



Department
for Transport

Thameslink, Southern and Great Northern Franchise

Invitation to Tender

September 2013

This document is embargoed until 26 September 2013

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ITT ATTACHMENTS

- A TSGN FRANCHISE TRAIN SERVICE REQUIREMENT
- B TSGN FRANCHISE AGREEMENT
- C CONDITIONS PRECEDENT AGREEMENT
- D FUNDING AGREEMENT

- E TSGN STAKEHOLDER BRIEFING DOCUMENT
- F TSGN FRANCHISE FINANCIAL MODEL TEMPLATES
- G FORM OF TENDER

1. Section 1: Introduction

1.1 Introduction

This invitation to tender, its appendices, all documents issued with and in connection with it and all clarification questions and responses relevant thereto (together the “**ITT**”) is issued by the Department for Transport (the “**Department**”) pursuant to the functions of the Secretary of State for Transport (the “**Secretary of State**”) under the Railways Act 1993 and the Railways Act 2005, as amended. All references in this document to the Department, Network Rail or the Office of Rail Regulation (“**ORR**”) include, where appropriate and unless the context otherwise requires, references to those bodies’ predecessors and successors. References in this document to a “**Bidder**” means those entities who are defined as Applicants pursuant to a franchise letting process agreement (“**Franchise Letting Process Agreement**” or “**FLPA**”), except where the context otherwise requires.

1.2 Form of Contract

This ITT invites tenders from Bidders in respect of a Part B services contract (as that term is defined in the Public Contracts Regulations 2006 (as amended)), which will be awarded on the basis of the most economically advantageous tender, determined in accordance with the evaluation criteria and methodology specified in **Section 7** (Evaluation Criteria and Methodology).

1.3 Exceeding the Department’s Requirements

The Department is seeking ambitious and innovative Bids. The competition evaluates and values quality and, by offering Bidders the opportunity to exceed the Department’s minimum requirements in all areas, leaves Bidders to identify how to deliver the Department’s requirements for the Thameslink, Southern and Great Northern (“**TSGN**”) franchise set out in this ITT. The Department seeks Bids that demonstrate the intention to innovate technically, operationally and through novel business models and the industry’s sustainability principles over the life of the franchise. The Rail Technical Strategy describes opportunities from cross-system innovation and the collaborative working that this implies.

1.4 Communications

Save to the extent otherwise provided in this ITT or agreed in advance with the Department and without prejudice to the provisions of **paragraph 3.11** (Bidder Clarification Questions), Bidders will ensure that communications from or on behalf of Bidders and their Affiliates with the Secretary of State and/or the Department in respect of this ITT and the TSGN franchise are made through AWARD (as described further in **paragraph 3.11** (Bidder Clarification Questions)) or by email to the Project Director or his nominee. No other methods of communication are permitted unless agreed with the Department in advance. For the purpose of this ITT, “**Affiliates**” shall have the meaning given in the Franchise Letting Process Agreement between the Bidder and the Secretary of State in respect of the TSGN Franchise Agreement.

1.5 Structure of this ITT

This ITT provides:

- the scope, context, background and objectives of the TSGN franchise (**Section 2** (Scope, Context, Background and Objectives));
- information and instructions to Bidders (including instructions on how to access the detailed information available regarding the TSGN franchise and the processes for enquiries, communications, amendments and clarifications to the ITT during the Bid period) (**Section 3** (Information and Instructions to Bidders));
- an explanation of the requirements for Bid submission (including the number, type, format, content and procedure and timetable for submission of Bids) and of the expected process following Bid submission (**Section 4** (Explanation of Requirements for Bid Submission and Overview of Process following Bid Submission));
- detailed Bid submission requirements – Delivery Plans (**Section 5** (Detailed Bid Submission Requirements – Delivery Plans));
- detailed Bid submission requirements – Financial (**Section 6** (Detailed Bid Submission Requirements – Financial)); and
- the evaluation criteria and methodology to be applied to the Bids that are received (**Section 7** (Evaluation Criteria and Methodology)).

1.6 Other documents

For the purpose of the TSGN franchise competition, this ITT supersedes the Department’s document “The Franchise Competition Guide” published on 25 June 2013. In the event of any inconsistency between that document and this ITT, the terms of this ITT will prevail.

1.7 Franchise Letting Process Agreement

This ITT should be read in conjunction with the Franchise Letting Process Agreement which, without limiting any aspect of this ITT, shall continue in full force and effect. Bidders are expected to ensure that they and their Affiliates comply with that Franchise Letting Process Agreement in every aspect in submitting their Bid and in the Bid which is submitted.

1.8 Commencement of the TSGN Franchise

The Department’s aim is for the new TSGN franchise to commence operations in respect of the current Thameslink and Great Northern services with effect from 0200 hours on 14 September 2014, with all Southern services being incorporated within the combined franchise from 0200 on 26 July 2015.

1.9 Updates and termination

The Department reserves the right from time to time in its sole discretion to issue updates and amendments to this ITT (including, without limitation, to alter the timetable or the process (including reverting to an earlier stage or adding an additional stage, to the process), to negotiate, to downselect or to alter any other requirement of this ITT or the franchise letting process) and/or to terminate the process.

2. Section 2: Scope, context, background and objectives

2.1 Scope of the TSGN franchise

The combined TSGN franchise will bring together all of the services currently operated by two franchisees: First Capital Connect (“**FCC**”) and Southern (including Gatwick Express) and include the operation of some services currently run by the Southeastern franchise and other services currently jointly operated by FCC and Southeastern.

The franchise will be responsible for planning and delivering rail services across Bedfordshire, Cambridgeshire, Greater London, Hampshire, Hertfordshire, Kent, Norfolk, Surrey and East and West Sussex. There will be a wide and diverse range of destinations served such as Bedford, Brighton, Cambridge, Chichester, Eastbourne, East Croydon, Gatwick Airport, Hastings, Horsham, King’s Lynn, Lewes, Littlehampton, Luton, Luton Airport, Maidstone, Peterborough, Portsmouth, St Albans, Stevenage and Welwyn Garden City.

Route diagrams of the current Thameslink and Great Northern services and Southern services are included as **Appendices 2B** (Route Diagram of the FCC Services) and **2C** (Route Diagram of Southern Services).

2.2 Background and Context for ITT

This ITT has been prepared following the Report of the Laidlaw Inquiry published in December 2012, the Brown Review of the Rail Franchising Programme published in January 2013 (“**Brown Review**”) and the Government’s response to the Brown Review published in July 2013. In summary, the following details have been included to incorporate recommendations from the Brown Review:

- the Bid submission requirements detailed in **Section 5** (Detailed Bid Submission Requirements – Delivery Plans) are now focused on the evidence needed to differentiate between Bidders and their proposed outcomes;
- elements of the Specification related to Bidder competence, standard industry processes or requirements already set out in the Franchise Signature Documents have been removed in order to streamline the ITT. As an example, before commencing franchise operation, the successful

Bidder will be required to obtain a Safety Certificate from the ORR, certifying its safety management system in order to ensure safe operation of the railway, but as this is a requirement of any franchise operator, this ITT simply requires assurance that the necessary licences and certificates will be secured;

- proposals and commitments included in a Bidder's Delivery Plans (“**Initiatives**”) are expected to be contracted, but as set out in **Section 4** (Explanation of Requirements for Bid Submission and Overview of Process following Bid Submission), there are now provisions to allow the Bidder to propose a financial commitment and specimen scheme which may be replaced with alternatives which achieve the same outcome but in a more efficient or better way, provided they are approved by the Department;
- the capital requirements for the franchise have been reviewed and are set out clearly in **Section 6** (Detailed Bid Submission Requirements – Financial) together with the bond backing required. This means that Bidders will be able to determine the capital requirements in advance of Bid submission;
- Bid evaluation, as set out in **Section 7** (Evaluation Criteria and Methodology), now explicitly takes into account the quality of Bids, in terms of their credibility in meeting the Specification, the benefits that will be delivered and their robustness and resilience. The scoring of each Delivery Plan is linked, in **Section 5** (Detailed Bid Submission Requirements – Delivery Plans), to the Specification;
- the Department is planning to award a “management contract” where farebox revenue risk resides with the Department; and
- Bid evaluation also includes a Financial Robustness Test as described in **Section 7** (Evaluation Criteria and Methodology).

A fuller explanation is provided in the Government's response to the Brown Review.

2.3 Vision and Opportunity

The combined franchise will be the largest UK rail franchise ever let. When all the services have been incorporated, it will have the greatest passenger numbers, the highest income and the most trains and staff of any franchise in the UK rail sector.

The Department is seeking to procure a Franchisee who will deliver the Department's objectives for the TSGN franchise (as set out in **paragraph 2.4** (The Department's Objectives for the TSGN Franchise)) including without limitation the delivery of improved passenger services on the routes outside the Core Thameslink Route as are comprised in the TSGN franchise. The geographic scale of the franchise and the output based specification offers the successful Franchisee the opportunity to offer customers enhanced journey opportunities and services, to propose innovative market led solutions to customer needs, enhance collaborative working with industry partners and stakeholders and grow franchise value during the life of the franchise.

The franchise serves London and a number of important regional centres, including Cambridge, Peterborough and Luton to the north of the region, and Brighton, Portsmouth and Southampton in the south. As a key commuter network, it will play a key role in connecting people with jobs across south-east England. Better connectivity will mean individuals can access a wider range of employment opportunities, while employers can tap into a wider pool of labour which will, along with the major investment in Crossrail, support the growing London and wider south-east economy.

The franchise will also provide and enhance direct rail links to Gatwick and Luton airports and St Pancras International, playing an important role in connecting London and the south east with destinations in Europe and beyond, so supporting the region's international competitiveness.

The Department also wishes to procure a partner to help drive the successful delivery and integration of the Thameslink programme. The Thameslink programme represents a nearly £6 billion investment in enhancing the capacity of the London rail network and passenger experience. The programme will improve services through the Core Thameslink Route (the section linking St Pancras, Farringdon, City Thameslink and Blackfriars stations) and provide more trains, increase route capacity and serve more destinations. Key Output 2, planned for delivery in December 2018, involves the provision of major infrastructure and capacity enhancement works at London Bridge, together with implementation of Automatic Train Operation through the Core Thameslink Route, which will allow for

more services, longer trains and more destinations. In preparation for completion of Key Output 2, new trains have been procured. The Franchisee will introduce these new trains into passenger service. The Thameslink programme will also deliver new and improved stations, along with new track and signalling and longer and more frequent trains. This will reduce overcrowding, enable better rail journeys and provide capacity for the future growth of the franchise.

The combined franchise has been limited to an initial period of seven years as it has a transitional purpose – to facilitate the successful delivery into operation of the new Thameslink infrastructure and systems and the new Thameslink rolling stock whilst continuing to deliver improving services to passengers. Once the Thameslink programme is completed, a new franchise will be let in light of the changes that have taken place and the circumstances prevailing at the time.

Details of the combined franchise, its services and resources can be found on the TSGN Data Site.

2.4 The Department's Objectives for the TSGN Franchise

The Secretary of State has set out the objectives for the TSGN franchise as follows:

- take a leading role in enabling the successful delivery of the Thameslink programme, and work collaboratively with the franchising authority (in this case the Department) and other industry partners to ensure that the envisaged programme benefits are fully realised on time. This will include but not be limited to: the introduction into service of new trains and depots; managing the return of displaced stock to the owning Rolling Stock Operating Company and proactively supporting the integration of operations and new infrastructure and train control systems to deliver an enhanced train service (see Delivery Plan 3 (Successful Delivery of the Thameslink Programme));
- have an effective change management organisation for delivery of the Thameslink Programme, the implementation of any rail value for money study recommendations and any other industry initiatives that may be required to enable successful delivery of this franchise (see Delivery Plan 1 (Franchise Management, Partnerships, Corporate, Social and Environmental Responsibility));

- support the creation of the subsequent franchise that will operate when the Government's investment in the Thameslink Programme has been delivered (see Delivery Plan 1 (Franchise Management, Partnerships, Corporate, Social and Environmental Responsibility));
- ensure the overall passenger experience improves throughout the life of the franchise. This will include but not be limited to improvements in: service quality; retailing; provision of information to customers particularly during times of planned and unplanned disruption; implementing 'smart' technology and integrated ticketing throughout the franchise area on an inter-operable basis; improving accessibility (including disabled access) to stations and services; customer security and improving the transparency of information about the franchise (see Delivery Plans 4 (Marketing, Fares, Ticketing and Revenue Protection) and 5 (Improving the Customer Experience));
- ensure that train services perform to the highest practical reliability and punctuality standards, aiming to be amongst the most reliable and punctual services on the national network. Benchmark and optimise the overall environmental performance and minimise the carbon footprint for the franchise (see Delivery Plans 1 (Franchise Management, Partnerships, Corporate, Social and Environmental Responsibility) and 2 Train Service Delivery)); and
- deliver services in the most cost-effective and efficient manner possible and consider improving the alignment between Network Rail and the franchise in keeping with the recommendations of Sir Roy McNulty's 'Rail Value for Money' study (see all Delivery Plans).

3. Section 3: Information and instructions to bidders

3.1 Availability of this document

This ITT invites tenders from those Bidders who have successfully pre-qualified to submit a Bid under this ITT.

3.2 Accuracy of information and liability of the Department and its Representatives

This ITT (including any appendices, attachments, clarifications and documentation issued with or in connection with it) is not a recommendation by the Secretary of State, the Department or any other person, to enter into a Franchise Agreement or to acquire shares in a current or prospective Franchisee or its parent undertaking. In considering any investment in a franchise, Franchisee, prospective Franchisee or parent undertaking, you should make your own independent assessment and seek your own professional technical, financial and legal advice.

The information contained in this document has been prepared in good faith but neither it nor any other information provided to a Bidder or any of its Affiliates at any time in connection with the TSGN franchise (“**other information**”) purports to contain all of the information that a prospective Franchisee or shareholder may or might require nor has it been independently verified. Neither the Secretary of State, nor any of his Representatives, makes any representation or warranty (express or implied) (and no such Representatives have any authority to make such representations and warranties) as to the adequacy, accuracy, reasonableness or completeness of the information contained in this document or other information provided.

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 other information or based on or relating to the recipient’s use of this document or other information, or the use by any of its Affiliates or the respective Representatives of any of them in the course of its or their evaluation of any franchise or the shares of any Franchisee or prospective Franchisee or any other decision. In the absence of express written warranties or representations as referred to below, the information in this document or other information shall not form the basis of any Franchise

Agreement or any other agreement entered into in connection with the replacement or acquisition of a passenger rail franchise or acquisition of shares in a Franchisee.

Eversheds LLP, Grant Thornton LLP, The Nichols Group Ltd (through Grant Thornton LLP) and Atkins Limited are acting for the Department in relation to the award of the TSGN franchise, and will not and do not regard any other person as their client or be responsible to anyone other than the Department 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.

No contract or legal obligation shall result from any disclosure of information or other communication by the Department in connection with this franchise letting process, including the issue of this ITT, or from the reliance of any person on any information so disclosed or any such communication. No disclosure of information or other communication by the Department in connection with this franchise letting process will constitute an offer or an acceptance by or on behalf of anyone.

Without limiting the FLPA, the only obligations which are intended to come into existence pursuant to this franchise letting process are those intended to arise from a duly executed written agreement on the face of which it is apparent that such an agreement is intended by all parties thereto to be a franchise agreement for the purposes of the Railways Act 1993 and the Railways Act 2005 and any contracts ancillary to such an agreement. No legal relations are intended to arise until such a resulting franchise agreement is signed. The subject matter of this ITT shall have contractual effect only if and to the extent it is contained in the express terms of the Franchise Signature Documents.

As such, the only information which will have any legal effect and the only information 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 a successful Franchisee in any Franchise Signature Document.

3.3 Costs and expenses

Each Bidder will be responsible for all costs, expenses and liabilities incurred by it and its Affiliates in connection with the franchise letting process, including prequalification, the evaluation of the TSGN franchise opportunity, the award of the franchise, any Bid or consideration of the Franchise Agreement and associated agreements, whether or not its Bid and/or associated contractualisation are ultimately successful or the process is subsequently varied in any way or

terminated. In no circumstances shall the Department be responsible for such costs.

3.4 **Defined terms**

Unless the context otherwise requires and save as provided in the glossary at **Appendix 1** (Glossary of Terms), capitalised terms used in this ITT shall have the same meaning given to them in the draft Franchise Agreement provided with this ITT.

3.5 **Intellectual property**

This document is subject to copyright. Neither this document, nor any part of it, nor any other information supplied in connection with it, may be published, reproduced, copied or distributed in any way or stored in any medium except with the prior written consent of the Department. All documentation supplied by the Department in relation to this ITT is and shall remain the property of the Department and must be destroyed or returned on demand, without any copies being retained.

3.6 **Conflicts of Interest**

The Department requires all actual or potential conflicts of interest (including in particular those arising where an adviser put forward by one Bidder is the same firm or company or is a member of the same group of companies as that put forward by another Bidder or is working for the Department or the Secretary of State on this or similar schemes) to be resolved to the Department's satisfaction prior to the delivery of the Bidder's Bid in response to this ITT. Failure to declare such conflicts and/or failure to address such conflicts to the reasonable satisfaction of the Department could result in a Bidder being disqualified.

3.7 **Publicity**

The outcome of a rail franchise competition is of national significance within the United Kingdom and is likely to attract public and media attention. Bidders shall not and shall ensure that their Representatives, Affiliates and their Affiliates' Representatives shall not (i) issue any press notice, press release or statement in relation to the franchise letting process or their Bid without the prior written consent of the Secretary of State; or (ii) use media or communication channels in a way that might reflect adversely and unfairly on the industry, its participants or the integrity or outcome of the competition.

Save to the extent that this ITT requires Bidders and/or their Affiliates to consult formally with stakeholders, Bidders shall not and shall ensure that their Representatives, Affiliates and their Affiliates' Representatives shall not, until the award of the TSGN franchise, without the prior written consent of the Secretary of State, make any statement or comment to anyone including (without limitation) national, local and industry media, Passenger Focus, London TravelWatch, Local Authorities, Transport for London (“**TfL**”), Members of Parliament and stakeholders about matters connected with the TSGN franchise competition. If the Bidder considers that there are compelling reasons to make a public statement or comment, the Department requires Bidders in each and every instance to approach and discuss the proposed reasons for, and the content of, such statements or comments with the Department in advance of publication and the Bidder shall only publish or make such comments or statements with the Department's express prior written confirmation and approval.

3.8 **Industry Consultation and Disclosure of Information in Bids**

Bidders should be aware that, following the submission of Bids, the Department may consult HM Treasury, the ORR and Network Rail (including without limitation to the extent set out in **Section 7** (Evaluation Criteria and Methodology)). The Department may also consult such other persons as it considers necessary or appropriate (the entities in this paragraph collectively referred to as “**Consultees**” and each separately referred to as a “**Consultee**”).

Accordingly, the submission of a Bid will constitute permission by the Bidder and its Affiliates for the Department to disclose to any Consultee all or any of the information contained in, or supplied in connection with, its Bid (including in any response to any clarification query issued by the Department).

In addition, Bidders are reminded that in order to develop and agree Track Access Agreements and Station Access Conditions, Network Rail may need to consult Consultees and that this process may involve disclosure or discussion of relevant aspects of the Bids. Bidders and their Affiliates are required to cooperate with these consultations.

In developing their Bids, Bidders can expect to be contacted by, and are encouraged to consult with stakeholders relevant to the TSGN franchise, solely for this purpose following the issue of this ITT. It is each Bidder's responsibility to decide on the scope and extent of this stakeholder consultation and Bidders should note that the Department may seek views from stakeholders on the state of progress of consultation(s). Bidders should note that the purpose of this

consultation is to enable them to take views of stakeholders for the purpose of development of Bids, and not for Bidders to make any other or wider statements or comments to stakeholders about the competition, which remains prohibited by **paragraph 3.7** (Publicity).

3.9 **Right to Reject Bids and Non Compliance Statements**

The Department reserves the right to reject or disqualify a Bidder where:

- there is a material breach by a Bidder of the Franchise Letting Process Agreement;
- its Bid or any version thereof required to be submitted in accordance with **paragraph 4.3** (Structure and Format of Bids) is submitted late, is completed incorrectly in a material way, is materially incomplete or otherwise fails to meet the Department's submission requirements set out in this ITT;
- at any time prior to execution of the Franchise Agreement a Bidder is unable to satisfy the requirements for prequalification carried out as part of the TSGN pre-qualification process;
- a Bidder or any of its Affiliates is guilty of material misrepresentation in relation to information provided by or on behalf of that Bidder during the pre-qualification stage and/or in connection with any Bid;
- a Bidder contravenes or does not comply with any of the terms and conditions of this ITT; or
- the ITT otherwise provides that a Bidder may be disqualified or that certain circumstances mean that a Bid or any part of it may or shall be treated as being or deemed to be non-compliant.

The disqualification of a Bidder will not prejudice any other civil remedy available to the Department and will not prejudice any criminal liability that such conduct by a Bidder may attract.

Bidders are required, when submitting their Bids, to list in the format set out in the following **Table 3.9** (Format of Non-Compliance Statement), 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 Bid unconditionally.

Bidders are also required when submitting their Bids to list in the format set out in the following Table 3.9 (Format of Non-Compliance Statement), all clauses, sections and schedules of the Franchise Signature Documents with which they are not able to confirm compliance in full. The Department may treat any Bidder who is not willing or able to comply fully with the Franchise Signature Documents as non-compliant. Full details of the reasons for non-compliance should be given. Any provision not so listed and detailed will be regarded as having been bid unconditionally.

Table 3.9: Format of Non-Compliance Statement

	ITT Sections / Paragraph of the relevant Franchise Signature Documents which have NOT been complied with	Details
ITT		
Franchise Agreement		
Conditions Precedent Agreement		
Funding Deed		

3.10 Data Site and AWARD

The Department has established a web based data site and portal operated by QinetiQ Commerce Decisions (known as “**AWARD**”). The AWARD website contains, in electronic form, documents and information specifically relating to the TSGN franchise, including incumbent operator information for their respective parts of the TSGN franchise and information relating to the Thameslink programme. Additionally, AWARD will be used for tender clarification and Bid submission, evaluation and clarification. Short listed Bidders have been granted access to this site.

3.11 Bidder Clarification Questions

All clarification questions and requests for additional information relating to this ITT, the TSGN franchise and the franchise letting process (“**BCQs**”) must be submitted by Bidders via the AWARD website. BCQs should be accompanied by an explanation of why the relevant question has been raised so that the Department understands the context of the question. BCQs should clearly identify the Data Site folder, document and text for which clarification is being sought.

