indicative standard pattern timetables for Service Level Commitment 2 (SLC 2) that cover Monday – Friday, Saturday and Sunday. These timetables may be in public book format, as it is the concept rather than the detail of the timetable that will be evaluated.

The timetables must be accompanied with a supporting commentary and by full rolling stock diagrams including beginning and end of day movements from and to stabling points or maintenance depots.

These SLC 2 timetables and diagrams will be assumed to be the basis upon which costs and revenues are derived from December 2010 to the end of the franchise.

2.10 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.

2.11 Non-Compliance Statements

2.11.1 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>		

2.11.2 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)

2.12 Secretary of State's Risk Assumptions (SSRAs)

At least one month before submission of the bid, Bidders will be invited to meet the DfT to discuss the 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.

2.13 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.

2.14 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.

2.15 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, PTEs, PTAs, Transport Scotland 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 changes to 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 ICEC 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.

2.16 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](#)".

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 Specification.

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.

2.17 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 07.00am the following morning.

2.18 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 ICEC 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 ICEC 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 ICEC 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 ICEC reletting process.

2.19 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 of 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 and any other Agreed Form Documents.

2.20 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).

2.21 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.

2.22 Synergies Between Bids

Bidders for different franchises, who share the same parent organisation, may be in a position to offer operational and cost synergies. 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 a Bidder incremental option should they wish.

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 ICEC 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 up until 31st March 2015 (seven years and 4 Reporting Periods) with the last 17 months conditional upon the Franchisee achieving contracted performance levels. Bidders should also price for the possible seven Reporting Periods extension that DfT may unilaterally require.

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 (SLC 1 and SLC 2) and the associated contract documents. The service specification within the Base Service Specification incorporates the following:

3.2.1 Service Level Commitment 1 (SLC 1)

From the start of the InterCity East Coast Franchise the level of service DfT requires to be operated is specified in SLC1. The May 2007 timetable reflects the contents of SLC 1. It should be assumed that the SLC 1 will run until the December 2010 Passenger Change Date, when SLC 2 will be introduced.

3.2.2 Service Level Commitment 2 (SLC 2)

Bidders are required to develop timetable proposals with suggested alterations taking into account the needs of stakeholders, the issue of connectivity between the Intercity East Coast and other major and local routes, and the possibility of a timetable that achieves a standard hour pattern for departures to and from London King's Cross. Proposals should be presented in accordance with Section 2.15 above relating to confidentiality.

This arrangement will be in situation in advance of Network Rail's Route Utilisation Strategy, which is due to be published for consultation in May or June 2007 (this is an indicative date). Bidders will be invited to attend Network Rail's ECML RUS Stakeholder Management Group to familiarise themselves with the issues and developing progress of the RUS during the run-in to the publication of the consultation document.

The key elements of SLC 2 should be assumed to be:

The words "Bidders must" indicate requirements that have to be met for a Bid to be compliant with the ITT. The words "Bidders may" indicate that some flexibility exists to enable Bidders to present innovative ideas. In some cases an indication is given of some of the factors that DfT will take into account in evaluating these aspects of the Bid.

Five long-distance passenger paths available in each off-peak hour to and from King's Cross; a sixth path is anticipated to be available for open access operation by non-franchised operators, assumed to be equivalent to the existing paths allocated by the ORR to Hull Trains and Grand Central Railway;

Bidders must provide five long-distance passenger paths to and from King's Cross in each hour between the morning and evening peak periods.

Bidders may provide fewer than five long-distance passenger paths to and from King's Cross in each hour before the morning peak and after the evening peak periods. DfT's evaluation of the Bidder's timetable for the hours before the morning peak and after the evening peak periods will include assessment of its consistency with predicted demand and of the level of change in service frequency and journey opportunities from those provided in the SLC1 timetable.

Bidders may provide more than five long-distance passenger paths to and from King's Cross in each hour between the morning and evening peak periods, but must bear the risk of doing so in the event that these additional paths are allocated to another franchise operation or to an open access operator.

Bidders must structure their timetables in a way which permits delivery of the current access rights of Hull Trains and Grand Central Railway but not necessarily their current train paths and must assume that those rights are modified to the extent necessary to enable them to be consistent with the availability of one open access path in each off-peak hour to and from Kings Cross.

Bidders must make their own assessment of the likelihood of future increases, decreases and other changes to the access rights held by open access operators. DfT's evaluation of the Bidder's timetable will include assessment of its impact on the continuation of current open access operations and mindful of any publicly-declared aspirations of current or potential open access operators.

The timetable will be based on standard calling patterns that will repeat in each hour of the service, except on peak services (where additional intermediate calls are likely to be necessary to ensure that loads are evenly spread), and on early and late trains when franchised service frequency may be reduced from the 5tph but first and last trains should be comparable to SLC 1; bidders will have freedom to flex the timetable vis a vis stopping patterns and journey times, but will be expected to demonstrate the operational robustness of doing so and should maintain a standard pattern with no diminution of quantum of station calls from that offered in SLC 1 with particular reference to existing commuter flows throughout the route;

Bidders must structure their timetables to deliver a broadly consistent pattern of service in each off-peak hour.

Bidders may include minor variations to the standard hour, e.g. to serve particular intermediate stations on alternate hours or to vary the ultimate destination of particular services. DfT's evaluation of the Bidder's timetable will include assessment of the likely impact of variations from the standard hour on passenger perception and timetabling of connecting and complementary services.