The status of all BCQs raised by each Bidder, including responses when available, will only be provided to Bidders through the AWARD website. Once Bidders have submitted BCQs on the AWARD website a unique ‘clarification question

identification number' will be generated. Bidders will be able to track the progress of each BCQ that is not designated confidential through the AWARD website, including BCQs raised by other Bidders.

The Department will transmit to all other Bidders (without reference to the identity of the Bidder which submitted the question) BCQs raised and responses made, with the exception of those deemed confidential as provided in the next paragraph.

A Bidder may request that the Department treat a BCQ and its response as confidential. Confidential BCQs are BCQs where responses will only be shared with the Bidder raising the BCQ. Any such requests must be made clear at the time of submission of the BCQ. The Department will advise the Bidder in advance of providing the answer if it considers that all or any part of the BCQ cannot be treated as confidential, at which time the Bidder may either withdraw the BCQ or accept that the response will (in whole or in part, at the Department's discretion) be treated as a non-confidential BCQ.

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

The Department will aim to respond to BCQs expeditiously having regard to the nature, extent and availability of the information requested. The Department will endeavour to respond to BCQs within 15 working days from receipt.

If any BCQs will not be responded to by the Department a reason will be given in the form of a response through the AWARD website. Bidders should be aware that BCQs may not be accepted from 20 working days prior to the closing date for Bid receipt, save in respect of new information provided after this point. The last date for the submission of BCQs for the TSGN competition will, in the absence of any extension, therefore be 26 November 2013. Any BCQ's received after this point will only be accepted at the sole discretion of the Department.

Before submission of Bids, Bidders will have the opportunity to meet with the Department and discuss any points of clarification that are appropriate and necessary in order for Bidders to prepare their Bids. If, however, Bidders are seeking to rely on any of the information or indication of view imparted during a meeting, they must subsequently submit a formal BCQ and rely on the response provided. No other notes and/or records of such meetings form part of this ITT and unless confirmed in this way, information or views given by the Department at the meetings should not be relied upon in the preparation of any Bid.

Where a Bidder believes that there is any inconsistency between any documents or information provided by the Department to Bidders or their Affiliates as part of the bidding process it should seek to clarify the point through the BCQ process rather than make an assumption in its Bid in relation to such matter.

3.12 **Transparency and Freedom of Information**

The Freedom of Information Act 2000 (the “**FOIA**”) provides a general right of access to all information held by public authorities. The Department is a public authority to which the FOIA applies. The general right of access to information is then limited by a number of exemptions. When someone requests information under FOIA, the Department must normally release that information unless one of the exemptions in the FOIA applies in that case. This is also the case if the data is environmental information covered by the Environmental Information Regulations 2004 (“**EIR**”).

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 Department in confidence or are commercially sensitive or which may be subject to any other provision of FOIA or EIR, such that they may be exempt from disclosure under FOIA and/or EIR. Bidders should provide reasons why such information should not be disclosed in response to any request and an estimate of the period of time during which the Bidders believe that such information will remain exempt from disclosure.

Bidders should be aware that the Information Commissioner has issued guidance which may mean that information which was confidential prior to signature of the contract may be subject to release after signature.

Bidders should note that, even where information is identified for example as commercially sensitive or confidential, the Department may nonetheless be required to disclose such information in accordance with the FOIA and/or EIR. The Department is required to form an independent judgment concerning whether the information is exempt from disclosure under the FOIA and/or EIR at the time of request. In particular Bidders should be aware of the Code of Practice issued by the Secretary of State for Constitutional Affairs under section 45 of the FOIA: which limits the circumstances under which a public authority should agree to hold information in confidence. It could be the case, therefore, notwithstanding notification by Bidders, that parts of a Bid have been provided in confidence or are commercially sensitive, that the Department will be obliged to disclose those parts.

Bidders should note that the Department will place a copy of the ITT in the public domain at the same time as it is supplied to Bidders, with redactions where appropriate.

Bidders' attention is drawn to the relevant provisions of the Franchise Letting Process Agreement, which permits in certain circumstances disclosure of information by the Department, as well as the provisions of section 145(2) of the Railways Act 1993.

Bidders' attention is also drawn to the provisions of the Franchise Agreement that:

- state that the Department may make certain information available to ORR, and may publish it. The Department intends that unit cost and/or cost data supplied to the Department by the Franchisee as part of the periodic management accounts will be made available to the ORR for benchmarking and will be published. The Department does not expect such information to be exempt under the terms of the FOIA/EIR; and
- set out a process post signature of the Franchise Agreement for establishing the extent of any redactions from the Franchise Agreement and related documentation.

The Department complies with the central government transparency agenda programme, details of which can be found at:

<https://www.gov.uk/government/policies/improving-the-transparency-and-accountability-of-government-and-its-services>

and Cabinet Office guidance on this

<https://www.gov.uk/government/publications/procurement-and-contracting-transparency-requirements-guidance> in relation to procurement and contracts.

3.13 **Competition Matters**

Depending on the identity of the Bidder, the award of the Franchise may constitute a relevant merger under the Enterprise Act 2002 (“**EA02**”) (i.e. one over which the Office of Fair Trading (“**OFT**”) would have jurisdiction), or a concentration with a European Economic Community (“**EEC**”) dimension under Council Regulation (EC) No.139/2004 (“**EUMR**”), which would be required to be notified to the European Commission (“**EC**”).

If the award of the Franchise to a particular Bidder would give rise to a realistic prospect of a substantial lessening of competition (under EA02), or of a significant impediment to effective competition (under EUMR), such as would give the OFT (or EC, as appropriate) cause to subject the award of the Franchise to a substantive (second phase) investigation, this might prejudice the timing of the franchise process and /or the ability of the Bidder to operate the Franchise as Bid. Generally, a competition with an EEC dimension may not be completed until clearance has been obtained under EUMR. In the context of a relevant merger under EA02 that has been completed, the OFT may require “hold separate” undertakings to be given pending conclusion of any investigation. It is therefore important for the Department to be able to understand the impact of any potential intervention by the OFT or EC in scrutinising the Bids of each Bidder under merger control rules.

Each Bidder is therefore required to confirm in its Bid:

- whether award of the Franchise to it would require notification to the EC under EUMR;
- what strategy it will adopt to minimise the delay in being able to operate the Franchise if an award is made to it. In particular:
 - if the award to it of the Franchise would require notification under EUMR, whether the Bidder would propose to request pursuant to Article 4(5) EUMR that the transaction is referred back to the OFT for consideration, and how it views the prospects of such a request being accepted;
 - how the Bidder proposes to approach pre-notification discussions with the OFT or, as the case may be, the EC to ensure that the notification is complete and that all necessary supporting evidence is included; and
 - the Bidder’s willingness to offer undertakings or commitments to the OFT or the EC in order to avoid a second phase investigation;
- the form of any derogations the Bidder would seek to the OFT’s standard form of ‘hold separate’ undertakings in the event that these are required in the context of a completed merger; and

- that it will commit to offer such undertakings or commitments as may be required by the OFT or the EC to enable it to operate the Franchise as bid, and that any such undertakings or commitments given would not impact on its ability to operate any other UK rail franchise.

If the Bidder is advised by the OFT, the Competition Commission or the EC that the award of the franchise may be subject to any prohibitions, divestments of interests or undertakings the Bidder will inform the Department as soon as possible. Bidders must also advise the Department as soon as possible if there is any change in the circumstances in relation to these issues from the position as outlined in the Bid. If Bidders fail to do so, their Bid will be deemed to be non-compliant.

If a Bidder is unable to or otherwise does not provide to the Department sufficient evidence to enable the Department to be satisfied that:

- there will be no intervention by the OFT or EU in relation to the Bidder's Bid for the franchise; or
- the impact of any such intervention will not prejudice the ability of:
 - the Bidder to commence operation of the TSGN franchise on the Department's proposed start date;
 - the Bidder otherwise to operate the TSGN franchise in accordance with its Bid; or
 - any Affiliate (as defined in the Franchise Agreement) of the Bidder to continue to operate any other franchise of which it is the franchisee,

the Department reserves the right to disqualify the Bidder.

Bidders are required to include in their Bids in the format set out in the following **Table 3.13** (Format of Statement of Competition Matters), details of any competition matters that affect their bidding position.

Table 3.13: Format of Statement of Competition Matters

Change	Reporting Required
Competition matters	Bidders should include details in response to the instructions contained in paragraph 3.13 (Competition Matters)

3.14 EC 1370/2007

Pursuant to Regulation EC1370/2007 (the “**Regulation**”) the Department must ensure that the Franchise Agreement to be entered into with the winning Bidder does not result in the overcompensation of that winning Bidder for the purpose of the Regulation. Therefore:

- the Department will review the leading Bid(s) to ensure that such Bid(s) will not result in overcompensation for the purpose of the Regulation;
- Bidders must provide the Department with such additional information as the Department may request in relation to such review; and
- the Department reserves the right to reject any Bid which the Department considers would result in overcompensation for the purpose of the Regulation or to take other steps, in its discretion, to remove the overcompensation from a winning Bid.

3.15 Change in Circumstances

Bidders should note that the paragraphs of the Franchise Letting Process Agreement and the PQQ Process Document dealing with changes in circumstances and/or changes in ownership continue to apply.

Bidders are required to include in their Bids in the format set out in the following **Table 3.15** (Format of Statement of Changes in Circumstances), details of any change in circumstances that affect their bidding position.

The Department reserves the right to carry out some or all of the tests described and undertaken at the pre-qualification stage of the competition on receipt of Bids for all Bidders and immediately prior to award of the franchise for the leading Bidder(s) on the basis of most recent financial information.

Table 3.15: Format of Statement of Changes in Circumstances

Change	Reporting Required
Change in Circumstances	Bidders should include details in response to relevant provisions of the FLPA

3.16 MOIRA

Bids submitted using MOIRA 2, its component parts or intermediate outputs for modelling the revenue impacts, timetable changes, crowding or any other purpose will be treated as non-compliant.

3.17 Variations to the Franchise Agreement

Bidders’ attention is drawn to the variation provisions in Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes), paragraph 1 of the Franchise Agreement and the ability of the Secretary of State to amend the contracted Train Service Requirement. The Secretary of State reserves the right to require variations to the Franchise Services and/or the manner in which Franchise Services are required to be delivered, and any consequential changes to the Franchise Agreement, acting in compliance with law. The Secretary of State may also require variations to other contracted provisions or outputs, acting in compliance with law.

In particular, variations may result from changes to the specification or timing of committed projects affecting the TSGN franchise. Variations will not necessarily be restricted to the effects of committed projects. However, any changes required will be such as a reasonably competent and professional operator of the franchise could, in all relevant circumstances, reasonably be expected to be able to deliver and will be generally consistent with the overall scope of the franchise proposition taking into account the need to be able to vary the nature, quantity and manner of delivery of franchise services in response to circumstances relating to the development of railway infrastructure and services and other relevant financial, economic and technical developments and the implementation of developing rail policy.

Given the length of this franchise, and the strong likelihood of economic, social, budgetary and operational circumstances changing over a period of up to 9 years, the Department believes it is likely to make variations to the contract during the Franchise Term. In order to provide an incentive for the Franchisee to develop and implement such changes, it may be appropriate for the train operator to receive a

reasonable level of financial benefit, if any financial benefit arises from such changes to the contract. It may also be appropriate for the Department, or other parties such as Network Rail to share such benefits with the Franchisee.

3.18 Form of Tender

Bidders are required to include in their Bids a Form of Tender in the form set out in **Attachment G** (Form of Tender). No amendments to the Form of Tender are permitted.

4. Section 4: Explanation of requirements for bid submission and overview of process following bid submission

4.1 Preparation of Bids

Bidders are reminded that they are expected to stand behind all aspects of their Bids. In particular Bidders are referred to **paragraph 4.7.3** (Contractualisation).

The Department expects to receive Bids that contain no qualifications. Bidders shall not propose amendments to the Franchise Signature Documents, their own Secretary of State Risk Assumptions (“**SoSRA**”) or any other contractual amendments which seek to transfer risk from the Franchisee to the Secretary of State and in the reasonable opinion of the Department have the same, or a substantially similar, effect to a SoSRA. Any Bids which do not meet the requirements of this paragraph shall be treated as non-compliant.

4.2 Franchising Timetable and Process

The remaining stages of the process for appointing the Franchisee together with their indicative timings, are set out below:

Table 4.2: Franchising Timetable

Stage	Description	Party Responsible	Planned Date
Bid Preparation	<i>Preparation of Bids</i>	<i>Bidders</i>	<i>September 2013 – December 2013</i>
	<i>Submission of Bids</i>	<i>Bidders</i>	<i>24 December 2013</i>
Bid Evaluation and Clarification of Bids	<i>Evaluation of Bids, clarification and agreement to terms of the Franchise Agreement (including Committed Obligations in accordance with paragraph 4.7.3 (Contractualisation)) and related documentation Secretary of State consent and HMT approval to the TSGN franchise award</i>	<i>The Department and Bidder(s)</i>	<i>January-May 2014 May 2014</i>
Mobilisation	<i>Prepare for transfer of operations</i>	<i>Franchisee</i>	<i>May 2014 – September 2014</i>
Mobilisation	<i>Prepare for transfer of Southern operations</i>	<i>Franchisee</i>	<i>May 2014 – July 2015</i>

4.3 Structure and Format of Bids

Bidders are required to provide the material set out in **Table 4.3** (Structure and Format of Bids) below when submitting their Bids:

Table 4.3: Structure and Format of Bids

Part	Areas	Submission Requirements	Size limit
1	Main text		
	The Executive Summary Five Delivery Plans as required by Section 5 (Detailed Bid Requirements – Delivery Plans)	One electronic copy submitted through AWARD One un-priced** electronic copy submitted through AWARD One electronic copy submitted in CD format One un-priced** electronic copy in CD format One hard copy	1,250 pages maximum including annexes and appendices
2	Financial		
	Operational Models and Financial Model as required by Section 6 (Detailed Bid Requirements – Financial))	One electronic copy submitted through AWARD One electronic copy submitted in CD format PDF of worksheets of Tier 1 Operational Models that directly interface with Financial Model or other Tier 1 Operational Models (note: it is only the interface worksheet of each Tier 1 Operational Model that is required)	75MB maximum size per Microsoft Excel workbook (See Section 6 (Detailed Bid Requirements – Financial))
	Record of Assumptions, required by paragraph 6.5 (Record of Assumptions); Operating Manual, required by paragraph 6.6 (The Operating Manual); Modelling Best Practice Confirmation, required by paragraph 6.7.1 (Modelling Best Practice Confirmation); Financial Structure and Funding Plan, Financial Adviser's letter, Confirmation of Bond availability, required by paragraph 6.8 (Bid requirements); and ROSCO term sheets required by paragraph 5.4.3(B) (Evidence that Bidders Should Provide)	One electronic copy submitted through AWARD One electronic copy submitted in CD format One hard copy	None

Part	Areas	Submission Requirements	Size limit
3	Technical Data		
	<p>The following details should be submitted in support of the main text:</p> <ul style="list-style-type: none"> • the proposed working and public timetables; • rolling stock diagram and platform workings; and • export files from MOIRA in SPG format 	<p>One electronic copy submitted through AWARD</p> <p>One electronic copy submitted in CD format</p> <p>One hard copy</p>	None
4	Legal and compliance		
	<p>Versions (clean and redline mark up against the version of each agreement provided with this ITT) of each of the Franchise Agreement, the Conditions Precedent Agreement, the Funding Deed and any other agreements signed as part of the award of the franchise (together the “Franchise Signature Documents”) with those parts marked 'Bidders to populate' completed.</p> <p>Non-compliance statements as required by paragraph 3.9 (Right to Reject Bids and Non Compliance Statements)</p> <p>FOIA statement as required by paragraph 3.12 (Transparency and Freedom of Information)</p> <p>Changes in circumstances and competition matters as required by paragraphs 3.13 (Competition Matters) and 3.15 (Change in Circumstances)</p> <p>A Completed Form of Tender as required by paragraph 3.18 (Form of Tender)</p>	<p>One electronic copy submitted through AWARD</p> <p>One electronic copy submitted in CD format</p> <p>One hard copy</p>	None
5	Schedule of Committed Obligations (as required by paragraph 4.7.3 (Contractualisation))		
		<p>One electronic copy submitted through the AWARD</p> <p>One electronic copy submitted in CD format</p> <p>One hard copy</p>	None

**Un-priced copies refers to the Executive Summary and Delivery Plans

4.3.1 **Page Limits, Size of Text etc**

The size of the main text of the Bid including all information required by **Section 5** (Detailed Bid Submission Requirements – Delivery Plans) will be limited to 1,250 pages.

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

- the contents of the financial part as required by **Section 6** (Detailed Bid Submission Requirements – Financial) and described in **Table 4.3** (Structure and Format of Bids);
- the contents of the technical data part as described in **Table 4.3** (Structure and Format of Bids);
- the contents of the legal and compliance part as described in **Table 4.3** (Structure and Format of Bids); and
- covers, section dividers and indices.

One page constitutes one printed side of A4 with 2cm clear margins all round. For main text the minimum font size to be used will be 12pt Arial and the font type will be standard (i.e. not 'narrow') with minimum line spacing of 13pt. Double sided printing is required where this is practicable. Bidders are encouraged to use a simple presentation style, avoiding expensive bindings, colour photographs and other high cost elements of production as this will not add value to the substance of the Bid. Minimum font size for any text in tables will be 10pt Arial (standard, not 'narrow'). It will not be acceptable to place large sections of text into tabulated format as a means of meeting the page limit requirements. There will be no minimum font size set for graphs.

Any pages in excess of the permitted page limit or which do not comply with the above criteria, will be disregarded in the evaluation.

4.3.2 **Annexes and Appendices**

Bidders may include attachments, annexes and appendices to their response that should be clearly referenced in the main text. Any attachments, annexes or appendices are subject to the size limits described in this **paragraph 4.3** (Structure and Format of Bids).

4.3.3 **Cross Referencing**

The Department's evaluators will follow cross references to specifically identified components of the response in relation to other Delivery Plans. No credit will be given for unspecific general references, for example, "further evidence on this issue is provided in our Delivering the Thameslink Programme Delivery Plan") and Bidders should therefore endeavour to make cross references as specific as possible.

4.3.4 **Bid Consistency**

The Department requires Bids that are presented in a way that its evaluators are able to easily identify Initiatives across the entirety of the Bid, including between Delivery Plans and the Modelling Suite. Bidders should include within their Bids an adequate labelling or identification protocol that enables this.

4.3.5 **Language**

All Bids are required to be in English.

4.3.6 **Monetary amounts**

All monetary amounts referred to in the Bid must be denominated in pounds sterling.

4.4 **Submission of Bids**

Bidders are required to submit their Bid to the Department, prepared in accordance with the requirements listed in **Table 4.3** (Structure and Format of Bids) above, and in accordance with the following requirements:

- each CD shall be labelled clearly with the Bidder's name. The Department requires that an index is provided for the electronic information and that the file structure of the electronic information matches that of the hard copy documentation. Electronic information is required to be saved using the Open XML Standard format supported by Microsoft Office 2007 onwards. Specifically, spreadsheets must be saved using the Microsoft Excel xlsx file extension and documents as Microsoft Word docx files. The electronic copy should be packaged separately from the hard copy set;

- unless specifically stated otherwise, documents should only be submitted in PDF if they are not available in their original format. PDF versions should be searchable electronically;
- the hard copy shall be contained in ring binders suitably collated and labelled clearly with the Bidder's name and an index of the contents of each binder;
- the un-priced** electronic copies shall be submitted through AWARD and in CD format clearly labelled with the Bidder's name and an index of the contents of each CD. The un-priced CD should be distinguishable from the priced electronic copy referenced above. Information is required to be saved using the Open XML Standard format supported by Microsoft Office 2007 onwards;
- the technical data shall include all relevant timetables in full working timetable format (including platform workings) and rolling stock diagrams, in each case, for the periods indicated in **paragraph 5.4.1(B)** of Delivery Plan 2 (Train Service Delivery). The timetables must be provided as PIF and CIF files which shall be compatible with Network Rail's train planning system (ITPS). Bidders shall provide both public and working timetable versions and all working and public timetables shall also be provided in PDF;
- the output export files from MOIRA shall be provided in SPG, CIF and PIF formats; and
- the response must be consistent with the WebTAG (unit 3.15.4 August 2012) approach to the PDFH demand and revenue forecasting framework, in terms of the segmentation used and the methodology adopted in forecasting annual demand and revenue and in modelling of train crowding, including consistency with WebTAG/PDFH elasticity recommendations.

**Un-priced copies refers to the Executive Summary and Delivery Plans.

The priced copy of the Bid submitted through AWARD is the master version of the Bid. Accordingly, in the event of any inconsistency between any copies of a Bid, the priced copy submitted through AWARD shall take precedence.

Bids (all hard copies, electronic copies and copies to be submitted through AWARD) must be received by the Department by 12.00 hours on 24 December 2013. Bids submitted late will be treated as being non-compliant. A Bid is submitted late for the purposes of this ITT if any part of the Bid or copy in any format required by this ITT is submitted after the above deadline.

Uploaded documents will need to follow the example file name format shown below:

“TSGN [Bidder name] Delivery Plan [2: Train Service Delivery] – File 1 of 3”

Hard and CD copies of Bids are to be submitted to:

Dale Ward
Document Manager
Franchising Directorate
Department for Transport
4/13 - 4/19 Great Minster House
33 Horseferry Road
London
SW1P 4DR

No other documents or information shall be submitted with the Bid. Hard and CD copies of the Bid must be submitted in boxes marked ‘**CONFIDENTIAL – TSGN Franchise Bid submission in response to ITT September 2013**’. The boxes should not be marked in any way that would indicate the identity of the Bidder. Bidders will be issued with a formal receipt for both the electronic and hard copy submissions from the Department at the time of the submission of their Bid. It will be the Bidder’s responsibility to ensure the safe transfer of Bid submissions to the Department.

4.5 **Presentations**

Bidders are required to present for up to 1 hour on the key elements of their Bids to the Department on a working day specified by the Department within 10 working days following Bid submission. Presentations will not be scored and are for information only. This is designed to assist the evaluation teams in understanding the Bid. This presentation should include no financial information and should not be supported by accompanying hand outs. In the event that there is any difference between the presentation and the Bid, then the copy of the Bid submitted through AWARD shall take precedence.