Bidders must provide a daily quantum of calls at each station on the core routes between King's Cross and Leeds / Edinburgh which is at least as large as that provided by the SLC1 timetable. For Grantham and Newark stations, bidders must provide a minimum of 1 stop per hour in each direction between the morning and evening peak periods.

Bidders may vary the distribution of calls at any station over the day. DfT's evaluation of the Bidder's timetable will include assessment of the suitability of the proposed calling pattern to cater for predicted demand, including volume of peak demand and specific point-to-point flows.

Of the five trains, four are expected to provide limited-stop fast services: two to York and beyond, and two to Leeds. The fifth train is designed to provide an hourly service calling at all intermediate stations between Peterborough and Doncaster; bidders must suggest suitable destinations for these paths that maximise the financial value;

Bidders must provide five trains per hour within their standard hour timetable, of which at least two trains per hour must serve Leeds and at least two trains per hour must serve York and beyond. Bidders must indicate their choice of destination for the fifth train and must demonstrate why they believe their chosen destination maximises financial value.

DfT expects that the fifth path will be used to provide calls at the intermediate stations between Peterborough and Doncaster, but Bidders may offer an alternative service pattern, including a service pattern where the fifth train does not serve the entire route between Peterborough and Doncaster, if they can demonstrate that this will be operationally robust and will provide better financial value. DfT's evaluation of the Bidder's timetable will include assessment of the suitability of the proposed timetable to cater for predicted demand, including volume of peak demand and specific point-to-point flows, to deliver attractive journey times and to maximise financial value.

A 'headline' journey time between King's Cross and Leeds of 2h 00m, and between King's Cross and York of 1h 45m, is required;

Bidders must provide at least one train in each direction that delivers these headline journey times. It is DfT's intention that the standard off-peak service should deliver the headline journey times once per hour in each direction and if a Bidder chooses to offer longer standard off-peak journey times, it must present a persuasive argument as to why the longer journey times would deliver better financial value.

A requirement to continue with the existing peak service to/from Hull;

Bidders must include services to/from Hull which are similar to the current 0700 Hull - King's Cross and 1720 King's Cross - Hull. Bidders must provide the current intermediate calls between Doncaster and Hull.

Bidders may vary the arrival and departure times at King's Cross and may vary the intermediate calls between King's Cross and Doncaster. DfT's evaluation of the Bidder's timetable will include assessment of the suitability of the proposed train paths to cater for predicted demand and to deliver attractive journey times and attractive arrival / departure times at King's Cross.

Provision should be made for two freight trains per hour between Peterborough and Doncaster to cater for predicted levels of freight traffic, including container traffic to/from Felixstowe.

Bidders must structure their standard off-peak timetable to permit the operation of two freight trains per hour in each direction between Peterborough and Doncaster, suitable for a Class 66 locomotive + 1600 tonnes trailing load with a maximum speed of 75 mph.

Bidders may assume that any 60mph freight trains can operate in the early morning or evening, and freight trains can be looped and overtaken in accordance with current practice. DfT's evaluation of the Bidder's timetable will include assessment of the impact on journey times of freight trains.

The level of services to Glasgow Central, Inverness, Aberdeen, Bradford Forster Square, Skipton and Harrogate should be assumed to be similar to that offered in SLC 1.

Bidders must provide the same quantum of services to / from these locations and to / from intermediate stations beyond Leeds and Edinburgh as is provided in SLC1.

Bidders may vary the times of these services. DfT's evaluation of the Bidder's timetable will include assessment of the suitability of the proposed train paths to cater for predicted demand and to deliver attractive journey times and attractive arrival / departure times at King's Cross and other main ECML locations.

Six trains per hour are expected to arrive/depart Kings Cross in each of the two peak periods.

Bidders must provide, in their base proposals, a peak timetable comprising of at least 6 trains per hour arriving at King's Cross in each of the two morning peak hours and departing from King's Cross in each of the two evening peak hours. It should be assumed that this quantum includes existing open access operator paths, i.e. Hull Trains arrival at 0918 and departure at 1850. Bidders must demonstrate that their proposed timetable is broadly compatible with the FCC 'Cambridge Capacity Study' timetable available in the data room and with the current access rights of open access operators, though it is not necessary for Bidders to demonstrate full resolution of all individual timetabling conflicts. Bidders must assume that any remaining peak capacity is available for allocation to other operators (franchised or otherwise) in accordance with normal industry processes and should make their own assessment of the likelihood and impact of additional open access operations in the peak hours.

It should be assumed that this level of off-peak service can be offered on six days a week, with the aspiration to move from today's quantum towards a similar offer on Sunday afternoons. The level of Sunday morning service should be assumed to be similar to that offered in the current timetable. Bidders will be required to work with Network Rail to produce an engineering access plan that seeks to deliver this aspiration, and to improve the alternative travelling arrangements during engineering possessions. In particular, greater consideration should be given to diversionary routes rather than bus replacement services.

Bidders must provide a consistent off-peak service 6 days per week or must provide a persuasive argument as to why an alternative pattern of service on Saturdays is appropriate. Bidders are not required to provide additional peak services on Saturdays though such services may be included if the Bidder believes that such services would add financial value to the Bid.

Bidders must identify the extent of change required to the current engineering access plan to enable their proposed Sunday timetable to operate, together with details of any discussions with Network Rail regarding implementation of that change.

Bidders must assume that the peak hours relate to the hours 0800 – 0859 and 0900 – 0959 (morning peak period), and 1700 – 1759 and 1800 – 1859 (evening peak period).