Bidders are required to meet with the Department to discuss their Modelling Suite on a working day specified by the Department within 10 working days following Bid submission. Meetings will not be scored and are for information only. This is designed to assist the evaluation teams in understanding the Modelling Suite. In the event that there is any difference between what is discussed at the meeting and the Bid, then the copy of the Bid submitted through AWARD shall take precedence.

4.6 **Validity of Bids**

All Bids including the terms, Bid price, and any subsequent changes agreed shall be held valid for a period of 275 calendar days from the date of Bid submission. Bidders are required to confirm this in their Form of Tender.

4.7 **Process Following Bid Submission**

4.7.1 **Evaluation**

Bids will be evaluated in accordance with the criteria and methodology contained within **Section 7** (Evaluation Criteria and Methodology).

4.7.2 **Engagement with Bidders and Evaluation Clarification Process**

The Department is subject to obligations under EU and English law, including the obligations of equal treatment and non-discrimination. Subject to this, the Department reserves its rights to seek clarification in any form from and/or to engage in any other way with any or all of the Bidders at any time during the process, including, but not limited, to assisting in their consideration of a Bid. If amendments or clarifications are made concerning Bids, the evaluation will be on the amended/clarified version.

4.7.3 **Contractualisation**

The Department expects each Bidder to be prepared to be contractually held to all elements of its Bid.

The Department will wish to contractualise Initiatives that have been taken into account in scoring sub-components of Delivery Plans, to ensure that the Franchise Agreement covers the Initiatives that have been taken into account in awarding the Franchise, to ensure that the key features (including benefits for passengers and the tax payer) of the

Bid are delivered., and at a level of detail reasonably required to reflect this and the other provisions of this paragraph 4.7.3.

Therefore for each Initiative proposed Bidders should:

- cross refer, in the relevant Delivery Plan sub-component, to the relevant provision of the Franchise Agreement which specifically obliges the Bidder to comply with or perform the relevant Initiative (where applicable) (“**Relevant Franchise Obligation**”); or
- where the first bullet point does not apply or does not cover the entirety of the relevant Initiative, provide a draft Committed Obligation in respect of such Initiative and cross refer in the relevant Delivery Plan sub-component to such Committed Obligation.

For the avoidance of doubt the fact that:

- a Bidder bears the financial (cost or Ancillary Revenue) risk of an Initiative; or
- an Initiative is intended to contribute towards a Bidder’s achievement of the NPS Benchmarks, the Benchmarks, PEM Benchmarks, Ticketless Travel Rate or any other output type obligation in the Franchise Agreement,

is not sufficient to mean that that Initiative is covered by a Relevant Franchise Obligation and Bidders should propose Committed Obligations in relation to such Initiatives.

The Department wishes to contract Committed Obligations at a reasonably detailed level to capture the substance (i.e. what the Bidder is proposing to do and when it will be done by), and any key aspects relating to the delivery, of the relevant Initiative. It does not wish to contract Committed Obligations which cover every single aspect required for the delivery of the relevant Initiative at a detailed level. For example, if a Bidder proposes to install new wheel lathes at a Depot, the level of Committed Obligation that the Department would expect is along the lines of:

“By no later than [specify date], the Franchisee will install and commission no fewer than [number] [describe wheel lathes] at [name] Depot.”

The Bidder may have included in its Bid further supporting information relevant to the assessment of the deliverability of the relevant Initiative. This may include, for example, the justification for undertaking the Initiative, details of investigative work undertaken to ensure that the wheel lathes can be installed in the depot without disrupting its operation and commitments around any preparatory steps that the Bidder proposes to take in order to deliver the relevant Initiative (such as entering into a contract for the purchase and installation of the wheel lathe by a specific date). The Department would not expect the Committed Obligation to cover this level of detail (and the extent to which such detail is included in the bid will be taken into account when assessing the deliverability of the relevant Initiative but such detail would not be expected to be contracted).

Each proposed Committed Obligation should:

- clearly and unambiguously describe the relevant Initiative which the Bidder is committing to deliver;
- specify the date by which the relevant Initiative will be completed and, where applicable, commenced;
- where it contains a commitment to spend a specified amount (an “expenditure commitment”), clearly set out that amount and what types of expenditure may be counted towards such expenditure commitment (such as capital expenditure, operating expenditure, project management costs etc);
- include details of any matters upon which the Bidder proposes its obligation to deliver the relevant Initiative is made conditional, together with details of the impact of the occurrence of such matter; and
- be set out in the Schedule of Committed Obligations referred to in **paragraph 4.3** (Structure and Format of Bids). As set out in **paragraph 4.3** (Structure and Format of Bids), the

Schedule of Committed Obligations shall fall outside the page limit.

Bidders may not propose Committed Obligations which seek to transfer any element of the risk of delivering the relevant Initiative to the Department. For example Bidders may not specify that certain circumstances will amount to a Change under the Franchise or would otherwise entitle the Bidder to an adjustment to the Franchise Payments.

In scoring a Delivery Plan sub-component, the Department will (together with all other circumstances including those set out in **paragraph 5.1.7**) take into account the extent and nature of the Relevant Franchise Obligations or the Committed Obligations proposed in relation to Initiatives set out in that Delivery Plan sub-component. Bidders should therefore note:

- the degree of contractual commitment in each proposed Committed Obligation will be taken into account. By way of examples, all other things being equal:
 - an absolute obligation to deliver an Initiative is likely to result in the Department considering that Initiative more deliverable than if a qualified obligation was proposed (such as a reasonable or all reasonable endeavours obligation); and
 - an Initiative which is clearly and unambiguously described in the relevant Committed Obligation is likely to be considered more deliverable than an Initiative which is described in unclear, vague or ambiguous terms; and
- if a Bidder does not propose a Committed Obligation in relation to an Initiative which is not a Relevant Franchise Obligation or if there are aspects of such an Initiative not covered by a Committed Obligation proposed by a Bidder, the Department will disregard the relevant Initiative or aspect thereof for the purpose scoring a sub-component of a Delivery Plan.

Where:

- a Bidder sets out in the relevant Delivery Plan sub-component its view that it is specifically required to deliver an Initiative pursuant to the Franchise Agreement and provides a cross reference in that Delivery Plan sub-component to the relevant provision of the Franchise Agreement; and
- the Department disagrees with the Bidder's view,

the Department will provide the Bidder with an opportunity to propose a Committed Obligation in respect of the relevant Initiative.

The Department reserves the right to clarify and engage with a Bidder to settle the wording of any Committed Obligation proposed or not to include any proposed Committed Obligation in the Franchise Agreement. Where the Department elects not to include any proposed Committed Obligation in the Franchise Agreement the evaluation of the relevant Initiative shall be on the basis of the nature and extent of the Committed Obligation proposed by the Bidder.

Specimen Schemes

Bidders may offer commitments to invest a nominated sum of money to deliver a specific outcome, supported by a specimen scheme, rather than an absolute commitment to a particular scheme. For this purpose, the specimen scheme means a proposal worked up to the level of a Committed Obligation consistent with the other requirements of this paragraph, subject only to the provisions of the next paragraph.

When scoring Delivery Plan sub-components containing such Initiatives, the Department will review and take into account the extent to which the specimen scheme will achieve the specific outcome stated, and whether sufficient resource (spend) has been allocated to deliver the specimen scheme. The Franchise Agreement provides a mechanism by which alternative schemes can be agreed and delivered in place of a specimen scheme. If the parties are unable to agree an alternative scheme, the Franchisee will be required to deliver the specimen scheme. Any such schemes should be clearly identified as such in the Bid including the Financial Modelling Suite and for each specimen scheme the Bidder must provide details of the specific output intended to be delivered by the specimen scheme.

4.7.4 Intention to award

Without prejudice to the Department's rights pursuant to **paragraph 1.9** (Updates and Termination), following completion of evaluation, the Department will inform the Bidder with the most economically advantageous tender (as determined in accordance with **Section 7** (Evaluation Criteria and Methodology)) that the Department intends to award the franchise to it. There will be no public announcement of a preferred Bidder prior to this step being taken.

4.7.5 Signature of the Franchise Agreement and other Franchise Signature Documents

Following notification by the Department that it intends to award the Franchise to it, the preferred Bidder will be required to sign (but not date or complete) the Franchise Signature Documents on the basis of such escrow arrangements as the Department may require. It is anticipated that this process will take place after the London Stock Exchange closes. There will be no award of the Franchise at this point, and award of the Franchise will not take place until confirmed by the Department to the preferred Bidder.

4.7.6 Announcement to the London Stock Exchange and information to unsuccessful Bidders

Following the notification to and delivery of signed documents by the preferred Bidder, it is anticipated that an announcement will be made to the London Stock Exchange at 0700 hours on the next morning on which it opens, setting out the Department's intention to award the franchise following the voluntary standstill period.

On the same date that the announcement is made to the London Stock Exchange, the Department will send to each unsuccessful Bidder a letter confirming that they have been unsuccessful and that Bidder's scores from the evaluation process, relative to the preferred Bidder's scores. The sending of these letters will commence the voluntary standstill period of at least 10 calendar days. The closing date of that period will be identified to the preferred and the unsuccessful Bidders.

4.7.7 Voluntary standstill period

The Department intends to run a voluntary standstill period of at least 10 calendar days in respect of this procurement (although it concludes that it is not presently obliged to do so by law) and accordingly the basis of such a standstill process shall be as set out in this ITT or as otherwise advised by the Department to Bidders.

5. Section 5: Detailed bid submission requirements – Delivery Plans

5.1 Introduction

5.1.1 Bidders are required to submit an Executive Summary underpinned by five delivery plans (the “**Delivery Plans**”) (together the “**Plans**”) as part of their Bids.

5.1.2 Some of the Plans are split into various sub-components. A list of the Plans (and their associated sub-components where relevant) are set out below. Where a particular Plan has no sub-components, ‘N/A’ appears in the column headed sub-component below:

Table 5.1.2: Plans and Sub-components

Plan	Sub Component
Plan 0 – Executive Summary	N/A
Plan 1 – Franchise Management, Partnerships, Corporate, Social and Environmental Responsibility	Leadership and franchise management
	Mobilisation
	Franchise integration
	Managing industry partnerships
	Environment and sustainability
Plan 2 – Train Service Delivery	Train services
	Rolling stock
	Delivering train service performance
Plan 3 – Delivering the Thameslink Programme	Delivery of the Thameslink Programme
	Introduction of the new Class 700 vehicles
	Depot operation and integration
	Operational concept
	Thameslink Programme integration
	Mitigation for any changes in the Thameslink Programme
Plan 4 – Marketing, Fares, Ticketing and Revenue Protection	Marketing
	Fares policy
	Ticketing, smart ticketing and ticket retailing
	Revenue Protection
Plan 5 – Improving the customer experience	Engaging with customers and prospective customers
	Measuring service quality
	Provision of journey information to customers
	Access to stations and door to door journey experience
	Stations
	On-train facilities and services
	Helpful and responsive customer service
	Promoting equality and meeting the needs of disabled people and others with reduced mobility
	Security, crime and anti-social behaviour

- 5.1.3 Details of the Department's requirements for the Plans (and, where relevant, their associated sub-components) are set out in this **Section 5** (Detailed Bid Submission Requirements – Delivery Plans).
- 5.1.4 In order for the Department to assess whether each Bidder can meet the requirements, Bidders should provide in each Delivery Plan or, where relevant, each sub-component:
- details of any important challenges and opportunities in relation to each requirement;
 - the key Initiatives that the Bidder proposes to undertake in order to deliver those requirements. Bidders should note **paragraph 4.7.3** (Contractualisation);
 - the expected impact of the Initiatives (including scale and timing of the impacts);
 - full supporting evidence of how those Initiatives will be resourced and delivered, including a GANTT chart or similar, as appropriate;
 - a statement of the annual revenues, costs and capital associated with each Initiative in respect of which any of these elements exceeds £1,000,000 in September 2014 prices in any Franchise Year, consistent with those laid out in the Financial Modelling Suite for these Initiatives; and
 - include cross references to the specific clause or sub-clause of the Franchise Agreement or the Schedule of Committed Obligations (as applicable) in accordance with **paragraph 4.7.3** (Contractualisation).
- 5.1.5 In addition to the requirements of **paragraph 5.1.4, paragraph (B)** under each Plan or sub-component lists specific evidence that Bidders should provide as part of their response.
- 5.1.6 The Department cannot and does not wish to be prescriptive in all areas about how Bidders may meet or exceed the requirements and does not wish to constrain innovations Bidders may propose. As such, the Department has set out in **paragraph (C)** under each requirement, indications or examples of what it considers will exceed its requirements.

However, these indications are illustrative only and not exhaustive. Where no examples or indications are given, Bidders may still provide Initiatives supported by evidence that they consider will exceed the Department's requirements unless specifically stated otherwise.

5.1.7 The judgement as to whether or not a Bidder is likely to meet or exceed requirements will reflect the Department's overall view of the evidence provided, taking into account all the circumstances including:

- the extent to which financial (cost/revenue) assumptions underpinning Initiatives are sound and credible;
- where appropriate, the quantum of farebox revenue generated by the Bidder's Initiatives, as further described in **paragraph 7.4.1** (Evaluation of Bid Delivery Plans);
- the credibility of the plans as a whole in meeting the requirements, including quality of research, analysis and understanding;
- the extent to which the plans depend upon, and are supported by third parties;
- evidence and relevant examples of Initiatives within the plans being successfully introduced elsewhere;
- any cross references to other Plans made in accordance with the guidelines set out in **paragraph 4.3.3** (Cross Referencing);
- the benefits that the Bidder will deliver in wider or long-term value and benefit for the Department, including through improvements for customers and communities;
- the robustness and resilience of its plans for delivery, including an assessment of the risk to its ability to deliver in challenging circumstances;
- the extent of the availability of funding or financing assessed in accordance with **paragraph 7.8** (Impact of review of Financing and Funding Proposals);

- the extent and nature of any Relevant Franchise Obligation and/or Committed Obligation proposed by the Bidder in accordance with **paragraph 4.7.3** (Contractualisation);
- the extent of benefits to passengers generated by Initiatives; and
- the timing of Initiatives and the period over which the benefits they generate are realised.

5.1.8 The Department will consider to what extent the evidence provides confidence that the Bidder will meet or exceed the requirement.

5.1.9 Bidders must also read the contents of the Franchise Signature Documents provided with this ITT which contains provisions relevant to meeting the requirements specified in this **Section 5** (Detailed Bid Submission Requirements – Delivery Plans). As part of this procurement, Bidders are not permitted to mark up the Franchise Signature Documents other than to fill gaps denoted by the drafting note 'Bidders to populate'. It is an overarching requirement that Bidders' proposals set out in each Plan and sub-component are compliant with the Franchise Signature Documents. Anything contained within a Bidder's response to this **Section 5** (Detailed Bid Submission Requirements – Delivery Plans) which is non-compliant with the Franchise Signature Documents will not meet the Department's requirements and so will be scored accordingly and may result in the Bid being treated as non-compliant.

5.1.10 Details of how each Delivery Plan (and, where relevant, their associated sub-components) will be evaluated (including the associated scoring matrix) is set out in **Section 7** (Evaluation Criteria and Methodology).

5.1.11 A Bidder that achieves an Evaluation Score below 3 in respect of any of Delivery Plans 1, 2, 4 or 5 or an Evaluation Score below 4 in respect of Delivery Plan 3 will be treated as being non-compliant. The Delivery Plan 3 requirement for a minimum score of 4 is a reflection of the significance of the Thameslink programme to the franchise.

5.1.12 A Bidder that achieves an Evaluation Score below 3 in respect of any of the following sub-components will result in the Bid being treated as non-compliant:

- Mobilisation sub-component (as described in **paragraph 5.3.1** (Leadership and Franchise Management) below);
 - Any one or more of the sub-components of the Delivery Plan 2 (as described in **paragraph 5.4** (Train Service Delivery) below); and
 - The measuring service quality sub-component of Delivery Plan 5 (as described in **paragraph 5.7.3** (Measuring Service Quality) below);
- 5.1.13 Any of **paragraphs 5.2 to 5.7** (inclusive) detailing the requirements for Delivery Plans may specify individual requirements which if not met will or may make the Bid non-compliant.
- 5.1.14 The minimum requirements for compliance described in **paragraphs 5.1.11, 5.1.12 and 5.1.13** are the thresholds referred to in **paragraph 7.2** (Definition of MEAT for the Competition).
- 5.1.15 Bidders' attention is drawn to **paragraph 4.3.3** (Cross Referencing).

5.2 Executive Summary

The Department requires the Bidder to summarise their Bid. The summary should include:

- the Bidder's vision and overarching strategy for the TSGN franchise;
- how the Department's objectives for the franchise will be met and, where applicable, exceeded;
- a programme of key business activities which shows the date of:
 - key actions which the Franchisee needs to take in order to deliver the principle Initiatives included in the Delivery Plans;
 - other significant events that will affect the operations, costs or revenues of the franchise; and
 - key risks and how they will be mitigated.

Bidders should be aware that a Delivery Plan Evaluation Score will not be awarded to the Executive Summary. Bidders should be aware that, although the Executive Summary will not be scored, all evaluators will be given a copy of it to aid their understanding of the Delivery Plan(s) and/or sub-components they are evaluating.

5.3 **Delivery Plan 1: Franchise Management, Partnerships, Corporate, Social and Environmental Responsibility**

5.3.1 Leadership and Franchise Management

(A) REQUIREMENT

The Department requires a Franchisee who will lead, structure and manage its organisation and workforce in order to deliver the obligations, aims and objectives of the business including those required by this ITT and the Franchise Agreement throughout the Franchise Term. To deliver this requirement the Franchisee must:

- structure its initial, transitional and end state organisation with clear responsibilities, roles and functions, and into appropriate business units so as to ensure that the franchised business is effective and responsive to change at all stages of the Franchise Term;
- ensure that the organisation has appropriate technical, management and leadership skills, including in its supply chain/contractors where it relies on such bodies to deliver or support key aspects of the operation;
- introduce into the franchise comprehensive corporate management systems and/or models of excellence such as EFQM from July 2016;
- ensure a high level of competence and capability in the workforce as a whole, for individual employees and, where relevant, in the organisation's supply chain including contractors and sub-contractors where it relies on such bodies to deliver or support key aspects of the operation;
- understand, maintain, formally demonstrate and improve on an ongoing basis the competences and capability required;
- meet key staffing challenges in order to deliver the business through manpower planning, including vacancy gap strategy, outsourcing and use of agency staff as relevant;

- monitor, understand and improve the level of staff engagement on the Franchise;
- implement a management and business structure which provides the resource and capability necessary to maintain a responsive, constructive and collaborative working relationship with the Department as contracting authority, including through providing information, data and expertise to support the Department’s decision making, and building a strong two-way understanding of the constraints and issues on each organisation;
- make suitable arrangements for pension provision for all staff; (Bidders are reminded that contracting out of the State Second Pension is intended to end in April 2016 and they should make appropriate financial provision for this; they should also note the possibility of the FCC and Southern Sections of the Railways Pension Scheme (“**RPS**”) having to merge when the Southern franchise is taken over); and
- support diversity, equality, health and wellbeing of the workforce.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders’ responses shall cover as a minimum:

- total establishment and staff numbers by category, job, activity, location and salary level for each group including associated organisation charts;
- where the Bidder is suggesting any reduction or increase in staff headcount, details of the reasons for that change and the way in which that change will be managed, highlighting any impacts on franchise operations;
- proposed management team and structure both prior to and following the integration of the existing Southern franchise in July 2015 providing sufficient transparency as to how

customer services and currently disaggregated business units are to be organised;

- proposed staff numbers and costs for the Thameslink Programme Office (**paragraph 5.5** (Successful Delivery of the Thameslink programme));
- proposed staff numbers and costs for the marketing and fares team (**paragraph 5.6** (Marketing, Fares, Ticketing and Revenue Protection));
- proposals for pension provision, in particular proposals for managing the existing sections of the RPS (as referred to in paragraph 1 of Schedule 16 of the Franchise Agreement); and
- details of the proposed overall industrial relations strategy and resilience planning including how engagement with staff and staff representatives will be managed.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- proposals which will result in significant improvement in the long term skills and competence of the workforce for the TSGN franchise and/or make an effective contribution to building skills and competence in the supply chain and/or wider UK rail industry. Initiatives should support the implementation of the People section of the Rail Technical Strategy and should go beyond addressing current skills-gap priorities and immediate business opportunities. Evidence of contributing to the wider UK rail industry could include providing expert skills and mentoring to other organisations or supporting/leading sector-wide initiatives to build the skills

required (now and in the future), for instance through collaboration with the National Skills Academy for Railway Engineering;

- proposals which will result in an organisation that has the capability to innovate technically, operationally and in relation to novel business models, including cross system innovation envisaged in the Rail Technical Strategy and will maintain an innovation capability on an ongoing basis. Evidence could include detailing an innovation strategy for the organisation or how the development of an effective innovation culture will be implemented and resourced; and
- strategies to create healthy, positive working environments that optimise the attractiveness of roles and increase wellbeing.

5.3.2 Mobilisation

(A) REQUIREMENT

The Department requires a Franchisee who will successfully mobilise the franchise in two stages; the Thameslink and Great Northern element of the franchise by 14 September 2014 and the Southern element of the franchise by 26 July 2015, in a smooth and safe manner with no disruption to passenger services. This requirement includes but is not limited to:

- managing the process for complying with the Conditions Precedent Agreement and obtaining all necessary consents (including all necessary safety approvals), licences and contractual rights (including under access agreements, station and depot leases and rolling stock leases) before the Start Date;
- managing staff transfers (including complying with its obligations under TUPE and staff communication activities) as part of the mobilisation; and
- taking over the role of Designated Employer for the current Sections of the RPS (as set out in, and at the staggered

times referred to in, paragraph 1 of Schedule 16 of the Franchise Agreement) and putting in place any other pension provision they may propose to put in place from the beginning of the franchise; they should note the possibility of the FCC and Southern Sections of the RPS having to merge when the Southern franchise is taken over.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- submission of a clear and detailed execution plan demonstrating the planning, resource commitments, activities and timetable that will be employed to successfully mobilise the TSGN franchise; and
- a detailed risk register which sets out the risks expected during the mobilisation that would prevent the requirement in (A) above being met and identifies appropriate mitigation measures.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- proposals which demonstrate value adding early involvement in Thameslink programme related activities during the mobilisation period.