3.3 Track Access Agreements

The Track Access Agreement for the InterCity East Coast is not due to expire until December 2011. DfT expects the current track access agreement to roll forward into the new franchise. The role of the Franchisee with regards to this Track Access Agreement will be:

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

3.4 Open Access Operations

Bidders should be aware of previous statements in relation to Open Access Operators, and should consider discussing such issues with Network Rail and the Office of Rail Regulation.

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.

The DfT demand forecasting methodology for background growth uses standard rail industry models. In particular, Passenger Demand Forecasting Handbook (PDFH) version 4.1 is adopted although version 4.0 is used to determine the influence of fare levels. Passenger demand and revenue data is sourced from LENNON, and base year demand is corroborated with the Management Accounts submitted by the incumbent operator.

Bidders' attention is drawn to these demand drivers for exogenous growth, and note the recent population, employment and economic growth within the franchise area. They should also note the forecasts for these variables (and others) in relation to the period of the new franchise.

DfT recognise that bidders will develop their own exogenous growth forecasts, but should be aware of the approach adopted by DfT.

3.5.2 Crowding

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 and products.
- additional services (subject to the appropriate infrastructure capacity).

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 InterCity East Coast Franchise along the lines of the former 'Passengers In Excess of Capacity' (PIXC) regime. However the Franchisee should take into account the DfT's guideline that no passenger should stand for more than 20 minutes. In particular, bidders should consider how they would tackle the known pressures on capacity at certain times of the day and week.

The Franchisee will be expected to formulate its Train Plan accordingly, and provide an annual Crowding Plan as to how they will alleviate crowding. An initial Crowding Plan should be submitted as part of the bid documentation.

3.5.3 Load Management Data

The DfT requires monitoring of train loadings across all days of the week and times of the day such that a statistically significant sample of data for all services can be obtained and supplied to the DfT in an efficient manner. DfT requires this data to be provided in electronic form each period in an agreed format. 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 InterCity East Coast 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.

3.6.2 Lead Operator

The InterCity East Coast franchisee will be the lead operator for flows which the current franchisee has responsibility for.

3.6.3 Ticketing Technology

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

Bidders' Delivery Plans for the Ticket Sales and Revenue Protection criterion should include proposals to meet the objective of at least 50% of Passenger Journeys being made using Integrated Transport Smartcard Organisation (ITSO) Certified Smartcards by the end of the franchise. Subsequent Updated Business Plans should review progress against the achievement of this objective.

The DfT recognises that progress in adoption of smart ticketing for certain InterCity East Coast routes will be linked to the speed of adoption by neighbouring franchise operators. Accordingly, plans to achieve the 50% objective, which will not be contracted, may be contingent on the adoption

of ITSO Certified Smartcards by neighbouring franchises. In addition, it is recognised that the development works being undertaken at King's Cross may delay full implementation.

Achievement of the following milestones will be contracted and should not be contingent on the adoption of ITSO Certified Smartcards by neighbouring franchises:

- The Franchisee will be required to commence the introduction of ITSO compliant ticketing in the Franchise area no later than January 2010.

* 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).

ITSO Smartcards are designed to allow full flexibility in fares structures and ticketing options, which should be exploited by the Bidders, subject to the existing regulatory regimes. Bidders will be expected to accept valid ITSO Smartcard products on any valid ITSO Customer Media, in accordance with the ITSO Operating Licence.

3.7 Rolling Stock

Bidders will be expected to demonstrate how to make best use of the existing InterCity East Coast rolling stock fleets, efficiently and effectively, taking account of the extensive range of fleet maintenance services and stabling facilities available within the franchise area.

3.7.1 Existing Fleet

Details of the numbers and classes of rolling stock currently utilised by the incumbent TOC has been placed in the Data Site. Additional rolling stock has been procured in order to enable the incumbent TOC to operate the Leeds half hourly service ready for May 2007.

3.7.2 Changes to Fleet

DfT is prepared to consider the use of alternative classes of vehicles for the InterCity East Coast Franchise and Bidders must develop their own fleet strategies in relation to total fleet size, disposition, and allocation to routes, availability of spares and other considerations.

All Rolling Stock leases relating to the Great North Eastern Railway (GNER) fleet will wholly transfer to the successor operator at the end of the GNER franchise. The current contractual arrangements, including the refurbishment work will be unaffected by the transfer.

3.7.3 Changes to Rolling Stock Leasing Arrangements

Following the White Paper published in 2004, 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.

The DfT made a reference to the ORR under the Enterprise Act (the “**Referral**”). The ORR reported back on 29th November 2006 (ref: ‘The Leasing Of Rolling Stock For Franchised Passenger

Services'). DfT has provided a response to the ORR who will be publishing a formal response to the collected feedback in April 2007.

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 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 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 DfT.

3.8 Depots and Train Maintenance

3.8.1 Train Maintenance Depots

Bidders should be aware of the extensive range of fleet maintenance, servicing and stabling locations that the incumbent TOC currently uses. The maintenance of the existing rolling stock is currently undertaken at the locations shown below:

Location
Aberdeen (Clayhills)
Edinburgh(Craighentenny)
London (Bounds Green)
London (Ferme Park)
Newcastle (Heaton)
Leeds (Neville Hill)
Glasgow (Polmadie)

Bidders should prepare a depot strategy that addresses the efficient and cost effective use of the resources available.

3.8.2 Traincrew Depots

Traincrew depots are currently situated at Aberdeen, Doncaster, Edinburgh, Glasgow, Leeds, London King's Cross and Newcastle.