5.3.3 Franchise Integration

(A) REQUIREMENT

The Department requires a Franchisee that will:

- integrate the current FCC and Southern franchises including services transferring from Southeastern to establish a customer and market focused business, streamlined, fit for purpose with appropriate economies of scale; and
- continue integration following commencement in order to safely and effectively transition into the combined franchise, including in respect of operations, supporting assets, systems organisational culture, human resources and commercial arrangements.

The Department also requires a Franchisee that will assist the Department by providing information, resources and expertise during the development of the proposition for the successor franchise and will work collaboratively and in partnership with the Department to support the development of this proposition. This may include, but will not be limited to, providing disaggregated information and/or estimates in the event that the Department decides to create two or more separate franchises.

Bidders shall be aware of the following planning assumption for the successor franchise. The Department expects to discuss with the Franchisee the future size and scope of the TSGN franchise, including possible re-mapping options for the franchise a minimum of two years before the completion of the Franchise Term. Whilst the Department is keen that the Franchisee maximises the savings and efficiencies that should arise from combining two franchises, Bidders should avoid actions that would make any future splitting of the franchise prohibitively expensive to achieve.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- submission of a detailed plan as to how they will integrate the two franchises setting out strategy, plans, programme and timeline resources to achieve the integration;
- the end state organisational design following franchise integration identifying the rationale for the key features;
- how the Bidder will manage the cultural aspects of the integration;
- details of key risks expected during the integration that would prevent the Requirement being met and appropriate mitigation measures, including approach to harmonisation of staff terms and conditions if required; and
- where the Bidder is suggesting any reduction or increase in staff headcount or reallocation of duties, details of the reasons for that change and the way in which that change will be managed, highlighting any impacts on operation beyond any plans identified in **paragraph 5.3.1**.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- proposals which demonstrate a particularly effective approach to implementing cultural change throughout the period of integration; and
- proposals which address how the design and management of the franchise integration could assist the Department in achieving greater value in a subsequent re-mapping of the franchise.

5.3.4 **Managing Industry Partnerships**

(A) REQUIREMENT

The Department requires a Franchisee that will create, develop and manage high performing partnerships, alliances and arrangements with industry and other key stakeholders throughout the Franchise Term to:

- deliver the requirements of this ITT efficiently and effectively;
- contribute to local economies and communities in line with stakeholder expectations;
- achieve improvements in whole industry cost efficiency;
- identify opportunities to develop the business, and the assets used by the business, to improve its longer term value for the Department;
- deliver improvements in environmental impacts, including energy efficiency and carbon impacts at route and, where possible, industry level; and
- support the provision of community rail partnerships and community rail schemes.

For the purposes of this sub-component Stakeholders include passenger representative bodies, Local Authorities, Local Economic Partnerships, Community Rail organisations, the Department, ORR, and other transport providers including Network Rail, Transport for London, other Station Facility Owners (including LUL), airports, Rolling Stock Owning Companies (“**ROSCOs**”), freight operators and their customers, local schools and community organisations, ATOC/Rail Settlement Plan and the Franchisee’s wider supply chain including SMEs.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders’ responses shall cover as a minimum:

- how the Bidder will understand stakeholder perceptions of the franchise their priorities for future improvement and how stakeholder feedback will be acted upon;

- details of joint programmes and initiatives that the Bidder will proactively participate in, which will be crucial to delivering the Requirements specified in (A) above and how those programmes will be delivered;
- the Bidder's approach to key partnerships and framework alliances with industry stakeholders, and how the Franchisee will maximise effective joint working and provide leadership to ensure that joint programmes and initiatives have positive benefits for customers and the whole industry;
- how the Bidder has engaged with Network Rail in the context of this Bid and the franchise going forward. As part of their evidence of this, Bidders shall include a letter from Network Rail setting out their support for relevant elements of the strategy set out in Bids; and
- to the extent that the Bidder considers that an alliance would be one of the measures it would implement to achieve the requirements, submission of a plan for agreeing an alliance with Network Rail including resources, methodology, key programme dates and any other information that the Bidder considers relevant.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- a Bidder's stakeholder management strategy that will deliver significant wider rail network benefits, including improving the efficiency and value of rail at route and industry level;
- a Franchisee who looks outside the boundaries of its business in order to have a significant positive impact on the communities it serves and is part of, including through work

with charities, conducting education and outreach, sharing and building skills and seeking opportunities to improve lives; and

- with respect to the requirements in (A) implementing research, development and innovation exploitation activity, including trial schemes or demonstrator projects. Such activity will deliver benefits for the wider UK rail network at a whole system level and benefits identified for such initiatives should be consistent with the rail industry's strategy as set out in the Rail Technical Strategy. Particular regard will be given to projects where the Bidder has secured investment or resources from third parties or has committed a significant amount of its own resources.

5.3.5 **Environment and Sustainability**

(A) REQUIREMENT

The Department requires a Franchisee who will set targets for improvement in energy efficiency, carbon footprint, waste and water usage in the manner specified in the Franchise Agreement and who can:

- achieve reductions in carbon emissions from rail traction, non-traction operations and the business as a whole (recognising and responding to the challenges of a growing franchise);
- improve energy efficiency for traction and non-traction energy use; and
- reduce the environmental impacts arising from the consumption of resources and waste management, including reductions in water use and reductions in total waste to landfill.

The Department requires a Franchisee who can demonstrate that:

- the targets referred to above are set and designed on the basis of good information, including establishing a baseline, researching current performance and current practices on

the franchise, identifying risks and opportunities and seeking and considering independent expert advice; and

- the targets referred to above are set at a level that will deliver significant environmental benefits over the Franchise Term and that the delivery of the targets will require a change to business processes, approach and/or technologies.

The Department requires a Franchisee who will implement a systematic approach to managing environmental, energy and procurement issues across the business as a whole for the full Franchise Term. This will include achieving and maintaining the accredited standards set out in the Franchise Agreement (ISO140001, ISO50001 and BS8903 or equivalent standards). The Franchisee's approach must include:

- systems for reviewing and prioritising environmental and sustainability issues, risks and targets through the Franchise Term including analysis of performance and trends, and research into best practice and opportunities for improvement; and
- ensuring that environmental and sustainability impacts are an important consideration in the running of the business, and in major investment, procurement and business development decisions.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

There is no further minimum requirement for this sub-component beyond that set out in (A) and **paragraph 5.1.4** above.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- plans to move to metered billing for traction electricity consumption and roll-out driver advisory systems to reduce traction electricity costs from the current level;
- seeking regular and informed independent advice, recommendations and audit/review in order to improve the sustainability of the Franchisee's business, for instance through establishing a formal advisory or stakeholder body with a defined role;
- plans to go beyond understanding and managing direct and short term environment impacts to make a significant contribution to sustainability of the franchise, its suppliers, the route and wider UK rail industry during the Franchise Term and being likely to leave the successor franchisee well placed to deal with future challenges and opportunities after the Franchise Term. This can include:
 - setting a transformational long-term vision for the full Franchise Term backed by clear and transparent public and customer commitments and communications;
 - systems for researching, incorporating and building on industry best practice throughout the Franchise Term;
 - identifying and addressing indirect and longer term environmental impacts;
 - delivering improvements at sector, route and rail industry level, on a whole life basis, including through engaging with the wider industry on sustainability Initiatives (including through RSSB), proactively leading Initiatives and setting objectives/targets with its supply chain and wider stakeholders;
 - addressing barriers to improvement that are structural or difficult to resolve;

- enabling and encouraging others – including employees, customers and suppliers – to reduce their environmental impact; and/or
- supporting the broader sustainable transport agenda including by improving links with public transport, encouraging cycling and walking and facilitating the roll-out of electric vehicles;
- with respect to the requirements in (A) implementing research, development and innovation exploitation activity, including trial schemes of initiatives, or demonstrator projects, where such projects will deliver benefits for the wider UK rail network and the whole-system. Benefits identified for such initiatives should be consistent with the rail industry's strategy set out in the Rail Technical Strategy and initiatives may be influenced by the strategy. Particular regard will be given to projects where the Bidder has secured investment or resources from third parties or has committed a significant amount of its own resources.

5.4 **Delivery Plan 2: Train Service Delivery**

5.4.1 **Background information**

This section contains background information that Bidders may find helpful in understanding the requirements set out in this Delivery Plan.

Key timetable changes

The Franchisee will be responsible for managing substantial changes in the train service proposition over the lifetime of the Franchise, particularly as a result of the Thameslink programme.

The first major change will come in December 2014 when the route through London Bridge becomes unavailable for through Thameslink services as a result of the closure of the connection between London Bridge and Blackfriars. The December 2014 timetable is being developed in partnership between the incumbent operators, Network Rail and the Department, and timetable Access Proposals will have been formally submitted by the incumbents to Network Rail by the time the identity of the Franchisee is known. The Franchisee will therefore be responsible for operating a December 2014 timetable it will inherit from the incumbent operator. Also in December 2014, the TSGN Franchisee will take full responsibility for some services that are currently operated jointly by FCC and Southeastern (see below for further information).

The December 2014 timetable is still under development and a full timetable is not expected to be available during the Bid phase, but a document setting out the assumptions Bidders should make about this timetable is available on the Data Site. The Department reserves the right to update these assumptions in the Bid phase in the event that significant further progress is made with the timetable development process.

In July 2015 when the current Southern franchise is incorporated into TSGN, the TSGN Franchisee will be responsible for operating the timetable inherited from Southern.

The December 2015 timetable change will provide the earliest opportunity for the TSGN Franchisee to make changes to the timetable, including to take advantage of incorporation of the Southern franchise in service provision.

The connection between St Pancras and the East Coast Main Line will become available during 2015, though the TSR does not require passenger services to be operated via this route immediately on opening. The next major change will be in January 2018, by which time the infrastructure works at London Bridge are due to have been completed and the Thameslink core infrastructure adapted to accommodate 20 trains per hour, with the connection between London Bridge and Blackfriars restored.

Finally, in December 2018, Key Output 2 is due to have been delivered in full and the infrastructure will be able to accommodate 24 trains per hour through the Core Thameslink Route. The Data Site contains a draft sample timetable for December 2018, prepared by the Department's technical advisors, and a timetable development report prepared by Network Rail. These Data Site documents are provided for information only. Bidders may wish to draw on them in developing their own timetable proposals, but nothing in those documents should be taken as imposing any requirements on Bidders. Bidders must undertake their own due diligence on these documents, and must not assume that the draft sample timetable meets the requirements of the TSR or complies with the timetable planning rules. Separate requirements about the provision of suitable train paths for long distance high speed services and freight are described later in this Delivery Plan.

Transfer of services between the Southeastern Franchise and TSGN

Some train services will transfer between the Southeastern franchise and TSGN on two occasions during the lifetime of the TSGN franchise. These transfers are reflected in the TSR, and Bidders should assume that the Department's requirements for the future directly-awarded contract for the Southeastern franchise will be framed accordingly.

First, with effect from the beginning of service on 21 December 2014:

- responsibility for the existing jointly-operated FCC/Southeastern services, and early-morning and late-evening Southeastern services to and from London Blackfriars, under service codes SE6520 (Orpington via Herne Hill) and SE6560 (Sevenoaks via Catford) will transfer to the TSGN franchise, providing greater flexibility for them to

be operated by Class 700 units as they become available;
and

- existing peak Thameslink services to/from Ashford and Rochester will terminate at Blackfriars, and be operated wholly by the Southeastern Franchise.

Second, from the start of service on 2 January 2018:

- the TSGN Franchisee will be required to operate a regular pattern of 2 trains per hour Sevenoaks-Thameslink (all day) and 2 trains per hour Maidstone East-Thameslink (in peak and specified off-peak hours); and
- the LSER Franchisee will operate additional peak services into Blackfriars, in place of those 'peak extras' currently in SE6520 and SE6560 that do not form part of the new, regular Sevenoaks and Maidstone East service pattern. The LSER Franchisee will no longer be required to operate the Ashford-Blackfriars services mentioned above, as these will be replaced by the new Maidstone East Thameslink services.

The timetable assumptions document referred to in the TSR contains a list of services transferring in December 2014.

Track access contracts

Bidders should assume that the Franchisee will inherit a track access contract from FCC at the start of the Franchise, which will include the necessary rights to operate the December 2014 timetable, but that a new unified contract will need to be negotiated by the Franchisee to cover the full extent of the Franchise with effect from July 2015. The Franchisee should assume that Schedule 5 rights to operate services through London Bridge will remain in the FCC contract that they will inherit (and therefore Schedule 4 compensation will be payable for the duration of that contract in respect of the diversion of Thameslink services away from London Bridge), but that the new track access contract that takes effect from July 2015 will not contain such rights prior to 2 January 2018.

Train Service Requirement (TSR)

The detailed TSR tables at **Attachment A** (Train Service Requirement) set out the Department's minimum requirements for December 2015 onwards. If a Bidder considers that a particular requirement in the TSR is ambiguous or undeliverable, or likely to be an error, they may propose changes to the TSR via a BCQ, setting out their reasons. They should do so as soon as possible and in any event within the first two weeks of the Bid Phase. Having considered the BCQ, the Department will then indicate whether it proposes to amend the TSR via a response that will be made available to all Bidders. This is without prejudice to the Department's right to issue updates and amendments to this ITT, set out in **paragraph 1.9** (Updates and Termination) above.

5.4.2 **Train Services**

(A) REQUIREMENT

The Department requires a Franchisee who will meet the minimum requirements set out in the Train Service Requirement (“**TSR**”) set out at **Attachment A** (Train Service Requirement) to this ITT, which include:

- prior to December 2015, operating services in accordance with assumptions that are being provided to Bidders about the timetables they will inherit from the incumbent operators, and in accordance with specified minimum capacity requirements (to the extent that the eventual timetables inherited by the Franchisee differ from the assumptions given, this will be handled by the Department issuing an Alternative TSR following contract award); and
- from December 2015 onwards, operating services in accordance with the minimum requirements set out in Train Service Requirement tables, which specify the minimum quantum of services, requirements about first and last train times, and minimum capacity requirements. From May 2018 onwards, additional requirements are specified regarding the operation of services through the Thameslink core, including a requirement in specified peak hours for 20 trains per hour (from May 2018) and 24 trains per hour (from December 2018) in each direction.

The Department requires a Franchisee who will target the available capacity of the fleet where and when it is needed most, in order to minimise the extent of crowding and to avoid it being unduly concentrated on particular services or routes in accordance with the provisions of paragraphs 7.1 and 7.2 of schedule 1.1 of the Franchise Agreement. For the avoidance of doubt, meeting this requirement does not oblige the Bidder to lease additional units of rolling stock beyond what is needed to meet the train service and capacity requirements of the TSR.

The Department requires a Franchisee whose train services will, so far as practicable, meet passenger needs and support revenue growth within the different market segments served by the Franchise, by:

- providing direct journey opportunities that are important to passengers (including direct links to particular London terminals, as well as non-London journey opportunities);
- providing broadly regular intervals between services to afford passengers well-spaced services rather than services that meet the TSR requirements but are tightly bunched; and
- offering journey times that are not unreasonably extended. In particular, timing allowances for performance, pathing and engineering time and differentials between public and working timetables must be kept to a reasonable minimum.

The Department requires a Franchisee who will meet the need for additional or strengthened services at times of exceptional demand (e.g. for sporting and other special events, summer weekend services to coastal towns).

The Department requires a Franchisee whose train services are compatible with the overall capacity of the rail network, and in particular are deliverable alongside the InterCity and freight service patterns described in **Table 5.4.2** (Intercity and freight services to be accommodated alongside Bidders' train service proposals) below.

The Department requires a Franchisee who, throughout the Franchise Term, will identify opportunities to:

- improve the train service proposals included in their Bid, so that they better meet the needs, priorities and aspirations of their customers and other stakeholders (as identified through their ongoing customer and stakeholder engagement processes); and
- adapt to crowding pressures as they emerge during the Franchise Term,

and make proposals to the Department where contract changes are necessary to implement the potential improvements they have identified.

The Department requires a Franchisee who will increase revenues from, and rail's modal share for, surface access to and from each of Gatwick and Luton airports (compared to a scenario in which the characteristics of rail services and all other relevant factors prevailing at the time of issuing this ITT are maintained).

The Department requires a Franchisee who will employ sufficient crew with relevant training and route knowledge to operate services in accordance with their proposed timetables, taking account of all relevant factors (including the need for training to support the introduction of new rolling stock, route learning and operation under ERTMS, ATO and the Thameslink Driver Advisory System).

Table 5.4.2: InterCity and freight services to be accommodated alongside Bidders' train service proposals

Bidders' proposed train services must be deliverable alongside the following patterns of InterCity and freight services throughout the Franchise term.

East Coast Main Line

For their December 2015-December 2017 timetables, Bidders must assume the current timetables for long-distance high-speed (LDHS) trains continue to operate. For their December 2018 timetables, they must allow for LDHS trains passing Woolmer Green Junction at the following times (minutes past each hour, all day every day):

Down direction:

- 16½, 22½, 25½ (S), 31½; 46½, 52½, 55½ (S), 01½

Up direction:

- 07 (S, R), 13, 22, 25; 37 (S, R), 43 (H), 52, 55

(S) = train in this path must be capable of calling at Stevenage. Stevenage calls are not required for morning peak trains in the peak direction passing Woolmer Green Junction before 09:00.

(R) = LDHS paths required from 09:07 / 09:37 onwards, but not in the preceding hours

(H) = the train passing Woolmer Green Junction at 07:43 must be capable of calling at each of Huntingdon and St Neots.

The timings of all the LDHS paths shown above may be rotated around the clockface, as a group, by up to 15 minutes in either direction, provided this does not result in a reduction in the number of LDHS services to/from Kings Cross during any hour during any peak period in the peak direction, and all the paths are rotated around the clockface by the same amount throughout the day. When rotating either the up or down direction paths, the corresponding paths in the other direction should be rotated by the same amount of time, plus or minus 5 minutes.

Times have been specified at Woolmer Green Junction only but Bidders should assume that:

- paths will need to be available between Kings Cross and Peterborough;
- paths must be timed for Class 91 and Mk4; and
- paths must include the engineering and performance allowances set out in the Train Planning Rules.

Pathing time should be avoided as far as practicable but may be included where necessary.

It should be assumed that any freight services operating via Woolmer Green Junction will use one of the LDHS paths, and that there will be no freight services in the peak hours in the peak direction.

Midland Main Line

The InterCity franchisee must be able to operate 5 trains per hour, rising to 6 with effect from the December 2017 timetable change, in each direction between 0600 and 2200. Two Class 6 freight paths in each direction must be accommodated in each off-peak hour between Bedford and London, class 66-hauled, the southbound trains being up to 2,200 tonnes trailing weight.

There is likely to be a requirement, at some point in the future, for up to three of the southbound paths to be able to accommodate 2,600 tonne class 66-hauled trains in each 24 hours, from various East Midlands locations to various London-area locations. Bidders do not need to cater for this likely future requirement in their Bids but may wish to note that, when it has been determined in which hours these trains should run, it may be necessary to re-time a couple of standard pattern Bedford-starting trains to depart Bedford up to 5 minutes earlier than the

normal pattern.

Kent and Sussex

Bidders' plans must accommodate the current level of freight traffic at broadly the same times as today.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- a full timetable, including weekends, covering the period between December 2015 and January 2018 (when the connection between London Bridge and Blackfriars is due to be restored). Bidders should highlight any changes compared to the Bid assumptions that have been placed in the Data Site for the December 2014 timetable. Bids must make clear which changes they propose would take effect from which Timetable Change Dates;
- a full timetable, including weekends, covering the period from December 2018 (when Key Output 2 is due to be fully delivered) until the end of the Franchise;
- a plan for the resumption of Thameslink services through London Bridge from January 2018 and for the stepping-up of services to achieve 20 trains per hour through the Core Thameslink Route no later than the May 2018 Timetable Change Date. Bidders are not required to provide a full timetable for this transitional period, but must clearly indicate:
 - which peak Thameslink services in their proposed December 2018 timetable would start from/terminate at London terminals rather than operating through the Core Thameslink Route prior to December 2018; and
 - for each such service, the first date on which it is proposed to operate through the Core Thameslink Route;
- a description of any other service changes proposed during the Franchise Term. Bidders are not required to provide full

timetables to reflect such changes, but will need to describe their proposals (and their anticipated impacts) in sufficient detail and provide sufficient evidence to assure the Department and Network Rail that they are deliverable. Depending on the circumstances, this might include provision of revised timetables covering the most immediately affected parts of the franchise;

- an assessment of the revenue impacts of their timetable proposals;
- a description of their overall package of proposals for services to and from Gatwick and Luton Airports (which may include cross-references to relevant proposals in other Delivery Plans) with evidence to demonstrate that the requirement about revenues and modal share has been met;
- train-by-train forecasts of passenger loadings (all day, every day) for 2017 and 2021, the rolling stock formation assumed in each case, and how forecast loadings compare with the level of capacity the Bidder proposes to provide on each service. Here, Bidders should pay particular attention to **paragraphs 3.16 and 6.4.5** (Operational Models), which set out the Department's position regarding the modelling of crowding. For time periods not covered by CMS Passengers, loading data from MOIRA1 will suffice for these purposes. Bidders shall provide a commentary on the robustness of their forecasts;
- an explanation of how the Bidder's proposed timetables reflect passenger needs as regards direct journey opportunities, spacing of services and journey times;
- rolling stock diagrams to demonstrate that the proposed timetables will be deliverable within the Bidder's proposed Train Fleet, taking account of reasonably foreseeable non-availability of stock (e.g. for hot stand-bys, maintenance, installation of ERTMS train-borne equipment, driver training); and

- a full description of the Bidder’s proposed strategies for train crew and platform despatch staff, with evidence to show that this will be sufficient to deliver the proposed timetable, and making specific reference to any circumstances in which the Bidder proposes to rely on overtime or rest day working.

Bidders’ timetables will be reviewed by Network Rail (in addition to the Department and its technical advisors) as part of the assessment process, and Bidders should note the requirements regarding timetables and MOIRA export files as set out in **paragraph 4.4** (Submission of Bids).

(C) SCORING

For meeting the above Requirements, Bidders will score 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology).

If a Bid fails to meet the requirements of the TSR then the Bid will be treated as being non-compliant, except as provided for below.

If a Bid fails to meet the requirements of the TSR because it includes stops at East Croydon and/or Clapham Junction in services that the TSR requires to operate non-stop between Gatwick Airport and London Victoria, but meets the requirements of the TSR in all other respects, then it will be treated as a compliant Bid if (and only if):

- the Bid demonstrates that, taken as a whole, the package of proposals for rail services to/from Gatwick Airport is supported by Gatwick Airport Limited. This should be demonstrated by means of a letter or similar statement from Gatwick Airport Limited, obtained by the Bidder during the bid preparation phase, which clearly describes the package of proposals to which the expression of support relates; and
- the overall effect of the Bid taken as a whole (including the inclusion of the East Croydon and/or Clapham Junction stops), compared to an alternative scenario in which the characteristics of rail services to/from Gatwick Airport and all other relevant factors prevailing at the time of issuing this ITT are maintained, is to:

- increase rail's modal share for surface access to and from Gatwick Airport; and
- increase total farebox revenues from journeys to and from Gatwick Airport.

Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

Bids that:

- taking the train service proposition as a whole generate revenue and/or passenger benefits by addressing the needs, priorities and aspirations of customers and other stakeholders that the Bidder has identified through consultation and other research, for example because:
 - they provide additional train services (which could include earlier first trains or later last trains, preservation of existing service frequencies where the TSR specifies a lower level, or proposals to meet evidenced demand for additional services on bank holidays, Boxing Day or in the period between Christmas and New Year) or additional passenger-carrying capacity over and above the minimum required by the TSR;
 - the proposals will be particularly effective in reducing the level of crowding, both at individual train level and across all services (for example by providing more rolling stock vehicles than are needed to meet the capacity requirements specified in the TSR or by increasing rolling stock capacity per vehicle; or because proposed timetables will be more effective than current timetables in matching capacity to demand);

- they offer material reductions in journey times compared to current levels on particular routes where stakeholders have identified strong aspirations (in particular between London and the Coastways); and
- service patterns are adapted in ways that are beneficial to passengers (for example by adjusting calling patterns to provide new direct journey opportunities for which there is evidence of demand, or providing direct services to London terminals that reflect passenger demand better than today's pattern of service).

Bids that will provide early realisation of Thameslink programme benefits, for example by setting out robust and deliverable plans to increase the frequency of services through the Core Thameslink Route more quickly than required by the TSR, or to begin the operation of services between the East Coast Main Line and Thameslink earlier than required by the TSR.

Bids that go beyond the requirements set out in Table 5.4.2 above as regards long-distance high-speed services (LDHS) on the East Coast Main Line, for example because they avoid pathing time in LDHS services or by providing for either the first or second LDHS departures from Kings Cross in each flight being timed at xx00 and xx30 respectively.

(D) Contractualisation of Bidders' train service proposals

Consistent with **paragraph 4.7.3** (Contractualisation) of this ITT, the Department will expect to contractualise key features of the successful Bidder's Delivery Plans in relation to the Bidder's train service proposals in an amended and expanded version of the TSR that forms part of this ITT. The Department will undertake its evaluation of Bids on the assumption that Bidders accept that the TSR may be amended and expanded to reflect any relevant aspect of the content of their train service proposals, and that the adjustment of the TSR in this way will not constitute a Change for the purpose of the Franchise Agreement. Bidders are not expected to provide a revised TSR with their Bid, but rather the Department will provide one, some or all of the Bidders with the TSR amended and expanded by the Department to reflect their proposals. If,

by a date specified by the Department, a Bidder has not agreed to those amendments then the Department will ensure that its evaluation of the Delivery Plan is revised as required to take account of the extent to which the feature required by the Department would not be contractualised within the TSR. This may result in a change of rankings of Bids and a requirement for the Department to go through this process with further Bidders. The Department may seek to reflect any feature of the Bidder's train service proposals when amending and expanding the TSR, but as a guide this may include (depending on the Bidder's specific train service proposals) some or all of the following:

- the actual number of train services the Bidder proposes to operate to and from particular stations;
- key direct journey opportunities, including which stations will be connected to which London terminals and via which routes, and the proposed end-to-end Thameslink services;
- the actual first and last train times proposed by the Bidder;
- maximum journey times between key stations; and
- peak capacity to be provided into key London stations and Brighton, and potentially other locations.

5.4.3 **Rolling stock**

(A) REQUIREMENT

The Department requires a Franchisee who will:

- throughout the Franchise Term, deploy rolling stock on each route served by the Franchise that passengers can reasonably be expected to perceive as being of comparable or better quality than the stock typically in use on the same route at the time of issuing this ITT;
- utilise the Class 700 fleet being procured under the Thameslink Rolling Stock Programme such that, measured across the whole week, a minimum of 95 per cent of all services operating between Blackfriars and St Pancras are operated using Class 700 vehicles from May 2018 onwards;

- lease the specific fleets, depots and stabling facilities that are covered by section 54 agreements at least until the expiry of those agreements (or, if earlier, to the end of the Franchise Term);
- work with Southern to secure the entry into service, within the Franchise, of the 116 new Class 387 vehicles. This will include the Franchisee undertaking the final acceptance process and necessary Vehicle Change procedures, and any other steps necessary to bring the vehicles into service by the May 2015 timetable change, and subsequently working with the Department and other relevant parties to facilitate the release of these vehicles in line with the outward cascade requirements set out below. Further details about the contractual arrangements for these vehicles will be placed in the Data Site;
- maintain the current level of Driver Only Operation (“**DOO**”) from the Start Date (in respect of services currently operated by First Capital Connect), from December 2014 (in respect of services transferring from the Southeastern franchise) and from July 2015 (in respect of services currently operated by Southern);
- following appropriate consultation, implement DOO on all services that operate on the Core Thameslink Route throughout the Franchise Term;
- implement a rolling stock, depot, maintenance and stabling strategy that is:
 - compatible with the requirements and constraints of the infrastructure;
 - capable of delivering the TSR and achieving the customer experience and performance benchmarks in the Franchise Agreement; and
 - capable of meeting the requirements regarding DOO set out above;

- work with the relevant fleet owners to ensure timely completion of any necessary work to secure compliance with the accessibility requirements in the Railways (Interoperability) Regulations 2011;
- cooperate with Network Rail to ensure the successful implementation of the European Rail Traffic Management System (“**ERTMS**”) on the East Coast Main Line, other Great Northern routes and (in the event of the Franchise being extended beyond its initial seven-year term) the Midland Main Line, in line with Network Rail’s implementation plans (as will be set out in the Data Site shortly after the issuing of this ITT), and implement plans for:
 - supply, installation, testing, commissioning, approvals, maintenance and warranty support for ERTMS train-borne equipment retro-fitted to any existing rolling stock that will need to operate on the ERTMS-enabled sections of the East Coast Main Line;
 - inclusion of ERTMS train-borne equipment, its approvals, maintenance and warranty support on any new rolling stock procured by the Franchisee for use on ERTMS-enabled sections of the East Coast Main Line;
 - driver and other staff training to enable operations under ERTMS control; and
 - provision of sufficient rolling stock and train crew to provide the necessary cover while in-cab ERTMS train-borne equipment is being fitted and tested and while staff are being trained;
- sub-lease 100 Class 377 vehicles (in 4-car formation, not being dual-voltage vehicles), at cost, to the Southeastern franchise. The terms and timing of the sub-lease will need to be agreed between the Franchisee and the operator of the Southeastern franchise, and approved by the Secretary of State. Bidders should assume that the sub-lease will be a dry lease, with the sub-leased units needing to be in service with

the Southeastern franchise from the Timetable Change Date in December 2017, and that this will be mirrored by an equivalent requirement in the future Franchise Agreements for the Southeastern franchise;

- return vehicles to the relevant ROSCO or other vehicle owner in accordance with the requirements set out in Table 5.4.3 (Vehicles to be released from the TSGN franchise) below, so that they are available for cascade to other Franchises; and
- take account of the requirements of current and emerging rolling stock industry standards.

The Department also requires that the Franchisee’s Train Fleet must not comprise any Electric Multiple Units (“**EMUs**”) that, at the time of issuing this Invitation to Tender, are in operation on any Franchise other than the Southern and FCC Franchises (or are used on the Southeastern franchise for operation of the current joint FCC-Southeastern Thameslink services). The Franchisee’s Train Fleet may comprise other (diesel) rolling stock currently in use elsewhere if it can be demonstrated that the rolling stock in question will be, or can reasonably be expected to be, surplus to the requirements of that other Franchise (for example because it is due to be replaced by electric rolling stock following electrification).

Table 5.4.3: Vehicles to be released from the TSGN franchise

Date	Minimum number of vehicles to be released by specified date (cumulative). Class 313 or 442 vehicles released are not to be counted towards these totals. All vehicles released to be in 4 car formation.			
	a.c. capable		d.c. capable	TOTAL
	110mph capable	100mph capable	Total	
31.12.15	-	116	-	116
31.12.16	40	260	32	332
31.12.17	40	328	132	500
31.12.18	116	328	176	620

Although class 313s and 442s may be released from the franchise (after expiry of the section 54 agreement, in the case of the 442s), these

vehicles may not be counted towards the requirements specified in this table because they are of limited suitability for use on routes where ex-TSGN rolling stock is likely to be redeployed.

The requirements are specified cumulatively. For example the requirement for d.c. vehicles could be satisfied by releasing 32 d.c. vehicles during 2016, a further 100 during 2017, and a further 44 during 2018 (making 176 in total).

The release of dual-voltage vehicles may be counted towards either a.c. or d.c. requirements, but a single vehicle cannot be counted towards both.

Bidders must provide for any vehicle due to be displaced by the introduction of class 387 or 700 vehicles to remain on hand for 4 weeks after the 'replacement' vehicle is due to become available to the Franchisee, as contingency cover.

"a.c. capable" and "d.c. capable" mean vehicles that, on the date they come off-lease from the TSGN franchise, are capable of operating on 25kV a.c. or 750V d.c. power sources without modification. "110mph capable" and "100mph capable" mean vehicles that, on the date they come off-lease from the TSGN franchise, are capable of operating at the specified speed without modification.

For the avoidance of doubt, the 100 Class 377 vehicles to be sub-leased to the Southeastern Franchise by December 2017 may not be counted towards the totals specified in this table. Nor may the Class 319 and Class 456 vehicles due to be released from the FCC and Southern Franchises prior to the start of the TSGN Franchises (as mentioned under "Incumbents' rolling stock fleets" below) be counted towards these totals.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- their overall strategy for procuring, leasing, refurbishing and cascading rolling stock;

- details of any revenue changes that would be expected from Bidders' approach to rolling stock provision;
- a fleet plan, showing the number of vehicles of each class and the period of the Franchise for which they will be leased, accompanied by a populated version of Schedule 1.7 of the draft Franchise Agreement with details of the rolling stock fleet (including how the composition of the fleet will change over the Franchise Term);
- plans for which classes of rolling stock will be allocated to which service groups;
- details of any proposed modifications to vehicles comprised in the Bidder's intended rolling stock fleet (e.g. plans for refurbishment, changes to internal layout, any changes to the balance of provision of first and standard class), including the seated and standing capacity of the modified vehicles. If proposing a metro-style interior for any rolling stock, Bidders should include a description and pictorial demonstration of the full suite of interior alterations that support a potential increase in the number of standing passengers;
- an explanation of how the Bidder's choice of rolling stock, and proposed allocations to service groups, match passenger needs;
- evidence to show that passengers can reasonably be expected to perceive the Bidders' proposed rolling stock on each route to be of equivalent or better quality than existing stock. This could for example include an assessment of the key attributes of the relevant rolling stock types, evidence of views expressed by passenger representative bodies in relation to the rolling stock types in question and/or evidence drawn from Bidder engagement with passengers on their needs and preferences;
- if Bidders propose the introduction of new-build rolling stock in addition to Class 387 and 700 vehicles, how they will take account of the rail industry's Key Technical Requirements for Rolling Stock as published by ATOC;

- if the Bidder's proposed Train Fleet includes vehicles currently in operation on another Franchise (other than EMUs, which are excluded by the requirements specified above), the additional information set out under "Cascading rolling stock into the Franchise" below;
- term sheets (i.e. offer letters) for all vehicles forming part of the Bidder's proposed Train Fleet (except the Class 700 vehicles);
- plans for releasing rolling stock out of the TSGN franchise following introduction of new stock, including details of which vehicles are planned to be returned to their owners and on what dates, and the Bidder's mitigation plans should the incoming replacement stock be delivered later than originally assumed;
- a depot strategy, setting out plans for future use of depots currently used by incumbent operators, the new Thameslink depots at Hornsey and Three Bridges, and all others proposed for use by the Franchisee. This must include details of how maintenance activities will be spread across the depots, and any arrangements for depot enhancements that may be required;
- a strategy for train maintenance, setting out plans for the delivery of heavy and light maintenance, preventative and reactive maintenance, including proposed arrangements for management, staffing and quality assurance and an explanation of how the train maintenance proposals achieve best value for money;
- a stabling strategy, including plans for securing any additional stabling facilities (over and above the new stabling facilities being provided by the Thameslink programme) that would be needed to deliver the proposed train services; and
- how meeting the DOO-related requirements specified in (A) above will fit with their wider staffing strategy for the Franchise, and their proposed approach to engaging with the workforce on issue.

Cascading rolling stock into the Franchise

Where diesel fleet cascades into the franchise are part of the fleet plan, Bidders shall set out how the cascades will be managed and what mitigation they would use should the incoming cascaded stock be delivered later than that originally assumed.

If a Bidder plans to lease diesel rolling stock that is, at present, in use on another franchise they shall explain in their Bid their reasons for believing that the 'donor' franchise will be able to secure alternative suitable rolling stock to continue to operate their train services. In such circumstances Bidders should explain their proposals to the Department, in confidence, as early as possible in the bidding process. The Department will consider any such proposals against the impact on the donor franchise, and may provide a view as to whether the Department is likely to have concerns if the Bidder includes this rolling stock in their proposed Train Fleet. Any such view would be provisional and without prejudice to the Department's evaluation of the Bid once submitted. Such a view would not be communicated to other Bidders, as this may reveal one Bidder's rolling stock strategy to the other Bidders, but it is open to any Bidder to approach the Department on this issue.

Bidders should also note the provisions relating to Cascaded Rolling Stock in schedule 2.2 of the draft Franchise Agreement.

(C) SCORING

For meeting the above Requirements, Bidders will score 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology).

Bids that do not meet the following requirements will be treated as non-compliant:

- the requirement to sub-lease 100 Class 377 vehicles to the Southeastern franchisee;
- the requirement to return vehicles to the relevant ROSCO or other vehicle owner in accordance with the requirements set out in the Table 5.4.3 above; or
- the requirement to lease the fleets, depots and stabling facilities covered by section 54 agreements.

Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

Bids that:

- improve (over and above the impact of introducing the new Class 387 and 700 fleet) the quality of rolling stock used by the Franchisee and/or its suitability for use on the particular market segments served, in ways that address identified passenger priorities for improvement. The Department is particularly interested to see rolling stock used on airport services that is better suited to the needs of airport passengers;
- include a rolling stock strategy that provides more capacity than necessary to meet the minimum capacity requirements specified in the TSR, either because the Train Fleet comprises more vehicles than are needed to meet those requirements or because the Bid includes proposals for use of higher-capacity vehicles that are appropriate to the markets being served;
- include maintenance and stabling strategies that will deliver sufficient rolling stock availability to operate the timetable in exceptional or challenging operating circumstances;
- can reasonably be expected to generate benefits for passengers that extend beyond the Franchise Term, for example as a result of vehicle refurbishment;
- include proposals to increase the efficiency of the Train Fleet and/or reduce its impact on the infrastructure (for example Traction and Braking Performance, regenerative braking, Driver Advisory Systems (“**DAS**”) (in addition to those to be introduced under the Thameslink Programme), energy-efficient lighting, heating and ventilation systems, Variable Stiffness Primary Suspension on the bogies, or on-board condition monitoring);

- implementing research, development and innovation exploitation activity, including trial schemes or demonstrator projects, with respect to meeting or exceeding the requirements in (A) above. To secure evaluation credit, such activity must be likely to deliver benefits for the wider UK rail network at a whole-system level, or benefits to the franchised business beyond the Franchise Term, and benefits identified for such initiatives should be consistent with the rail industry's strategy as set out in the Rail Technical Strategy. Particular regard will be given to projects where the Bidder has secured investment or resources from third parties or has committed a significant amount of its own resources; and
- demonstrate that the Bidder's approach to maximising value for money and transparency in rolling stock leasing and maintenance will significantly reduce whole-industry costs either during or beyond the Franchise Term (for example, by helping to achieve greater standardisation or through fleet choices that result in lower whole-life costs). See below for further information requirements that must be met where a Bidder wishes to secure evaluation credit for securing value for money and transparency in rolling stock leasing and maintenance.

Demonstrating value for money and transparency in rolling stock leasing

In order for the Department to assess whether additional evaluation credit should be given to a Bidder for demonstrating value for money and transparency in rolling stock leasing, Bids should include the following:

New Procurements

Bidders should include in their responses all terms of the proposals from financiers to them, with full supporting documentation – including the disclosure of full cash flows over the life of the asset which will need to be appended to the lease at contract execution.

Existing Fleets

Bidders should provide all supporting data which is provided to them by rolling stock providers as required by the Competition Order which came into effect February 2010.

Bidders should also provide all letters of offers provided by the relevant rolling stock providers and any side letters or other agreements which relate, or could relate, to the rolling stock irrespective of the formal legal counterparties to such documents.

Where an existing fleet was previously procured as new build and had cash flows attached the Bidder should procure an updated cash flow from the relevant rolling stock provider which should be attached with the Bid to demonstrate the rental.

Where the lease rental reflected in the Bid has increased from the existing rental due to the relevant rolling stock provider not being able to benefit from capital allowances because of the long funding lease rules, the Bidder should demonstrate how they will pass back the benefit of the capital allowances which would now be available to them to match the increased rent and identify this clearly in the Bid.

Bidders should outline the strategy they have adopted to secure best value for money, and demonstrate how they have achieved this. This should include, as a minimum:

- an explanation of any change in lease rentals compared with the prices in the previous lease;
- demonstration of beneficial contract terms through the reduction of risk to the tax payer;
- the level of value of refurbishments and other modifications which are not rentalised by the relevant rolling stock provider;
- clarity around the life and amortisation period of any proposed modifications; and
- efficiencies in driver and staff training for operation on ERTMS infrastructure.

Such supporting documents are to be provided as Appendices to the Delivery Plan 2. They are exempt from the overall page count limit.

Whole life costs

Although Bidders' fleet plans will be influenced by the optimum commercial and operational considerations for the Franchise Term, where possible Bidders should compare these with the 'whole life costs' of the fleet and attach the appropriate costing in an easily understandable format. This applies only to post-privatisation rolling stock fleets and is limited to third party costs (i.e. the lessor or maintainer).

Standardisation

Bidders should demonstrate how their fleet strategies help to achieve greater standardisation as set out as Measure 7 in the ATOC discussion paper Rolling stock and Value for Money issued December 2011, or explain why it is inappropriate to do so.

(D) BACKGROUND INFORMATION

This section contains background information that Bidders may find helpful in preparing their Bids.

Incumbents' rolling stock fleets

Information about the existing FCC and Southern rolling stock fleets, plus additional stock currently being procured by the Southern franchise, can be found in **Table 5.4.3A** and **Table 5.4.3B** below. The final column describes the current use of the units, and is not intended to constrain Bidders' plans for their use during the Franchise Term. The notes to **Table 5.4.3A** and **Table 5.4.3B** include assumptions about existing and anticipated future sub-leases between Southern and FCC, and about vehicles expected to go off-lease before the start of the TSGN franchise. Bidders should also note the existing rolling stock and train crew trading arrangements between FCC and Southeastern. Bidders should assume that, prior to the start of the TSGN Franchise, these trading arrangements will have been extended until the planned cessation of joint operation of Kent Thameslink services in December 2014. These trading arrangements will be transferred to the Franchisee under the Start Date Transfer Scheme.

Table 5.4.3A: Stock currently used on FCC (and confirmed new-build stock envisaged for future use on Southern services)

Unit Type	Vehicles per unit	Total Seats per unit	Number of units	Current use of units
313/0	3	232	44	Dual-voltage electric train which can work on both overhead lines and third rail, used on Great Northern inner-suburban Moorgate -Welwyn Garden City/Hertford North/Letchworth services. Also used on Kings Cross inner suburban services.
317/1 *	4	269	12	Electric unit that works on the overhead line electric system, used on Great Northern outer-suburban Peterborough, Cambridge services (also some Welwyn Garden City inner suburban services). Can be used on Kings Lynn services.
365/5 *	4	243	40	Electric unit that works on the overhead line electric system, used on Great Northern outer-suburban Kings Cross – Peterborough, Cambridge and Kings Lynn services.
319/0	4	316	13	Dual-voltage electric train which can work on both overhead lines and third rail, usually used on Thameslink inner-suburban Luton/St Albans – Wimbledon loop services.
319/2 *	4	241	7	Dual-voltage electric train which can work on both overhead lines and third rail, usually used on Thameslink Bedford-Brighton services.
319/3 (Note 1)	4	303	26	Dual-voltage electric train which can work on both overhead lines and third rail, usually used on Thameslink Luton/St Albans – Wimbledon loop services.
319/4 *	4	275	40	Dual-voltage electric train which can work on both overhead lines and third rail, usually used on Thameslink Bedford-Brighton services.
321 *	4	299	13	Electric unit that works on the overhead line electric system, used on Great Northern outer-suburban Peterborough, Cambridge services (also some Welwyn Garden City inner suburban services). Can be used on Kings Lynn services.
377/2 * (Note 2)	4	242	3	Dual-voltage electric train which can work on both overhead lines and third rail, usually used on Thameslink outer Bedford-Brighton services.

Unit Type	Vehicles per unit	Total Seats per unit	Number of units	Current use of units
377/5 * (Note 2)	4	243	23	Dual-voltage electric train which can work on both overhead lines and third rail, usually used on Thameslink Bedford-Brighton services.
387	4	-	29	Dual-voltage electric train which can work on both overhead lines and third rail, at speeds up to 110mph. Will be used initially on Thameslink routes to enable cascade of other vehicles to other TOCs; will themselves subsequently be released from TSGN for cascade elsewhere, in accordance with the cascade requirements specified in this ITT.

Note 1: Bidders should assume that 6 of these units will be transferred out of the franchise in May 2014.

Note 2: These units are sub-leased from Southern to FCC and Bidders should assume that, by the start of the TSGN franchise, the sub-leases will have been extended until the end of the current Southern franchise. Bidders should assume that a further six class 377/2 units will be sub-leased from Southern to FCC prior to the start of the TSGN Franchise, and will remain on sub-lease until the end of the current Southern franchise.