3.9 Public Consultation: December 2010 timetable

The Franchisee will be required to consult publicly on the detail of the SLC2 timetable in advance of its approval. DfT will provide a framework of guidance for this process. 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 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.

Bidders must work towards achieving at least 87.8% PPM (MAA) by January 2010 and no more than 0.5% cancellations by the end of the franchise. The DfT expects bidders to work with industry parties to further improve PPM throughout the duration of the franchise beyond 2010.

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

3.10.2 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.

3.10.3 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 operator
- A 4.75% linear improvement year on year for the franchise term is required.
- The improvement plan, Breach and Default have been set 7.5%, 15% and 20% less challenging respectively than the Target figure, and this absolute difference applied throughout the franchise term.
- All benchmarks have been rounded to the nearest 10 delay minutes

3.10.4 TOC-on TOC

Bidders will be expected to work with Network Rail and other TOCs in reducing the impact on TOC on TOC delays by formulating performance improvement plans which should be detailed in their bids.

Bidders are encouraged to form Joint performance groups working closely with Network Rail and other TOCs which use the ECML.

3.10.5 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 Centralised Operational Performance system (COPS). PEARS deemed minutes have been used to identify the split in Cancellations between the TOC and other parties (NR and TOC on TOC). The starting target is based on current performance levels. The benchmarks are set to give a 7.75% linear improvement year on year over the term 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, and this absolute difference applied throughout the Franchise term. All the benchmarks have been rounded to 2 decimal places.

3.10.6 Capacity

There is no target in the current franchise and there will be no assumed target going forward.

3.11 Stations and Access

3.11.1 Stations

The new Franchisee will be the Station Facility Owner (SFO) for 12 stations. There are a further 37 stations that the ICEC operator will serve - these are managed by a mix of TOCs and Network Rail. More information can be found in the Data Site.

Network Rail has discussed a potential change in responsibility for some stations with a view to them becoming Network Rail “managed stations”. Bidders will be required to submit a priced option to reflect this possible change.

* 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).

3.11.2 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

Details of station car parks and their occupancy levels will be provided in the Data Room. Pressure on space to park cars is recognised as a constraint to the potential to grow passenger numbers on the railway. 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.

Attention is drawn to stakeholder concern over the level of car parking charges, and bidders must identify the approach they propose to address this issue.

Bidders should consider the specific issues relating to the car parks at Grantham and Newark, and seek clarification from Network Rail on the ownership and potential use of the land that Sea Containers currently occupies.

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 station list will be extended over the course of the Franchise Term and may include parts of the InterCity East Coast Franchise area 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 InterCity East Coast 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.

Currently lifts are being provided at three existing InterCity East Coast stations (Grantham, Newark and Durham).

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 for each Franchisee Year. 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 ensure that all stations where it acts as the Station Facility Owner (SFO) receive or retain Secure Station Accreditation (SSA).

3.12.2 Operational Practices

Bidders must 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 providing an enhanced presence to passengers, checking tickets and providing service information.

3.12.3 On Train Security

The InterCity East Coast 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.

The Department expects bidders for this franchise to set out plans for measuring and reducing the environmental impact of their rail activities. Environmental performance is being given additional prominence in the evaluation phase and will form one of the specific operating criteria that must be addressed.

In particular, we expect bidders to set targets for improving the environmental performance of the franchise, including for energy efficiency, recycling, emissions of air quality pollutants, noise, water consumption and other environmental impacts. Bidders must explain how they will measure environmental performance and monitor and report progress towards the targets they set.

More specifically, bidders must explain how they will:

- Introduce a systematic approach to environmental management within the operation of the franchise. This could, for example, be through accreditation to the ISO 14001 environmental management system standard;
- Reduce the environmental impacts of rolling stock operation (noise, air quality and carbon emissions etc) including, for example, through improved maintenance and operational practices and training drivers on energy efficiency driving techniques;
- Improve the sustainability of stations, offices, car parks and depots including through the use of renewable or low carbon sources of heat and power, energy efficient lighting, improved insulation and more intelligent control of lighting, heating and electrical systems;
- Train and educate staff about environmental and sustainability issues and the actions that they can take in their day-to-day work to improve the overall environmental performance of the franchise;
- Provide facilities for recycling plastics, paper, glass and metal, oil and other materials and ensure their effective use so as to reduce overall levels of waste generated from operating the franchise;
- Facilitate access to stations by more sustainable modes, in particular cycling, walking and public transport in order to reduce the overall environmental impact of journeys;

- Encourage a transfer to rail from less environmentally sustainable modes and reduce the environmental impact of franchise staff travel (for example by developing a staff travel plan);
- Cut waste and reduce resource consumption (including water);
- Draw on environmental and sustainability best practice from within the rail industry and from other industry sectors and encourage innovative thinking from staff running the franchise; and
- Implement a sustainable procurement policy so as to reduce the environmental impact of goods and services procured to support franchise operation.

In addition, the successful bidder will be required to have an Environmental Manager in place for the start of the franchise who will be responsible for championing and co-ordinating environmental activity within the franchise.

The successful bidder will conduct an environmental audit of their operations within the first 3 months of the franchise start date and every year thereafter. The results of the audit will be reported to the Department along with an action plan for taking remedial action where required and the information set out below.