** Includes first class seats.*

Table 5.4.3B: Stock currently in use by Southern

Unit Type	Vehicles per unit	Total Seats per unit	Number of units	Current use of units
171/7 *	2	116	10	Diesel train, used on Brighton-Ashford and London Bridge-Uckfield services.
171/8 *	4	259	6	Diesel train, used on London Bridge-Uckfield services.
313	3	196	19	Used on Coastway East and West services, on Brighton-Hastings / Littlehampton / Bognor Regis / Portsmouth / Southampton routes.
377/1 * (Note 3)	4	231	19	Used on outer-suburban Brighton Main Line services between London and the Sussex Coast; also on South London 'Metro' services. Can be used on Coastway East and West services.
377/1 * (Note 3)	4	263	20	
377/1 * (Note 3)	4	242	25	

Unit Type	Vehicles per unit	Total Seats per unit	Number of units	Current use of units
377/2 * (Note 4)	4	242	12	Dual-voltage electric train which can work on both overhead lines and third rail, primarily used on East Croydon-Milton Keynes services via West London Line. Also used on outer-suburban Brighton Main Line services between London and the Sussex Coast. Can be used on inner-suburban South London 'Metro' services.
377/3 *	3	169	28	Used on outer-suburban Brighton Main Line services between London and the Sussex Coast; also on South London 'Metro' services. Can be used on Coastway East and West services.
377/4 *	4	238	75	Used on outer-suburban Brighton Main Line services between London and the Sussex Coast; also on South London 'Metro' services. Can be used on Coastway East and West services.
377/6	5	294	26	New build units to be delivered into service by Southern during its current franchise as part of the HLOS capacity enhancement. For use on inner-suburban South London 'Metro' services. Can also be used on Sussex Coast and Coastway services.
377/7	5	294	8	New build units to be delivered into service by Southern during its current franchise as part of the HLOS capacity enhancement. For use on West London Line and South London 'Metro' services.
442 *	5	342	24	Used on Brighton Main Line services between London Victoria and Gatwick Airport ('Gatwick Express') and Sussex Coast. Also used for peak London Bridge-Sussex Coast services and other Express services.
455	4	307	46	Used on inner-suburban South London 'Metro' services.
456 (Note 5)	2	152	24	Used on inner-suburban South London 'Metro' services. To be transferred to SouthWest Trains (SSWT), as part of Department's HLOS Phase 2 capacity enhancement, prior to commencement of the TSGN franchise.

Note 3: Varying seating capacities for 377/1 units relate to different builds

Note 4: Excludes three units sub-leased from Southern to FCC which are expected to remain there until the end of the current Southern franchise. Bidders should assume a further six class 377/2 units will be sub-leased to FCC prior to the start of the TSGN franchise, to replace the six class 319/3 units transferred out, and will remain on sub-lease

until the end of the current Southern franchise. Information about the terms of the sub-lease will be placed on the Data Site once they are available.

Note 5: These units come off lease in December 2013 and will be returned to the Rolling Stock company who has leased them to the SSWT franchise. These are being replaced by the new build 377/6 units.

**Includes first class seats.*

Leases for the following vehicles are covered by section 54 agreements:

- all vehicles of class 455 (expiring 31 December 2014);
- 85 of the class 442 vehicles (expiring 12 December 2015);
and
- all vehicles of classes 377/1 to 377/5 inclusive (expiring 7 March 2022).

A section 54 agreement also covers a Technical Support and Spares Supply Agreement in respect of class 377 vehicles, also expiring 7 March 2022.

Fleet Configuration

The capacity measure of a standard unit is 0.45m² per passenger. For 0.45m² per passenger, as this is effectively the same as a seat, the internal waist line of the vehicle as a whole is measured to ascertain the total area. The areas that are inaccessible (toilet, staff area, first class, litter bins, equipment cupboards, etc) are then measured. The total inaccessible area is deducted from the total area. The remaining area in m² is then divided by 0.45 for a total capacity of the unit (seats and standing). Physical seats are counted plus required wheelchair provision to calculate the standing figure which is rounded down to the nearest whole number. Tip-up seats are only counted as seats if they have a standard size base and a back and do not occupy a required wheelchair allocation.

Bidders may propose the use of “metro-style” rolling stock that allows 0.25m² per standing passenger, rather than the 0.45m² generally assumed. Metro-style rolling stock or alterations to the current fleet to increase capacity can be deployed. Bidders must demonstrate that the use of such a standard is likely to allow them to maintain passenger

satisfaction with the rolling stock and that the stock would only be used on services for which it was appropriate (generally inner suburban).

Bidders who intend to propose “metro-style” rolling stock may discuss their proposals in confidence with the Department but, for the avoidance of doubt, any such discussions are for information only and will not affect the evaluation of Bids in accordance with **Section 7** (Evaluation Criteria and Methodology).

To utilise a measure of 0.25m² per standing passenger, the seats are counted separately as these cannot be shrunk to 0.25m². Seats are measured at 0.45m² per seat on the basis set out above. The areas at waist level which can be occupied by standing passengers are then measured. Standing areas include door areas and vestibules, corridors and aisles providing these can reasonably be stood in but still excludes seats and areas that are inaccessible (toilet, staff area, first class, litter bins, equipment cupboards, required wheelchair provision, etc. and between seats unless there is a sufficiently large area to reasonably stand which is not used for another purpose).

For both capacities, it is assumed that the rounding down to a whole number of standing passengers takes care of protruding handrails, partitions and any “awkward corners” too small to be measured. Measurement is at waist level as that is the standard measurements supplied and used in the rolling stock internal layout and configuration plans.

For Class 700 vehicles, Bidders should assume 0.25m² per standing passenger.

ERTMS

ERTMS Level 2 is set to become the standard technology for re-signalling schemes, and will be an important consideration for the TSGN franchise, beginning with Level 2 deployment in the Core Thameslink Route.

Deployment on other TSGN routes is due to include the south end of the East Coast Main Line, extending progressively further north towards Peterborough. Deployment is also planned in the early 2020s for other Great Northern routes and on the Midland Main Line. The conventional

signalling system (including the line-side signals) on these routes will be removed, so any trains operating along these routes will need to be fitted with ERTMS train-borne equipment and drivers and staff will need to be suitably trained.

The programme for ERTMS implementation and the removal of line-side signals is currently under review, and the latest details will be made available on the Data Site shortly after the issue of this ITT.

Network Rail and the ROSCOs are cooperating to provide and fund the First-In-Class designs for the retro-fitment of ERTMS to existing rolling stock fleets. The First-in-Class programme of works is provided on the Data Site.

The Franchisee will be responsible for ensuring that rolling stock is ready to operate under ERTMS control in accordance with Network Rail's deployment plans on the TSGN routes. Where necessary this will include developing and implementing plans to ensure readiness for ERTMS deployments on TSGN routes that are due to be implemented after the end of the Franchise Term. The Franchisee will be responsible for the supply, installation, testing, commissioning, approvals, maintenance and warranty support for any ERTMS train borne equipment they propose to retro-fit to rolling stock. Bidders may opt either to use the first-in-class designs, or to make alternative arrangements for ERTMS fitment (with the agreement of the relevant ROSCOs). For the avoidance of doubt, Network Rail funding for the fitment of on-board equipment is limited to the First-in-Class designs (i.e. fitment of equipment to the first vehicle in each class of unit covered by the First-in-Class programme). The commercial arrangements for funding the fitment of the necessary on-board equipment to the remaining vehicles will need to be negotiated between the Franchisee and the relevant ROSCOs or other vehicle owners.

The Franchisee will need to work in collaboration with the relevant ROSCOs to plan the programme for fitment, for example by taking advantage of opportunities to organise fitment to coincide with fleet overhauls. They will also need to collaborate with Network Rail to ensure that fitment is completed, and that sufficient train drivers and staff are competent in the use of ERTMS, in good time for the scheduled switch-off of lineside signals.

Bids must be prepared on the assumption that compensation under the Network Change process under Part G2 of the Network Code will not be available for the fitment of onboard ERTMS equipment, and its consequential business impacts, in accordance with Network Rail's plans as published in the Data Site shortly after the issuing of this ITT. Network Change compensation will therefore be available for this project only to the extent that Network Rail's implementation plans change from those published in the Data Site, and then only to the extent that the change results in additional costs to the Franchisee.

The new Thameslink Class 700 fleet will be delivered ready-fitted with ERTMS and ATO capability, but are not currently specified to include GPRS packet switching capability, as the detailed technical requirements for this capability are still under development.

Rolling stock accessibility requirements

The Railways (Interoperability) Regulations 2011 set a date of 1 January 2020, by which time all trains must be accessible to persons with reduced mobility. The Department has been working with ROSCOs to define what this means for the fleets that they own and this information is available in "Heavy Rail Fleets: 2020 targeted compliance" on the Department for Transport website (www.gov.uk/dft).

Depots and stabling

The following paragraphs provide important information of which Bidders should be aware when considering their proposed solutions. Bidders should also refer to copies of relevant leases and other agreements relating to depots, which are located in the Data Site.

Depot Funding Agreement

Bidders should note the funding arrangement that exists for the depots and stabling facilities at Brighton Lovers Walk, Selhurst, Streatham Hill, Eastbourne, Littlehampton and Bognor, all of which are covered by a Section 54 agreement running until 2033. Any proposal should take account of the existence of this agreement and set out how the Bidder would fulfil its responsibilities under the terms of this agreement. Bidders should note the further information about depot rental payments contained in the document entitled "Funding Agreement for Brighton

Lovers Walk, Selhurst, Streatham Hill, Eastbourne, Littlehampton and Bognor” on the Data Site.

Bedford Cauldwell

A section 54 agreement, expiring in September 2024, covers the use of the light maintenance facility at Bedford Cauldwell depot. Bidders shall therefore allow in their cost lines for the cost of this facility for the life of the Franchise Agreement.

Eversholt Depot Finance (UK) Ltd (“**EDFL**”) derives its leasehold interest in Bedford Cauldwell Depot (the “**Asset**”) from a 2004 head lease from Network Rail Infrastructure Limited (the Head Lease). The Head Lease is scheduled to expire in 2028. In turn, EDFL leases the Asset to FCC (the Franchisee) under a separate lease for a term expiring in 2024 (the “**Lease**”). A 2003 Deed of Undertaking in relation to the Asset also exists between (1) the Strategic Rail Authority (2) EDFL and (3) the Franchisee (the Undertaking).

It is likely that East Midlands Trains (or their successor) will require one ‘shed road’ for maintenance purposes from autumn 2017.

5.4.4 **Delivering train service performance**

BACKGROUND

Schedule 7.1 of the Franchise Agreement sets future benchmarks for train service performance, as measured by "TOC-on-self" delay minutes, cancellations and peak short formations. These benchmarks have been calibrated to reflect the impact of the incorporation of services from the Southeastern franchise in December 2014 and the current Southern franchise in July 2015, and to support the achievement of industry-wide performance targets.

Schedule 7.1 also includes provision for financial payments to be made to (or by) the Franchisee, depending on whether and to what extent performance exceeds (or falls short of) the target benchmark. ‘Ceiling’ and ‘floor’ levels are also specified, above (or below) which no additional payments will be made.

(A) REQUIREMENT

The Department requires a Franchisee who will:

- implement initiatives to meet the performance benchmarks specified in Schedule 7.1 of the Franchise Agreement;
- minimise the number of trains that run in short formation;
- design and implement business continuity processes for the operational aspects of the business, including business interruption analysis, disruption and crisis management, service recovery and contingency planning (in conjunction with the rest of the industry), setting out the interface with partners and how delay and disruption for passengers will be minimised;
- work effectively with Network Rail and other industry partners to deliver the requirements in this **paragraph 5.4.4** and to support the achievement of whole-industry performance objectives;
- ensure that the workforce has the skills and competence to manage the train service operations successfully, including during disruptions and other incidents;
- put in place systems for managing the interfaces with industry partners (including Network Rail, ROSCOs and train maintainers) that are necessary to deliver the performance benchmarks and minimise delay and disruption for passengers; and
- analyse performance failures to root cause level as part of its core approach, and use a structured approach to prioritising improvements.

The Department requires a Franchisee who will minimise the impact of engineering work and other disruption on the provision of train services (apart from the Thameslink Programme, which is covered by Delivery Plan 3), including by:

- wherever practicable, maintaining the provision of rail services (e.g. using working with Network Rail to maximise the scope for trains to continue running while engineering work is taking place, and/or by using suitable diversionary routes where available) in preference to replacement bus services or other non-rail alternatives;
- working with other transport operators (rail and non-rail as appropriate) to identify suitable alternatives, and applying travel demand management (“**TDM**”) techniques to guide customers towards those alternatives;
- providing appropriate rail replacement services where necessary; and
- putting in place appropriate arrangements to safeguard passenger welfare in the event of service disruption.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders’ responses shall cover as a minimum:

- the Bidder’s overall strategy for operational planning of the various stages of the evolution of the Franchise, covering issues such as control management and organisation, performance management and business continuity arrangements. This should be accompanied by an explanation of how the strategy will be managed within the Franchise with particular emphasis on maintaining operational standards whilst major changes are being implemented;
- evidence (for example in the form of a letter or statement) that any significant joint initiatives have been explored with and validated by the relevant partner organisations, including Network Rail, including in particular the Bidder’s proposed arrangements for control of the train service;
- evidence of resilience and contingency plans (including plans for dealing with extreme weather); and

- details of any revenue changes that would be expected from the Bidder's approach to delivering train service performance.

(C) SCORING

For meeting the above Requirements, Bidders will score 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology).

Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

Bids that include proposals:

- for meeting the performance benchmarks in the Franchise Agreement, backed up by resourcing strategies (e.g. for rolling stock and train crew), that are sufficiently resilient that the Bidder will continue to meet those benchmarks in exceptional or challenging operating circumstances; and
- to implement research, development and innovation exploitation activity, including trial schemes or demonstrator projects, with respect to meeting or exceeding the requirements in (A) above. To secure evaluation credit, such activity must be likely to deliver benefits for the wider UK rail network at a whole-system level, or benefits to the franchised business beyond the Franchise Term, and benefits identified for such initiatives should be consistent with the rail industry's strategy as set out in the Rail Technical Strategy. Particular regard will be given to projects where the Bidder has secured investment or resources from third parties or has committed a significant amount of its own resources.

5.5 Delivery Plan 3: Delivering the Thameslink programme

5.5.1 Delivery of the Thameslink programme

(A) REQUIREMENT

The Department requires a Franchisee with the requisite level of knowledge of the Thameslink programme, and the skills and resources necessary to ensure effective, on time delivery of the Programme. To deliver this requirement, the Department requires a Franchisee who:

- fully understands its role in the delivery of the Thameslink programme as set out in the Department’s Thameslink programme governance structure (refer to “Thameslink programme Governance Arrangements” v6.2 and Industry Plan on the Data Site) in order to support the achievement of each Configuration State (as set out in the Industry Plan on the Data Site) required to achieve Key Output 2;
- will work collaboratively with other delivery parties in securing the realisation of the full benefits of the Thameslink programme;
- will provide a dedicated, suitably staffed and experienced Programme Office (“**PO**”) over the Franchise Period led by a Director on the Executive to provide change management, programme management and technical and operational integration expertise in respect of the Thameslink programme and the Thameslink Rolling Stock Project (“**TRSP**”). This PO shall work alongside and integrate with the Department’s system integration and programme office, Network Rail’s Thameslink programme (refer to “The Thameslink Programme Execution Plan” on the Data Site), Southern (until July 2015) and Southeastern staff (The Department’s requirements for the responsibilities of the PO are set out in Schedule 6.3 to the Franchise Agreement);
- will develop overall plans to take account of Network Rail’s blockades, possessions strategy and access requirements

and commits to the major blockades required to re-model London Bridge, re-control the Core Thameslink Route and commissioning the Canal Tunnels (as set out in “Master Access Schedules” v2 and “Major Thameslink Possessions” v1 on the Data Site);

- will develop marketing and passenger communications in relation to the Thameslink programme to take account of construction works and phasing and introduction of new services, including full participation in the Network Rail led Thameslink programme communication strategy (on the Data Site) and with the Transport for London led “London Bridge Station Travel Demand Management Proposition” (on the Data Site) to support London Bridge works;
- will engage with Network Rail to co-ordinate activities at stations where development works are being undertaken and the Franchisee is the Station Facility Owner (“SFO”);
- will plan and manage the interface with Crossrail at Farringdon station, where LUL is the SFO;
- will actively manage operational interfaces between parties to ensure that all Inner Area stations are managed in normal, degraded and emergency situations prior to and following transition to each new Configuration State, including at Farringdon Station (refer to Data Site for “Operations and Control Strategy” and “Inner Area Operating Strategy”); and
- will establish performance targets (i.e. dwell times, platform re-occupation time, train presentation time at key junctions external to the Core Thameslink Route) and actively measure, report and manage (including mitigation actions) performance prior to and after transition to each new Configuration State.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

Bidders shall provide clear evidence that they fully understand the various industry roles and responsibilities for the delivery of the Thameslink programme. In addition to the minimum evidential

requirements set out in **paragraph 5.1.4**, Bidder's responses shall cover as a minimum:

- a plan describing the Franchisee's role in the delivery of the Thameslink programme linked to the Industry Plan and infrastructure readiness dates, to support the delivery of each Configuration State (including the TLP Milestone Targets set out in Schedule 6.3). This shall include a programme, resource plan, details of training methods including use of simulators and software, and any recruitment required to ensure the successful delivery of the new Class 700 rolling stock, revised infrastructure layout and introduction of ETCS, ATO and DAS systems;
- a description of its PO proposal. This shall include a detailed costed proposal for this organisation over the Franchise Period including an explanation of the proposed PO staffing skills and resourcing profile over time. This proposal shall include an organisational structure, job descriptions, CVs of example candidates for PO roles, an outline of the key processes and systems it will utilise, and how it will interface with the Department, Network Rail and other stakeholders. Proposed KPIs to measure and report the availability and effectiveness of the PO organisation to the Department should also be provided;
- a description of their liaison arrangements (including roles/responsibilities) with Network Rail to co-ordinate activities at stations where development works are being undertaken and the Franchisee is the SFO;
- a description of how the development of their marketing plans will support the Thameslink programme construction phase (including passenger communications for the planned works and impact of possessions) and introduction of new services;
- plans that clearly take account of Network Rail's blockades, possessions strategy and overnight and weekend access for the Thameslink route. This shall include a firm commitment

to the major blockades required to remodel London Bridge, re-control of Core Thameslink Route and the commissioning of the Canal Tunnels;

- a description of how the interface with Crossrail will be planned and managed at Farringdon station, recognising that LUL is the SFO;
 - a description of how the Inner Area London Bridge to St Pancras station operation will change as each Configuration State is achieved and how this area will be co-ordinated in normal, degraded and emergency situations. This will include describing the plans for developing the new methods of 'metro' style service operation and passenger communication and proposals for measuring their effectiveness; and
- a description of how performance targets will be established, measured, reported and managed (including remedial actions) prior to and after transition to each new Configuration State (refer to the Configuration State Definition set out in System Level Technical Authority paper 038 on the Data Site for typical performance targets).

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- proposals for earlier delivery of elements the Thameslink Programme, particularly those which give passenger benefits and/or a reduction in the programme's overall costs;
- agreement in principle with Network Rail to maximise the productivity and duration of night possessions and detailed proposals to support this; and

- a PO proposal which includes processes and contractual provisions which allow the Department to approve the appointment and replacement of staff within the PO; robust KPIs to measure and report on the PO's effectiveness in delivering its responsibilities and staff availability within the PO linked to an abatement mechanism where PO staff availability and/or PO effectiveness is less than planned.

5.5.2 Introduction of the new Class 700 vehicles

(A) REQUIREMENT

The Department requires a franchisee who will collaborate with the Train Manufacturer and Maintainer (“TMM”) and Network Rail in the manufacturing, testing and commissioning of the new rolling stock and related infrastructure, and who will lead the introduction of the new Class 700s trains into passenger service. To deliver this requirement the Department requires a Franchisee who:

- understands the TRSP Documents, their obligations under these TRSP Documents and understands the arrangements agreed by FCC for the new Class 700s in all modes of operation (i.e. conventional, ETCS and ATO);
- will work to the agreed technical design of the Class 700s (as per the Data Site) and develop appropriate operational procedures and practices, to allow Class 700s to operate effectively at 24tph through the Core Thameslink Route;
- will work to the associated manufacturing timescales for the Class 700s (as per Schedule 9 of the MSA);
- will provide a dedicated and suitable experienced TRSP project manager to manage the Franchisee’s obligations under the TRSP Documents, report to and liaise with the Department to provide assurance that the rolling stock is being delivered to programme (the Department’s requirements for the TRSP project manager are set out in Schedule 6.3 of the Franchise Agreement);

- engage with industry bodies (such as RSSB and ORR) to develop appropriate operating rules that complement the intended operation of the train and railway system necessary to achieve relevant Configuration States;
- work with Network Rail in accordance with industry train planning and timetabling processes to develop plans for the introduction of the new trains into passenger service;
- will deliver its obligations under the TSRP Documents including but not limited to: training drivers and crews (this includes those drivers currently based at the Three Bridges depot) in conventional, ATO, ETCS and DAS modes, including minimising the need for on-track training through use of simulators and for managing the human aspects of the transition of these systems into operational service; securing test paths; support testing and approval of vehicles (in particular lead Phase 3B of MSA Schedule 4.2); and manage the delivery of any required works to platforms under the MSA including under Clauses 6.20 and 6.21; lead the introduction of trains into passenger service in accordance with the Industry Plan and MSA requirements;
- work as necessary with Network Rail, including but not limited to, providing trained drivers to drive Network Rail's Class 313 test units for Thameslink and, lead in accordance with industry processes, the Vehicle Change Process for the introduction of new Class 700 trains into passenger service;
- will actively manage drivers and crew and the relationship with trade unions in order to effectively introduce the new rolling stock and new operating procedures necessary to achieve each Configuration State;
- develop a train plan that is compatible with the maintenance agreement with the TMM, including handover and handback provisions;
- will monitor and report upon the Class 700 rolling stock performance including reliability, and manage reliability improvements and the interface with Network Rail's

Thameslink Data Recording and Corrective Action System (“**DRACAS**”); and

- will lead the integration of operations between the new fleet, upgraded infrastructure and train control systems to deliver the enhanced "metro style" train service.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidder’s responses shall:

- confirm that they have understood and taken into account the rolling stock operating arrangements agreed by FCC for the new Class 700 rolling stock the TMM’s plans for manufacture, delivery, commissioning, testing and introduction into service and Network Rail’s support arrangements;
- confirm that they will work to the agreed design of the Class 700 trains and manufacturing timescales of the trains, including the design decisions made for the driver's cab, modes of operation and passenger environment;
- commit to a dedicated TRSP project manager in its PO to manage the Franchisees’ responsibilities in relation to their TRSP contractual obligations to ensure delivery to programme. This shall include a CV of an example candidate(s) and an explanation of how this resource will deliver its responsibilities;
- provide a train driver and crew training plan and an ‘Industrial Relations Plan’ specifically relating to the introduction of new technology and operating procedures which describes how the Franchisee will engage with drivers and their trade unions representatives such that the full functionality of the rolling stock can be realised from the point in time it is needed to achieve each Configuration State. This plan should include a description of the how the Franchisee will engage with those drivers currently based at Three Bridges depot;

- include a plan describing how they will work with industry bodies (such as RSSB and ORR) to develop appropriate operating rules to achieve the Configuration States;
- include a plan describing how they will work with Network Rail and the TMM in accordance with industry train planning and timetabling processes to develop plans for the introduction of the new trains into passenger service;
- include a train plan that is compatible with the maintenance agreement with the TMM, including handover and handback provisions;
- include a plan to support and lead the test and approval phases as set out in the TRSP Documents and Industry Plan; including but not limited to Schedule 4.2 of the MSA, including testing at Network Rail's ETCS National Integration Facility, and in the Inner Area particularly with regard to ATO/ETCS integration and other operator interfaces (for the avoidance of doubt, this is to include as a minimum crewing, stabling and maintenance of designated test units);
- include a plan to introduce the trains into passenger service in accordance with the Vehicle Change Process, the schedule in relevant TRSP Documents (including but not limited to Schedule 9 of the MSA) and carry out the role of the Franchisee under the TRSP Documents, including managing the required works at platforms to enable Class 700 operation, and working with XLT and the TMM in securing the necessary safety and regulatory approvals for acceptance and operation of the trains under the relevant TRSP Documents;
- include a plan describing how they will monitor and report upon the Class 700 rolling stock performance including reliability, and manage reliability improvement and the interface with DRACAS; and
- include a plan describing how they will lead the integration of operations between the new fleet and the upgraded

infrastructure, including stations and train control systems, to deliver the enhanced "metro style" train service.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- proposals which secure earlier readiness of ATO and/or ETCS, and/or earlier manufacturing or delivery into passenger service of the Class 700 train sets;
- detailed and effective proposals for driver and crew training and optimising the number of drivers and crew;
- detailed and effective proposals for managing the human and industrial relations aspects relating to the new fleet introduction and new operating procedures; and
- detailed and effective proposals for managing the Class 700 reliability growth.

5.5.3 **Depot Operation and Integration**

(A) REQUIREMENT

The Department requires a franchisee who will support the timely delivery and commissioning of the new depots at Hornsey and Three Bridges, and operate them as required under the relevant TRSP Documents. To deliver this requirement the Department requires a Franchisee who:

- understands the depot arrangements and associated agreements (refer to Data Site) and its obligations under these agreements;

- will actively support the timely delivery and commissioning of the new depots at Hornsey and Three Bridges, including the provision of drivers and units as required by the TMM for commissioning;
- will report to and liaise with the Department through its TRSP project manager (refer to **paragraph 5.5.2**) to provide assurance that the new depots are being delivered to programme;
- will operate the depots at Hornsey and Three Bridges to comply with its obligations under the relevant TRSP Documents both during and after the construction of the depots;
- will enable movements of Class 700 vehicles within the depots as required under the relevant TRSP Documents;
- will undertake cleaning, provision of consumables and movement of all trains in line with handover and handback provisions; and
- will arrange, where applicable, for the transfer of staff under TUPE regulations to the TMM, where this is relevant and in accordance with its obligations under the relevant TRSP Documents.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders shall provide appropriate evidence to demonstrate that they understand and will deliver the above Requirements set out in (A) above.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, Specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the

relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- credible proposals for earlier delivery and commissioning of Three Bridges and Hornsey depots;
- detailed and effective advanced Depot Facility Operator (“**DFO**”) processes which drive measurable efficiencies; and
- detailed and effective proposals for managing the human resources and industrial relations aspects of the commissioning of the new depots at Hornsey and Three Bridges.

5.5.4 **Operational Concept**

(A) REQUIREMENT

The Department requires a franchisee who will provide an Operational Concept and implement it for the introduction of 20tph and then 24tph services in both directions through the Core Thameslink Route and subsequently operated to deliver a robust train service.

The Operational Concept shall as a minimum address the following:

- operational control from the integrated control centre at Three Bridges from 01 December 2014 including details of the integration required between Network Rail, Franchisee and TMM roles;
- train regulation including the use of the DAS outside the Core Thameslink Route;
- transitions into and out of ETCS and ATO upon entry and exit to/from the Inner Area;
- driving through the Core Thameslink Route (ATO, ETCS Level 2 manual and conventional (AWS/TPWS));
- Inner Area operation setting out how dwell times including door control, platform control and dispatch will be achieved at the Core Thameslink Route stations and London Bridge, as

appropriate to achieve 20 trains per hour and 24 trains per hour in both directions through the Core Thameslink Route;

- Outer Area train operation setting out how dwell times and presentation times at stations and key junctions will be achieved;
- identify proposed Rule Book changes;
- provisions for the assistance of PRM (passengers with reduced mobility) passengers in the Inner Area and Outer Areas such that passengers are correctly placed for efficient boarding and alighting across the TSGN network;
- “Real Time”, on-train passenger information systems, back office systems, passenger information management staff and the interface with established industry systems such as the DARWIN customer information system project;
- power changeover (OLE (overhead line equipment) to/from 3rd rail);
- targets and methodologies for recovering perturbed services back to normal operation in the optimal time;
- robust degraded mode operational and emergency plans to allow for effective performance under perturbation and service recovery;
- organisational and process arrangements for the management of technical problems in real time;
- analysis of delays and root cause identification including management of defect recording and corrective action; and
- build-up to operating at 20 trains per hour and 24 trains per hour through the Core Thameslink Route, following the completion of the London Bridge.

As part of developing and implementing an Operational Concept, the Franchisee shall engage with industry bodies (such as Rail Safety and Standards Board (“**RSSB**”) and ORR) to develop appropriate operating

rules that complement the intended operation of 20 trains per hour and 24 trains per hour services through the Core Thameslink Route.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders shall present an Operational Concept as part of their plans to deliver the Thameslink programme.

The Bidder's Operational Concept shall describe at a high level the operational procedures which the Bidder considers are necessary to deliver 20 trains per hour and subsequently 24 trains per hour in both directions through the Core Thameslink Route. It shall address as a minimum the areas listed under (A) Requirements set out above.

The Bidder shall also include a plan for updating relevant sections of the Rule Book and/or current operating procedures identifying likely areas for change and the proposed process for implementing the required changes.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, Specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- detailed metrics and processes that the Franchisee would implement in advance of the move to deliver Configuration States 6 and 7 (20 trains per hour and 24 trains per hour), in order to ensure that the service is delivered reliably and robustly. Examples of pre-implementation metrics may include: actual dwell time achieved, actual platform re-occupation time, levels of adhesion achieved, and train presentation time at key points on the rail network. Bidders responses should include how they would baseline these

metrics, when they would put these metrics in place and how they would report and manage outcomes;

- details of the training and simulation equipment offered by the Bidder to ensure that operational staff including drivers, station staff and back office staff, are competent to work in both normal and perturbed operational situations; and
- details of the processes and organisational arrangements offered that will allow root cause identification of service perturbations, corrective action and continuous improvement.

5.5.5 Thameslink Programme Integration

(A) REQUIREMENT

The Department requires a Franchisee who will support the integration between trains, control systems and infrastructure. To deliver this requirement the Department requires a Franchisee who, led by its PO:

- act as the integrator of the various technical, human resources and other workstreams in a staged approach as set out in the “Systems Level Technical Authority Paper” 010 (on the Data Site) and relevant MSA schedules (on the Data Site), to achieve the overall change in service during the Franchise Term whilst ensuring that high quality and resilient services continue to be delivered throughout this period of major change;
- work collaboratively with Network Rail over the planning, definition, integration and management of control room operations, the relocation of TOC operational control staff to Three Bridges by 01 December 2014, signal sighting (including the provision of a resource to participate in Signal Sighting Committees for an average of 2 days per week from Franchise Commencement until 31 December 2017) and the development and implementation of an integrated station management systems for stations on the Core Thameslink Route;

- work collaboratively with Network Rail to develop, update and re-schedule the Industry Plan, as required;
- act as the technical authority for on-board ETCS and ATO and other equipment and work with the TMM and Network Rail to resolve technical and operational issues;
- manage and control the validation of the deliverables provided by the TMM under the TRSP Documents and communicate the results of the validation with stakeholders;
- act as the operational and technical interface with the Network Rail-led project to design, manufacture, test and commission the infrastructure, ETCS and traffic management system including supporting integration testing of ATO and ETCS at Network Rail’s laboratory, the ETCS National Integration Facility and the Thameslink route; and
- control and update the requirements emanating from their Operational Concept in the light of deliverables, tests results and information coming from Network Rail, other train operators, the Department, System Integrator and TMM.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders shall set out their plans, led by their PO, to integrate Thameslink systems activities which, as a minimum, shall address the Requirements set out in (A).

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders’ proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- committed and detailed organisational and processes proposals which set out how programme integration

requirements will be delivered throughout the Franchise Period including a clear link to required programme integration outcomes.

5.5.6 Mitigation for any changes in the Thameslink programme

(A) REQUIREMENT

The Department requires a Franchisee who understands risks to the Thameslink Programme and will work collaboratively with other industry parties to actively develop and implement mitigation strategies for any potential or actual delays or changes to the Thameslink programme.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidder's responses should cover as a minimum:

- how their proposed processes, systems and approach will meet the above Requirement set out in (A) above;
- a risks and opportunities register which identifies the key risks and opportunities to the overall Thameslink programme and the proposed mitigation/controls to managing these risks and opportunities; and

a risks and opportunities register which identifies the key risks and opportunities to the Franchisee and the proposed mitigation/controls to manage these risks and opportunities.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- a detailed evaluation of the Franchisee's risks associated with the introduction of the Class 700s into service under the MSA arrangements and committed mitigation actions; and
- an approach which allows plans to be flexed to account for the earlier or later delivery of:
 - introduction of new rolling stock and associated ETCS/ATO implementation; and/or
 - delivery of the infrastructure works including the phasing and timing of London Bridge reconstruction.

5.6 Delivery Plan 4: Marketing, Fares, Ticketing and Revenue Protection

5.6.1 Marketing

(A) REQUIREMENT

The Department requires a Franchisee who will:

- develop and implement marketing strategies and plans to promote services and generate growth in revenue and passenger travel in respect of the TSGN Franchise;
- review annually the priorities for, and effectiveness of, marketing initiatives and expenditure, taking account of developments in best practice in rail and other industries and agree the priority areas for marketing investment with the Department;
- use branding to maximise the value of the franchise (having regard to both costs and benefits);
- maintain and, where practicable, enhance the “Gatwick Express” brand; and
- maximise the opportunity provided by major investment in infrastructure and services and from the amalgamation of Thameslink and Southern services to enhance the value of the Franchise.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders’ responses shall cover as a minimum:

- marketing plans to grow different segments of the combined franchise showing returns on investment of marketing and other growth activities;
- how Bidders propose to spend the marketing budget as set out in the Franchise Agreement on marketing initiatives and campaigns including specific marketing initiatives and the marketing team to develop and manage these initiatives;

- evidence of the mechanisms in place to ensure that the organisation keeps up with new thinking and concepts in innovation management, and that the marketing strategy and plan are continuously reviewed and changed to reflect this; and
- the strategy for branding the franchise as a whole and different elements within it, including what approach the Bidder will adopt for Gatwick Express and other Airport services.

(C) SCORING

For meeting the above Requirements, Bidders will score 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- particularly robust analysis of the market segments served by the combined franchise and the factors that will impact demand for rail travel during the Franchise Term. Customer demand shall be identified by market segment (for example geographical, demographic, commuter and off-peak) with any opportunities arising from specific market segments, for example air travel, being separately and clearly identified;
- particularly innovative or effective plans to increase use of the railway in particular where these attract passengers from other modes of transport, deliver increased revenue and deliver incremental end user benefits; and
- proposals which deliver better use of any surplus capacity during the off peak and shoulder peak periods.

5.6.2 **Fares policy**

BACKGROUND

Bidders' attention is drawn to the regulated fares policy set out in the Franchise Agreement. Because the new TSGN franchise involves both the merger of the current FCC and Southern franchises, as well as changes to service patterns resulting from the Thameslink programme, a number of matters arise which must be considered as part of this Delivery Plan.

The current fares baskets for Southern and FCC will continue to be used for fares regulation until the combined franchise comes into effect. New fares baskets will be created so that there is only one Commuter and one Protected fares basket for the combined franchise, to be used for fares regulation from July 2015. These fares baskets will be created and made available to bidders.

Bidders shall in their Bid plans assume the continued operation of the zonal fares and pricing structure schemes currently in force on the Southern and FCC franchises. In particular Bidders will be required to continue as part of the Oyster PAYG scheme in London.

(A) REQUIREMENT

The Department requires a Franchisee who will effectively deliver the "Good Operator Standard" of fares setting as required in the Franchise Agreement within the Department's policy for regulated fares. It requires a Franchisee who will operate an appropriate structure for, and level of unregulated fares that will deliver Revenue as effectively as possible in accordance with that standard. The Department requires the new Franchisee to manage and deliver the requirements of the Franchise Agreement for Fares.

The Department requires a Franchisee who, where possible, will take advantage of the opportunity created by the combination of the two existing franchises to simplify the fares and restrictions which operate on the Franchise and communicate this clearly to passengers.

The Department requires a Franchisee who will initiate and implement the process for changing the Lead Operator status in respect of certain Compulsory Inter-available Flows comprised in the passenger services

transferring from LSER in December 2014 with the effect that the Franchisee becomes the Lead Operator, at least, in respect of those flows where the Franchise is the principal revenue earner.

The Department requires a Franchisee who fully understands the sensitivities and potential issues associated with the creation of New Fares Baskets with respect to the current differential in fares between some stations on the Brighton Mainline stations and London Thameslink stations, especially with regard to season tickets.

The Department requires a Franchisee who understands the connection between its fares policy and the need to manage potential overcrowding, and achieves the appropriate balance between the two.

The Department requires a franchisee who will simplify the rules for 'London Thameslink' destinations from the North, and South (where currently passengers from the South must disembark by City Thameslink but passengers from the North may travel to Elephant & Castle) so that the core 'London Thameslink' stations are the same for journeys from the North and the South, to apply as soon as practicable to the new franchise.

(B) EVIDENCE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders shall set out demonstrable, deliverable and credible plans to meet the above Requirements.

Bidders shall propose a Bid Fares Policy including a structure of Regulated and Unregulated fares for the life of the franchise consistent with the Good Operator standard in the Franchise Agreement. Bidders shall identify how the proposed structure of fares will impact forecast demand and franchise revenues. Bidders are required to provide market and customer analysis to support the level of fares proposed and are invited to provide evidence from previous examples of fares pricing to support the fares pricing approach that is proposed.

Bidders shall set out their proposed approach operation for the purposes of ensuring that the requirements of Schedule 5.8 can be met and, in particular where the franchisee proposes, at a future Fare Setting Round, to depart from the Bid Fares Policy.

Bidders shall also identify how fares information, particularly at the point of sale/purchase, will be communicated to customers in a clear and transparent fashion. Details of fares, ticket types and restrictions should be easily understandable especially during a period of transition where dedicated fares and peak times may change, or new products become available.

The Bid Fares Policy shall include as a minimum:

- a clear, quantified description of the planned future structure and approach to determining the level of regulated fares in line with the Department's fares policy; and
- a clear quantified description of the planned future structure and approach to determining the level of unregulated fares set out in general terms and then evidenced by the planned approach to unregulated fares between London and (as a minimum) the following key markets:
 - Brighton, Eastbourne, Gatwick Airport, St Albans, Luton Airport Parkway, Bedford, Stevenage, Cambridge and Peterborough.

Bidders should set out their proposed approach to managing the issue of currently differential fares in the context of the New Fares Basket.

Bidders must propose to the Department a plan that, at a minimum, will avoid the holders of existing (FCC Only) season tickets commuting on the Brighton Mainline facing hardship due to unexpectedly sharp or unreasonable fare increases in the early years of the franchise. If such plans require the facilitation of the Department, this should be made clear in the proposal.

Bidders should also consider whether the evening peak restriction on Northbound passengers leaving London terminals on the Thameslink route could be discontinued or modified in the light of the additional capacity that will be progressively introduced through the Thameslink programme, having due regard to potential issues of crowding management, the opportunity to grow off-peak revenue and the potential to simplify ticketing and travel restrictions.

(C) SCORING

For meeting the above Requirements, Bidders will score 4 in line with the scoring matrix in **Section 7** (Evaluation Process). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- Bidders are invited to propose the development of zonal fare schemes over parts of the franchise outside the Oyster PAYG network; and
- Particularly strong and/or innovative proposals for Unregulated Fares with potential to maximise revenue and/or encourage use of spare capacity.

5.6.3 **Ticketing, Smart Ticketing and Ticket Retailing**

(A) REQUIREMENT

The Department requires a franchisee who will:

- maintain a consistently high standard of ticket retailing service;
- promote revenue growth through the franchise by providing modern, flexible ticketing and arrangements for ticket purchase;
- ensure customers are provided with widespread and easy access to the full range of tickets, and a range of ticket retail opportunities that supports revenue growth;
- provide a range of ticket products and ticket retailing solutions that meets the needs of customers including those who may not be conversant with, or have access, to new technology;
- ensure information about ticket products and solutions is communicated in a clear and transparent fashion which

enable passengers to access the information they need to confidently choose the best ticket for their journey, and to understand the terms, conditions and any restrictions on the ticket purchased, across all ticket retailing solutions and fulfilment media;

- exploit new technology in relation to ticket retailing to benefit customers, drive efficiencies and support sustainable growth of the business;
- cooperate with other industry partners and stakeholders in the development of relevant industry ticket retailing standards;
- continue to accept Oyster products on the TSGN network to the same extent as currently;
- maintain existing and where possible expand opportunities for passengers to buy a through ticket that allows travel on another mode of public transport at one or both ends of the rail leg of their journey;
- operate a fully interoperable smart and integrated ticketing scheme for the duration of the franchise where already in operation, and for the remainder of the franchise map as soon as possible;
- allow passengers to use a single smart ticket or token on the TSGN network and other South East Flexible Ticketing (“SEFT”) TOC and TfL networks;
- encourage the uptake and use of smart ticketing on the franchise, working with the SEFT Programme including detailed proposals and strategy for innovative smart ticketing arrangements;
- deliver a seamless handover from incumbent operators, honouring all existing smart ticketing contractual arrangements set out in the FCC, Southern and (where appropriate) Southeastern franchises as amended by the SEFT Deed of Amendments;

- demonstrate how it will run separate arrangements in parallel until at least the break clauses contained in either the central RSP managed service contracts for FCC or the existing Southern smart ticketing scheme contracts and then choose whether to:
 - (a) migrate the FCC element out of the central RSP managed service and add it to the existing Southern scheme arrangements; or
 - (b) migrate the Southern scheme into the central RSP managed service; or
 - (c) continue with both arrangements; and
- work in partnership with Local Authorities within the franchise area who wish to implement rail and or multimodal ticketing.

If the SEFT Agreements have been signed before the date of Bid submission, then the Department requires a Franchisee who will manage a seamless handover including the continuation of any existing or pilot fares and ticketing schemes under way at the time of handover and honour all existing contractual arrangements relating to smart ticketing disclosed on the Data Site. In the event that no contractual arrangements exist for delivery of smart ticketing schemes within the franchise, Department requires a Franchisee who will work effectively with the SEFT Programme to deliver smart ticketing in the franchise.

If the CPAY Acceptance Agreement or other pilot arrangements have been signed before the date of Bid submission, then the Department requires a Franchisee who will honour the existing contractual arrangements as disclosed on the Data Site. In the event that no contractual arrangements exist for CPAY acceptance within the franchise, the Department requires a Franchisee, where a demonstrable positive case can be provided, to work effectively with TfL to deliver CPAY in the franchise.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- a clear description of the ticket retailing opportunities and experience that the Franchisee will deliver, and the expected revenue impacts. Supporting technical information should be provided only as far as needed to demonstrate that the requirements will be delivered;
- a statement or letter setting out the commitment, views or comments of any third party that the Bidder is relying on in delivering or exceeding these requirements; and
- evidence that the business impacts, both financial and operational, for CPAY acceptance have been objectively considered.

(C) SCORING

For meeting the above requirements, Bidders will score 4 in line with the scoring matrix at set out in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific examples of how the requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan, and the sufficiency and credibility of supporting evidence) are set out below:

- a plan to convert the majority of season ticket holders and other frequent travellers on to smart tickets within a demonstrably achievable timeframe. This may include the utilisation of new and alternative ways of developing products, retailing tickets and improving ticket retail opportunities;
- improvements to the overall ticket retail experience and enhanced choices and opportunities for the customer, including through harnessing technical innovations and investing in new solutions. Plans for the use of new and alternative ticket retailing methods could include third party retail, greater use of internet, consumer technology, barcodes, or integration of audio/visual technology, amongst others;

- offering tickets that can be used on various modes of transport, and linked to other ticket retail opportunities, including evidence of partnerships and/or support from third parties such as local authorities; and/or other equivalent products or services; and
- Initiatives which will exploit smart ticketing and utilise technology to implement, trial or develop other ticketing and fares innovations that can benefit passengers such as:
 - carnet products; and
 - the use of additional technologies (which may include contactless EMV bank cards, NFC mobile phones, print at home tickets, barcodes).

5.6.4 **Revenue Protection**

(A) REQUIREMENT

The Department requires a Franchisee who will protect revenue and reduce the level of ticketless travel in line with the incentive regime target benchmark and who will operate an appropriate Penalty Fares regime which complies with the Secretary of State's guidance on Penalty Fares.