Information to be reported to DfT

Within 1 period of the last day of each reporting year, the franchise operator shall provide to the Department an environmental report in respect of that reporting year. This shall include the information described below and any other information reasonably requested by the Department:

- a)
- i) Passenger kilometres, number of passenger journeys and unit kilometres by route;
 - ii) Estimates of NO_x, PM₁₀ and SO₂ emissions in terms of both tonnes and per passenger kilometre;
 - iii) CO₂ emissions expressed in tonnes and per passenger kilometre;
 - iv) Energy consumption split by traction and non-traction and by source (grid electricity, gas, diesel and on-site renewable/CHP);
 - v) Number of noise related complaints;
 - vi) Quantity of commercial and industrial waste and percentage recycled;
 - vii) Tonnes of hazardous solid waste, litres of hazardous liquid waste and percentage recycled;
 - viii) Number of pollution spill incidents to land or water caused by the franchise operator ie: excluding infrastructure;
 - ix) Cubic metres of water consumed including percentages captured from rainwater harvesting or from recycling.
- b) a description of initiatives implemented or proposed by the franchise operator that concern use of sustainable energy, attempt to minimise environmental pollution of all types and encourage

recycling and litter management so as to ensure that the development of the transport system contributes to a better environment, protects the natural environment and supports bio-diversity; and

- c) a summary of how such initiatives are being progressed, developed and/or implemented and the impact once implemented.

The successful bidder will also be obliged to co-operate with the Department on future environmental initiatives, for example through the fitment of energy meters to rolling stock.

Bidders will be required to indicate the measures that would be offered as committed obligations, but the Department would expect to see year-on-year reductions in various measures (including carbon emissions) from the time that they take over the franchise as part of this list.

Attention is drawn to the need to address the quality of the retention tanks on Mk4 coaches and concerns over their ability to prevent spillage.

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 Catering Services

Bidders are required to formulate their views on the catering strategy they propose for the new franchise. Bidders should note that this represents a highly contentious aspect of the current business from stakeholders.

The DfT expects to see a clear plan submitted explaining their approach to the catering service, and how it would be deployed.

3.14.3 National Passenger Survey

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

3.14.4 Passengers' Charter

The Department has decided to formally adopt the policy of Delay/Repay for all franchise replacements, including those in progress.

This system applies to all passengers – those with single, return and weekly season tickets and also season tickets valid between 1 month and 1 year.

There will be a transition period between the discount arrangements for season tickets valid between 1 month and 1 year under the current Charter and Delay/Repay under the new Charter. Passengers with these season tickets would move onto Delay/Repay after the first renewal under the new Charter.

The Delay/Repay specification is outlined below:

Length of delay to journey	Compensation	For season tickets,
30-59 minutes	50% single fare	calculated using
60-119 minutes	100% single fare	proportional daily
120 minutes+ (new)	100% return fare (return tickets)	cost of ticket

With a franchise start date of 9 December 2007, the following transitional arrangements would apply:

A monthly season ticket purchased on 8 December 2007 could be renewed up to 28 days after 7 January 2008 (i.e. 4 February 2008) and receive a discount. Delay/Repay would apply to this monthly season ticket from 4 February 2008.

An annual season ticket purchased on 8 December 2007 could be renewed up to 28 days after 7 December 2008, (i.e. 4 January 2009) and receive a discount. Delay/Repay would apply to this season ticket from 4 January 2009. This would be the end of the transition period.

There will therefore be a long period of transition to Delay Repay for season ticket holders, but the number of season tickets involved will decline progressively throughout 2008.

There will be no exclusions for delays whatever their cause. In the event that an emergency timetable is introduced, for compensation purposes performance would be measured against that emergency timetable.

Should a period of sustained poor peak performance be experienced, there will be a requirement to consider compensating season ticket holders over and above the arrangements outlined above. In doing so, Passenger Focus and London TravelWatch must be consulted.

The Department requires each bidder to provide a table with two entries indicating the year by year affect on revenue and premia.

3.15 Franchise Management

3.15.1 Committed Projects

Kings Cross Station Developments

It is proposed to carry out a comprehensive redevelopment of King's Cross Main line station. This will have a significant effect on the management of the Franchise in terms of operations whilst the work is taking place along with benefits once the work has been completed. The new franchisee will be expected to cooperate with Network Rail and other stakeholders in implementing the project.

Bidders are required to provide a "King's Cross Station Development Quote" that will be used to enable Network Rail and the successful bidder to enter into discussions over the price of the works currently specified by Network Rail and included in the Data Room. Bidders should provide the price for the various elements identified with an explanation of the basis upon which those figures have been generated. The Quote should be submitted separately to the Base Case, in a similar manner to the Priced Options, and described in Section 2.8 of the ITT.

For the avoidance of doubt, this Quote will not form part of the evaluation of the bids, nor is it to be regarded as a Priced Option. The purpose of the Quote is to enable informed discussions to take place between Network Rail and the successful bidder.

InterCity Express Programme (IEP)

It is required that the ICEC Operator shall provide Project Management support and technical advice to DfT throughout the development of the contract with the expected conclusion of the IEP Train Availability and Reliability Agreement (TARA) contract for the pre-series late 2009. More details are contained in a specification that is available in the Data Room.

3.15.2 Other Projects affecting ICEC 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
- Network Rail resignalling schemes
- RUS outputs
- InterCity Express Programme (IEP)
- Wakefield Westgate station

3.15.3 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 ICEC Franchise and may propose Incremental Options. Where Bidders choose to propose an Incremental Option the cost should be separately identifiable within the Financial Model.

3.15.4 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, DfT expects 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 East Coast Main Line has interfaces with a number of partnerships:

- The Poacher Line between Grantham and Skegness;
- The line between Bridlington and Scarborough; and,
- The Heritage Line partnership between Bishop Auckland and Darlington.

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.

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.

3.15.5 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 and co-operation with London 2012 Olympic Bid Team.

3.15.6 Co-operation with key stakeholders

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

3.15.7 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.

3.15.8 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 9 December 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 InterCity East Coast Franchise.

The DfT expects a working group to be established including, the Franchisee, the incumbent TOC 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 InterCity East Coast 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 InterCity East Coast Franchise.

3.16.4 Employees

3.16.4.1 Transfer of Undertakings (Protection of Employment)

Bidders should assume that the transfer of the InterCity East Coast 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).

3.16.4.2 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 the active, retired and deferred members of the current Great North Eastern Section of the Railways Pension Scheme (RPS).

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.

3.16.5 Operational and regulatory requirements

3.16.5.1 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 InterCity East Coast Franchise as a condition precedent to the commencement of the InterCity East Coast Franchise. The Franchisee shall be responsible for maintaining the Safety Certificate for the term of the InterCity East Coast 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://www.railreg.gov.uk/Regulation & certification - : Office of Rail Regulation](http://www.railreg.gov.uk/Regulation%20&%20certification-%20-%20Office%20of%20Rail%20Regulation)

3.16.5.2 Licensing

As a condition precedent for the start of the InterCity East Coast 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/>

3.16.5.3 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.

3.16.6 Access

3.16.6.1 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.

3.16.6.2 Track Access Agreement

The current Track Access Agreement held by the incumbent TOC, is 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 InterCity East Coast 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 eighteen 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 InterCity East Coast 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 eighteen 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 seventeen 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 InterCity East Coast 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	<ul style="list-style-type: none"> Corporate structure Business planning Approach to Quality management inc SQMS Interface with major projects Stakeholder management Community Rail Olympics 2012
Human Resources & Staffing	<ul style="list-style-type: none"> 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
Mobilisation	<ul style="list-style-type: none"> 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
Ticket Sales & Revenue Protection	<ul style="list-style-type: none"> Ticket vending machines Ticket office systems ITSO/smartcards On train sales On-line sales Other sales outlets Monitoring and assessment of service levels Improvement plans New sales channels

Title	Components
	Collaboration with other parties Revenue protection Revenue protection resources and training
Fares	Fares structure Premium & standard fares Off peak fares Concessionary fares Multi modal schemes and fares Fares basket management Customer fares information
Market Development	Market position and offer Market analysis and exogenous growth Competition from other rail operators Competition from air services Marketing plans
Customer Services	Customer services organisation structure Complaints handling policy and process Passenger Charter information provision Compensation & refunds policy and process Customer information initiatives Process of reviewing and revising customer targets Communicating targets to customers
Rolling Stock	Rolling stock approach, including fleet deployment & fallback plans Fleet improvement programmes Cost assumptions including traction costs Management and quality principles External projects
Depots & Train Maintenance	Depot & maintenance approach & policy overview Arrangements & facilities at depots & stabling locations Outsource service and maintenance arrangements (if applicable) Fleet preventative maintenance arrangements Reactive maintenance (depot and line of route) Fleet utilisation Quality systems Supply chain and spares management Staff utilisation, training and management Train cleaning procedures Train presentation standards Timescales for repairs Checking and monitoring
Train Planning	Timetable planning Timetables Connectivity and interchange Journey time changes Compliance with SLCs Fit with timetable constraints Train plans Unit diagrams including stabling

Title	Components
	Rostering approach & systems, including indicative staff diagrams Spare cover / utilisation levels for staff Driving standards management, including management of route and traction knowledge Compliance with NR standards Managing effects of engineering access
Service Control & Recovery	Train reporting Control centre arrangements Systems Network Rail interface Contingency planning, including plans for severe weather and leaf fall Emergency engineering access and network restrictions Other service and station disruption risks Rescue capability
Performance Improvement	Data collection & analysis Use of benchmarks (All) Performance initiatives JPIP development process Network Rail interface
On-Board Customer Service	On train catering Other on board services On-train information On-train staffing Service quality standards
Station Management	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 Provisions for cycles DDA-related initiatives
Station Enhancement	Station enhancement and investment Timescales and upgrades Transport integration initiatives Car park upgrades New car parks
Security	Station security On-train security Depots & sidings security Car park security Security of staff Security of customers Trespass and vandalism

Title	Components
	Security accreditation 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
Environmental Management	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 Depot & fleet management Interface with Network Rail
Demand and Capacity Management	Crowding Data Capture Crowding Policy Demand Management

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	■		■
Mobilisation	■		■
Ticket Sales & Revenue Protection	■	■	■
Fares	■	■	■
Market Development	■	■	■
Customer Services	■		■
Rolling Stock	■		■
Depots & Train Maintenance	■	■	■
Train Planning	■	■	■
On-Board Customer Service	■	■	■
Service Control & Recovery	■		■
Performance Improvement	■	■	■
Station Management	■	■	■
Station Enhancement	■	■	■
Security	■		■
Environment	■		■
Demand&Capacity Management	■	■	■

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 9 December 2007 (start of rail period 10 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 to the Franchise Agreement); and
- Franchise Payments (as set out in Appendix 8 to the Franchise Agreement).

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 and the Annual Franchise Payments 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 G (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

allowed, 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 ICEC Franchise commences (i.e. 2005/6 to 9 December 2007), part years and 7 period extensions laid out in the Financial Templates; and
- to allow units, indices and other useful modelling 'flags' to be included in the columns to the left of the first forecast year.

It is not acceptable to break the best practice conventions to allow for other factors.

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 show clearly the demand forecasting input assumptions, demand forecasting elasticities and their impact on demand and revenue. This should include, but not be limited to, such factors as:
 - macro-economic factors, including competition with air services and cars (disaggregated into individual factors where appropriate);
 - timetable changes;
 - real fare increases;
 - performance improvements;
 - marketing;
 - revenue protection initiatives;
 - revenue / yield management initiatives;
 - crowding; and

- other investments or initiatives (such as station or rolling stock improvements);

The demand and revenue model should explicitly disaggregate the revenue effects associated with the relevant Operating Criteria listed in Table 4-2 in Section 4.

- An “Other Revenue” model, providing forecasts and associated underlying assumptions of other income sources affected by franchise operation plans, such as catering and car parking revenue.
- 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 lateness, attribution of average minutes lateness 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 5.7).

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).

5.2.3 Sensitivities

The Models must be flexible, capable of supporting sensitivity analyses and incorporate 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:

Total revenue	Percentage in a given Franchisee Year, absolute number and compounding percentage basis over the Franchise Term
Total operating costs	Percentage in a given Franchisee Year, absolute number and compounding percentage basis over the Franchise Term
Taxation rates	Percentage change in rate in any Franchisee Year
Interest rates	Percentage change in rate in any Franchisee Year
RPI	Percentage change in index in any Franchisee Year
AEI	Percentage change in index in Franchisee 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.

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 and the Annual Franchise Payments 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.

5.3 Generic Bidding Assumptions

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

- the Franchise will commence on 9 December 2007;
- the ICEC Franchise financial year commences on 1 April of each year;
- 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 each 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.
- 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 1 April 2008 and annually thereafter. (Bidders should adopt their own RPI and AEI assumptions prior to then and such assumptions should be clearly stated);
- a 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 (9 December 2007);
- for the purposes of calculating net present values, Bidders should assume the following timings for cashflows:
 - 3 February 2008 for the part year 9 December 2007 to 31 March 2008;
 - mid-year cashflows (30 September) for full Franchisee years (1 April – 31 March), and
- 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
- for calculating Franchise Payments the methodology 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 and 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 or 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 – in Attachment G). Part year periods will be disclosed at the start of the franchise (from 9 December 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 if submitted) 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 in the Templates 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 (real 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 ICEC Franchise runs part year from 9 December 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
LENNON 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 are 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 should 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 individual formula is not checked);

- **Integrity** of financial statements (e.g. 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 (e.g. 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
- For robustness purposes 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 AND INCREMENTAL 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.

The Priced Options are:

- the cost of installing GSM-R equipment in all rolling stock;
- the value of continuing with the SLC 1 timetable throughout the franchise period – this provides a fall-back should the recommendations from the RUS prove difficult to implement;
- the requirement to act as the sponsor of the train acceptance programme leading to the full fleet of pre-series trains being in passenger traffic by May 2012 at the latest;
- the effect of operating additional peak period trains in SLC2; and,
- the transfer of Doncaster, Newcastle, York and Peterborough stations to Network Rail for them to operate as “managed stations”.

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.

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 InterCity East Coast 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 ROSCO 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 Continuation of SLC 1 timetable throughout the franchise period

The Base Service Specification assumes that from December 2010 the emerging recommendations from Network Rail's East Coast Main Line RUS will be reflected in the timetable. However, it is recognised that this may not materialise in the way expected, and therefore the DfT is keen for bidders to provide a price for the continuation of SLC 1 for the duration of the franchise period.

6.1.4 Sponsor the Train Acceptance Programme for IEP and Operate Pre-Series Trains

The ICEC Operator will be required to be the sponsor of the train acceptance programme leading to the full fleet of pre series trains being in passenger traffic by May 2012 at the latest. This will include the facilitation and delivery of changes to maintenance and servicing facilities, train crew, station and technical staff training etc.

More details are available from the supporting IEP documentation available in the Data Room.

6.1.5 Additional Peak Period Trains in SLC 2

Bidders must also provide two priced options relating to peak operations:

a) One priced option for a peak timetable which assumes, for the purposes of the bidding exercise, that the additional peak period paths over and above the base case proposals needed to make a total of eight paths in each hour of each peak period are provided by another franchised operator. It should also be assumed that these trains provide half-hourly services between Newark and King's Cross calling at Grantham, Peterborough, Hitchin and Stevenage; alternate trains extend to Doncaster. Bidders may limit their analysis to an evaluation of the financial and crowding impacts of these additional peak trains and need not attempt to produce a conflict-free timetable containing the additional paths.

b) A second priced option for a peak timetable with 8 trains per hour arriving at King's Cross in each of the two morning peak hours and departing from King's Cross in each of the two evening peak hours. It should be assumed that this quantum includes existing open access operator paths, i.e. Hull Trains arrival at 0918 and departure at 1850. Bidders must identify the extent of change required to the FCC "Cambridge Capacity Study" timetable and/or the access rights of open access operators, recognising that any reduction in the *quantum* of FCC services or open access services is unlikely to be acceptable. Bidders must state the minimum number of platforms at King's Cross that would be required to operate their proposed peak service and identify the remaining platforming capacity which would be available for the operation of 12-car FCC peak services using the main train-shed at King's Cross.

6.1.6 Transfer of Doncaster, Newcastle, Peterborough and York stations to Network Rail

Bidders are required to submit a proposal that sets out the impact of the stations of Doncaster, Newcastle, Peterborough and York stations being transferred to Network Rail to become “Managed Stations”. The operation of these stations would follow a model similar to that currently employed at other major stations for which Network Rail acts in this capacity.

Bidders should consider the cost implications relative to their Base Case of such a transfer of stations, and provide the evidence for each station as well as the collective impact.

SECTION 7: FURTHER INFORMATION

7.1 Introduction

This Section references the more obvious projects that may impact on the InterCity East Coast 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 Coast 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 (IEP) 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. IEP is being led by the DfT.

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

7.3 Thameslink

The Franchisee will be expected to act co-operatively and constructively in order to facilitate the introduction, implementation and completion of the Thameslink Programme, including working constructively and co-operatively with all third parties involved in the Thameslink Programme. This co-operation shall include, without limitation, participation in working groups established to monitor and facilitate progress of the Thameslink Programme.

7.4 Kings Cross Development

It is proposed to carry out a comprehensive redevelopment of King's Cross Main line station. This will have a significant effect on the management of the Franchise in terms of operations whilst the work is taking place along with benefits once the work has been completed. The new franchisee will be expected to cooperate with Network Rail and other stakeholders in implementing the project.

* 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).

7.5 European Rail Traffic Management System

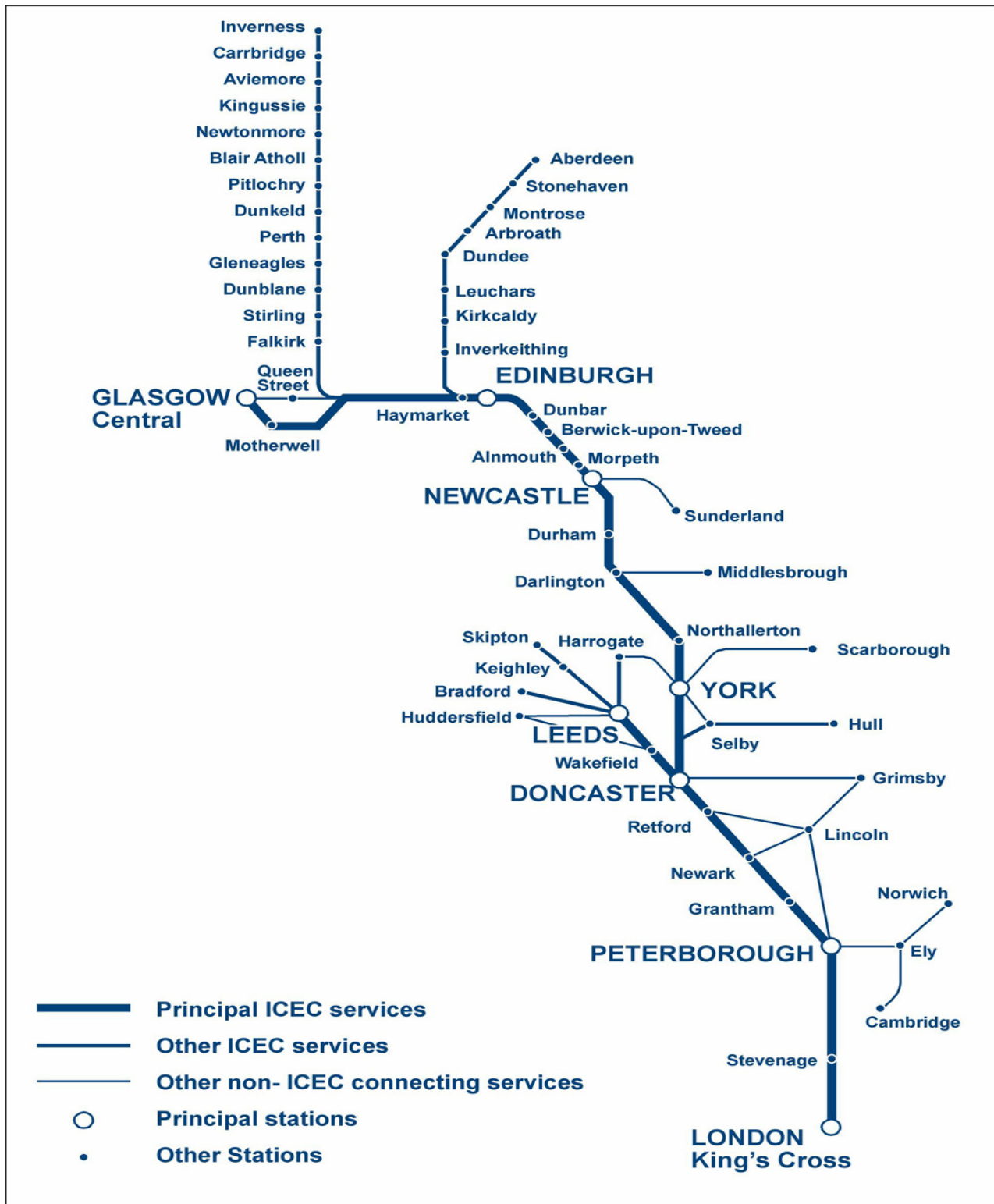
Network Rail is leading the cross-industry programme addressing the scale and pace of the introduction of the European Rail Traffic Management System (ERTMS) within the UK. The

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.

APPENDIX 1: Map of InterCity East Coast 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

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