(B) EVIDENCE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall include as a minimum:

- a plan for reducing the level of ticketless travel and fare evasion on the combined franchise. The plan will explain how the Bidder will achieve the required ticketless travel target as identified in the Franchise Agreement;
- what alternative measures are proposed to protect franchise revenues in the event that existing gateline installations are not maintained;
- how Bidders will ensure that suitable retailing, inspection and other arrangements will be put in place to minimise the level of ticketless travel. Bidders shall identify details of staffing

levels, training, incentives and other management plans to protect franchise revenues;

- an appropriate proposal for the Penalty Fares scheme; and
- underlying research and evidence on the effectiveness of their marketing Initiatives as a whole on passenger revenue. This includes the revenue impacts of any other customer engagement plans that are not included in the marketing budget as set out in the Franchise Agreement, for example customer relationship management Initiatives or loyalty scheme Initiatives.

(C) SCORING

For meeting the above Requirements, Bidders will score 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology).

Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidders' proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- Initiatives that require capital investment to improve revenue protection, for example the introduction of new Automatic Ticket Gates (“**ATGs**”); and
- proposals which would deliver a longer manned operating period for existing ticket gatelines at stations.

5.7 Delivery Plan 5: Improving the Customer Experience

5.7.1 Background Information

This section contains background information that may assist Bidders in understanding the references to a “Passenger Experience Metric” set out in this Delivery Plan.

The Franchise Agreement includes a definition of a Passenger Experience Metric, which is constructed as a weighted sum of:

- a number of indicators of passenger satisfaction with the facilities and services provided by the Franchise, drawn from the regular National Passenger Survey (“**NPS**”) conducted by Passenger Focus; and
- a number of indicators of the quality of facilities and services, together referred to in this ITT as Quality Experience on Stations and Trains (“**QuEST**”). The Franchise Agreement requires the Franchisee to measure performance against these QuEST indicators on an ongoing basis through the Franchise life, with provisions for independent audit of the results.

The Franchise Agreement also provides for an incentive regime in which payments are made by the Department to the Franchisee for exceeding the benchmark trajectory that is specified for the Passenger Experience Metric, or by the Franchisee to the Department for failing to achieve that trajectory. The more the Metric exceeds (or falls short of) the benchmark, the greater the payment. A ‘ceiling’ and ‘floor’ level trajectory is also specified for the Metric, above (or below) which no additional payment will be made. Where performance falls below the floor trajectory specified for the Metric overall, or for any individual NPS or QuEST indicator, on a sustained basis (defined in the Franchise Agreement), the Franchisee must put in place measures to bring it back to the benchmark.

Full details of the indicators that form part of the Passenger Experience Metric, and the calculation of the financial payments, are contained in Schedule 7.2 of the Franchise Agreement.

5.7.2 **Engaging with customers and prospective customers**

(A) REQUIREMENT

The Department requires a Franchisee who will:

- engage with customers, prospective customers and relevant representative groups (including Passenger Focus, London Travelwatch and local rail user groups) on an ongoing basis to understand their experiences and perceptions of the Franchise and their priorities for future improvement;
- keep them informed about the performance of the Franchise, about upcoming developments in the Franchise that might affect them, and about how their views have been taken into account in decisions taken by the Franchisee, including by:
 - publishing regular Customer Reports, which must comply with at least the minimum requirements set out in the Franchise Agreement; and
 - publishing data about the performance of the Franchise in accordance with the minimum requirements set out under “Publication of Data” below,

and in each case publicising and disseminating the Reports and data to bring them to the attention of customers and other interested parties and ensuring they are accessible to the Franchise’s diverse customer base; and

- generate a range of options to address customer needs and priorities identified through their engagement process, evaluate and prioritise such options, implement those options that are commercially viable (e.g. because they will generate additional ancillary revenue and/or income from Passenger Experience Metric incentive payments) and propose to the Department, as part of the regular business planning process, other options that would deliver significant customer benefits.

Publication of data

The Franchisee must publish, as a minimum:

- on an annual basis, a comparison of the latest year's scores for each QuEST and NPS indicator that forms part of the Passenger Experience Metric alongside the relevant target and floor benchmarks;
- for each railway period, the latest results for each QuEST indicator;
- for each railway period, measures of train service performance, including PPM, on-time performance (at key intermediate stations as well as end destinations, including central London stations served by through Thameslink services), cancellations and short formations; and
- on an annual basis, measures of passenger numbers and crowding (passengers in excess of capacity – PiXC).

In each case, aggregate summary-level data for the Franchise must be supplemented by data that, so far as practicable, is sufficiently disaggregated (e.g. by service group or route, by day of week / time of day) to enable customers to assess train service performance, satisfaction, quality and other factors at a level that is relevant to the particular journeys that they make.

Data must be published as soon as practicable after the end of the period to which it relates. Summary-level data must be published at stations and/or on trains, while more detailed/disaggregated statistics may instead be made available via a web-based data portal or other suitable medium, with arrangements in place for those without internet access to obtain the data.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- their detailed proposals for publishing regular Customer Reports, to include:

- when, and in what formats, these Reports would be published;
- what (if any) information would be contained within these Reports over and above the minimum requirements set out in the Franchise Agreement;
- what actions the Franchisee would take in order to bring the Customer Reports, and their key findings, to the attention of customers and other interested parties;
- a draft of the first Customer Report they would publish by the time the Franchise begins; and
- what data they would publish about the performance of the Franchise, in what formats and via what media, and at what levels of disaggregation.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

Bids that contain:

- proposals for a customer engagement process that will give the Franchisee a thorough understanding of the priorities of customers and prospective customers at the level of individual market segments, for example by making innovative use of a range of media to capture views from, and suit the communication preferences of, a diverse range of different groups;
- proposals for customer engagement that will ensure customers are involved in developing the business strategy, not just at the stage of identifying customer needs;

- proposals for the publication of Customer Reports that are highly effective in giving customers tailored information that is directly relevant to the particular issues that matter most to them, for example by publishing bespoke Customer Reports targeted at different geographical areas or market segments within the Franchise;
- proposals to publish data that is important to customers at a train-by-train level, for example in relation to crowding and train service performance, in a way that allows customers to make informed choices about their journeys;
- proposals to make data held by the Franchisee publicly available in formats that can be re-used by third parties (e.g. information providers, mobile app designers) in innovative ways that will benefit customers and/or the wider rail industry; and
- proposals to trial or implement innovative approaches to customer engagement that, if successful, have the potential to benefit the wider UK rail industry and its customers, including through a positive contribution to industry standards and best practice.

5.7.3 **Measuring service quality**

(A) REQUIREMENT

The Department requires a Franchisee who will:

- put in place arrangements for measuring, reporting and auditing performance against the QuEST indicators defined in the Franchise Agreement, in accordance with the requirements set out in the Agreement. These arrangements must include the compilation and maintenance of a QuEST Register, which must contain the information that an inspector would reasonably need in order to carry out QuEST inspections (including details of which facilities and services exist at which stations and on which trains);

- procure regular (at least annual) independent third-party audits by a suitably-experienced person to satisfy the Department as to the robustness and impartiality of the results, again in accordance with the requirements set out in the Franchise Agreement;
- ensure that NPS and QuEST data is used routinely within the business to inform the Franchisee’s strategy to increase quality and passenger satisfaction; and
- put in place clear processes to ensure that prompt remedial action is taken where any individual NPS or QuEST indicator is at risk of falling below its specified ‘floor’.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders’ responses shall cover as a minimum:

- a detailed methodology for the measurement and monitoring of performance against the QuEST indicators, including (in particular) their proposals for measuring performance in relation to indicators 19 and 30 (CCTV at stations and on trains), given that this will require access to CCTV control centres and therefore cannot be measured by visual inspections carried out at stations or on trains. This shall include details of the Franchisee’s plans for ensuring that QuEST inspections can be carried out effectively with effect from the dates specified in the Franchise Agreement, including the Franchisee’s plans (if any) for carrying out inspections on a trial basis before the specified dates;
- their proposals for the format and scope of information to be included in the QuEST Register described in (A) above and in the Franchise Agreement, and their plans for populating it in the timescales required in the Franchise Agreement; and
- proposed terms of reference for the independent QuEST audits required by the Franchise Agreement.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

Bids which demonstrate:

- the Bidder will put in place thorough management processes that give a particularly high degree of confidence that emerging risks to achieving the Passenger Experience Metric target will be identified, and appropriate remedial action taken to ensure that the Franchisee remains on target; and
- a commitment to carry out more than the minimum required number of QuEST inspections, giving the Franchisee more statistically robust information about performance against the QuEST indicators at a disaggregated level and thereby enabling them more effectively to identify and target priority areas for improvement.

5.7.4 **Provision of journey information to customers**

(A) REQUIREMENT

The Department requires a Franchisee who will implement initiatives to meet the benchmark trajectories in the Franchise Agreement for NPS and QuEST indicators that relate to the provision of information, and who will provide appropriate journey information to all customers, taking account of the varying needs of different user groups (including, for example, people with disabilities and those without access to the internet), including by:

- providing clear, accurate information to customers before they begin their journeys, to help them plan their journeys effectively and to provide information about planned and unplanned disruption;

- providing accurate and helpful information at stations and on trains, as a matter of routine and especially during times of planned or unplanned disruption, including information about disruption on connecting rail services and other connecting modes (including LUL, bus and other local transport services); and
- enhancing the quality of information provided at times of disruption, consistent with ATOC’s “Approved Code of Practice: Passenger Information During Disruption”.

The Department requires a Franchisee who will participate in cross-industry initiatives to enable customers to make informed travel choices at times of disruption (including the Travel Demand Management initiative being led by Transport for London in connection with the Thameslink programme) or when special events mean demand is expected to be unusually high.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders’ responses shall cover as a minimum:

- how the Bidder’s Initiatives overall will contribute to meeting NPS and QuEST benchmark trajectories that are relevant to the provision of information.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder’s proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- proposals that, compared to current standards, will significantly improve the availability, accuracy and consistency of real-time information throughout customers’

journeys by means of consistently reliable technology, backed up by helpful and well-informed staff;

- proposals that, compared to current standards, will significantly improve the ability of customers to make informed choices about their journey or potential journey, including during planned service amendments and unplanned disruption; and
- proposals for commercial or technical innovations that are likely to bring benefits to the wider UK rail industry and the customers and communities it serves including through making a positive contribution to industry standards and best practice, and/or improve long-term franchise value. Proposals may include funding, researching, developing or trialling innovative services or solutions.

5.7.5 **Access to stations and door-to-door journey experience**

(A) REQUIREMENT

The Department requires a Franchisee who will improve the door-to-door journey experience and encourage the use of public transport, walking and cycling, and implement initiatives to meet relevant NPS and QuEST benchmark trajectories, including by:

- providing safe and secure parking for cars and motorcycles;
- providing sufficient suitable parking for disabled people, having regard to the “Accessible Train and Station Design for Disabled People: A Code of Practice”;
- providing safe and secure parking facilities for cyclists at stations, having regard to the ‘Cycle-Rail Toolkit’ published by ATOC;
- providing suitable walking routes to the station with appropriate lighting and signage; and
- providing clear, accurate signposting and information about onward travel options, including bus and other public transport, cycling and walking options,

in each case at least maintaining existing facilities and services at the levels inherited from the incumbent operators, and keeping them in good condition.

The Department requires a Franchisee who, having regard to the process outlined in the ATOC/RSSB guidance on the “Implementation of Station Travel Plans”, will:

- review a sample of Station Travel Plans that have been previously implemented at Franchise stations in order to learn lessons from the planning and implementation process. This review should be carried out early in the Franchise Term to inform the development of new Station Travel Plans;
- develop a new Station Travel Plan, or refresh the existing Plan (where one exists), at every station where they propose to add 100 or more additional car parking spaces. The Franchisee should programme this work, as far as possible, at a time when the plans for new car parking spaces can be reviewed and amended in light of the findings;
- if the above requirement results in fewer than 30 new Station Travel Plans at stations which have not previously had them, the Department requires further stations to be identified such that a minimum of 30 new Station Travel Plans have been developed within four years of the Franchise Start, for stations in Categories B, C and D that have not previously had such Plans. Stations selected should include a minimum of 10 in the Greater London area and a minimum of 10 from outside that area; and
- put in place clear processes, criteria and budgets to fund schemes identified during the Franchise Term through the Station Travel Plan process or as part of its wider customer engagement.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

There are no additional information requirements beyond the minimum evidential requirement set out in **paragraph 5.1.4**.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- proposals to develop, implement and regularly review Station Travel Plans at more than the minimum specified number of stations, targeting locations that have been identified as priorities by passenger groups, local authorities, Network Rail and/or other stakeholders;
- proposals for developing, implementing and regularly reviewing Station Travel Plans in a cost-effective way that harnesses customer engagement to prioritise initiatives with the greatest benefits for customers;
- proposals (including building schemes, joint initiatives or budget provision) that are likely to significantly and measurably improve ease of station access as part of customers' overall end-to-end journey, including for pedestrians and cyclists, especially where this leverages in third-party funding and is based on customer priorities established through effective engagement;
- implementing effective systems and processes to measure and monitor ease of access to stations as part of the wider end-to-end journey (for example drawing on evidence from the National Passenger Survey), and to ensure the Franchisee has a strong understanding of customer and community views, priorities and concerns in relation to station access;
- proposals to actively promote public transport use for journeys to and from the station (e.g. enhancing the availability and quality of information, including real-time

information, about local bus or other public transport services, and/or multi-modal journey planning);

- proposals to improve access to stations in ways that particularly benefit disabled people and others with reduced mobility;
- proposals to provide new charging points for electric vehicles in support of the Government’s plug-in vehicle infrastructure strategy (*Making the Connection: the Plug-In Vehicle Infrastructure Strategy*, published by the Office for Low Emission Vehicles); and
- implementing research, development and innovation exploitation activity, including trial schemes or demonstrator projects, with respect to meeting or exceeding the requirements in (A) above. To secure evaluation credit, such activity must be likely to deliver benefits for the wider UK rail network at a whole-system level, or benefits to the franchised business beyond the Franchise Term, and benefits identified for such initiatives should be consistent with the rail industry’s strategy as set out in the Rail Technical Strategy. Particular regard will be given to projects where the Bidder has secured investment or resources from third parties or has committed a significant amount of its own resources.

5.7.6 **Stations**

(A) REQUIREMENT

The Department requires a Franchisee who will implement Initiatives to meet the benchmark trajectories in the Franchise Agreement for NPS and QuEST station-related indicators, including by:

- providing facilities and services (including retail) that are appropriate to the size, footfall and other relevant characteristics of the stations concerned;
- ensuring that stations are staffed by well-trained, knowledgeable staff throughout the hours stipulated in the Franchise Agreement (including, in the case of stations

where continuation of existing all-day staffing is not required by the Franchise Agreement, throughout appropriate staffing hours consistent with staffing hours at other comparable stations – such hours to be proposed by Bidders);

- ensuring that when stations are unstaffed, customers can access the help and advice that they need (e.g. via Help Points, with arrangements in place to ensure calls are answered promptly);
- providing an appropriate balance between staffing of ticket offices and staff presence on station concourses and platforms; and
- maintaining a consistently high standard of presentation of stations across the TSGN Franchise, paying particular attention to cleanliness, state of repair, absence of graffiti and the availability and condition of toilet facilities and waiting rooms (where they exist), and working with Network Rail to tackle trackside litter and graffiti in the vicinity of stations.

The Department requires a Franchisee who will:

- promote ease of circulation, navigation and interchange at stations for all customers, especially those with reduced mobility (e.g. people with disabilities, heavy luggage or young children); and
- manage congestion and crowding effectively at routinely busy times and when planned or unplanned special events result in unusually high passenger numbers.

The Department requires a Franchisee who will implement any station enhancement schemes inherited from the current operators under the National Station Improvement Programme and Access for All Programme, and make effective use of funds allocated to the Franchisee under Access for All Small Schemes Funding and the Minor Works Budget provided for in the Franchise Agreement.

The Department requires a Franchisee who, during the Franchise Term, will develop proposals for station enhancement schemes based on the

findings of their customer engagement that will deliver significant customer benefits, and present them to the Department for consideration as part of the regular business planning process.

The Department requires the Franchisee to be Station Facility Owner (“**SFO**”) for:

- all stations where the current SFO is FCC (with effect from the Start Date);
- all stations where the current SFO is Southern (with effect from the Combined Effective Date); and
- Ravensbourne, Beckenham Hill, Bellingham, Catford, Crofton Park, Nunhead and Denmark Hill (all with effect from December 2014). These stations are currently managed by Southeastern, but will be served primarily or exclusively by services operated by the Franchisee from that date.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders’ responses shall cover as a minimum:

- key details of any station enhancements proposed, including:
 - which stations will be targeted for investment, and the rationale for selecting them;
 - the main enhancements that will be made at each station and when they will be delivered;
 - how customers, Network Rail and other interested parties will be engaged in the development of the detail of the Bidder’s proposals;
 - the total sum of money that would be invested in each station, broken down (if appropriate) between funds contributed by the Franchisee and funds committed by third parties;

- how the Bidder's proposed approach to station management and staffing (including staff training and responsibilities) will ensure they meet the specified Requirements;
- the Bidder's proposed minimum staffing hours at each station where continuation of existing all-day staffing is not required by the Franchise Agreement; and
- how the Bidder's Initiatives overall will contribute to meeting the relevant NPS and QuEST benchmark trajectories.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

Bids which demonstrate:

- proposals to deliver transformational investment at one or more stations, i.e. investment that will substantially improve some or all of the following:
 - the range and quality of services and facilities provided for passengers and other visitors, reflecting the potential for stations to play a wider role in the communities that they serve;
 - the overall customer experience at the stations concerned;
 - the environmental performance of the stations concerned;
 - the long-term commercial potential of the stations concerned, generating substantial franchise value by boosting passenger demand, farebox revenue (both

within and beyond the Franchise Term) and/or ancillary revenue (beyond the Franchise Term);

- plans to put in place the necessary resources (in terms of quantity, capability and expertise) to work effectively with Network Rail, developers, potential investors and funders, local communities and other interested parties to unlock significant third-party funding for long-term investment in stations. This could include developing innovative contractual models to enable investors to share in the long-term returns from station investment, which the Franchisee would propose to the Department during the Franchise Term;
- proposals to implement and maintain consistent station standards covering facilities and/or staffing across the Franchise, for example based on the station standards set out in the *Better Rail Stations* report published in 2009;
- proposals for station enhancement that demonstrate they take full account of design best practice;
- proposals that are effective in meeting the particular needs of customers with disabilities and/or others with reduced mobility;
- proposals to improve aspects of the customer experience at stations that are not captured by the NPS and QuEST indicators in the Franchise Agreement, but that the Bidder can demonstrate are important to customers;
- that effective processes will be put in place to ensure that the quality of facilities and services will be consistently high (for example in terms of fitness for purpose, reliability and ongoing condition) and the relevant NPS and QuEST benchmarks met even in challenging operating conditions; and
- proposals for commercial or technical innovations that are likely to bring benefits to the wider UK rail industry and the customers and communities it serves including through making a positive contribution to industry standards and best

practice, and/or improve long-term franchise value.
Proposals may include funding, researching, developing or trialling innovative services or solutions.

Bidders should note that, where a proposed station enhancement initiative includes elements that are taken into account in the scoring of “Access to stations and door-to-door journey experience” sub-component above, those elements will not also be taken into account in the evaluation of this “Stations” sub-component except in so far as they are relevant in assessing whether a Bid meets the requirement about meeting NPS and QuEST benchmark trajectories.

5.7.7 **On-train facilities and services**

(A) REQUIREMENT

The Department requires a Franchisee who will implement initiatives to meet the benchmark trajectories in the Franchise Agreement for NPS and QuEST train-related indicators (including through relevant initiatives covered in the Rolling Stock sub-component of Delivery Plan 2 (Train Service Delivery)) and who will:

- provide on-train facilities and services (e.g. toilets, luggage space, heating and ventilation, facilities for mobile communications, catering) that are appropriate to the needs of the markets served and operate to a high standard of reliability;
- maintain a good standard of presentation of trains across the TSGN Franchise, paying particular attention to cleanliness and removal of litter, state of repair, absence of graffiti and the availability and condition of toilet facilities (where they exist); and
- ensure that on-train staff are visible to customers, performing a proactive role in responding to customer queries, promoting security, collecting fares on routes where stations have limited ticket retail facilities, and supporting the franchisee’s ticketless travel strategy.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- how the Bidder's initiatives overall will contribute to meeting the relevant NPS and QuEST benchmark trajectories;
- whether and how any changes to the role of on-train staff will contribute to achieving the requirement to ensure on-train staff are visible to customers; and
- a brief summary of, and specific cross-references to, initiatives in Delivery Plan 2 (Train Service Delivery) that the Bidder considers will contribute to achieving the requirement in (A) above to meet the specified train-related benchmark indicators.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

Bids which demonstrate:

- proposals to improve aspects of the on-train customer experience that are not captured by the NPS and QuEST indicators in the Franchise Agreement, but that the Bidder can demonstrate are important to customers;
- proposals that are effective in meeting the particular needs of customers with disabilities and/or reduced mobility;
- that effective processes will be put in place to ensure that the standard of presentation and the quality of facilities and services will be consistently high (for example in terms of fitness for purpose, reliability and ongoing condition) and the

relevant NPS and QuEST benchmarks met even in challenging operating conditions; and

- proposals for commercial or technical innovations that are likely to bring benefits to the wider UK rail industry and the customers and communities it serves including through making a positive contribution to industry standards and best practice, and/or improving long-term franchise value. Proposals may include funding, researching, developing or trialling innovative services or solutions.

Bidders should note that, where a proposed rolling stock Initiative includes elements that are taken into account in the scoring of Delivery Plan 2, those elements will not also be taken into account in the evaluation of this “On-train facilities and services” sub-component except in so far as they are relevant in assessing whether a Bid meets the requirement about meeting NPS and QuEST benchmark trajectories.

5.7.8 **Helpful and responsive customer service**

(A) REQUIREMENT

The Department requires a Franchisee who will implement initiatives to meet the benchmark trajectories in the Franchise Agreement for NPS and QuEST customer service-related indicators and provide consistently helpful and responsive customer service, including by:

- ensuring that the knowledge, attitudes and helpfulness of staff consistently match customers’ reasonable expectations;
- providing and publicising mechanisms to allow customers to report any problems (e.g. cleanliness, anti-social behaviour) as soon as they arise, and responding appropriately and promptly to resolve any problems that are reported; and
- demonstrating that they will provide a high quality of after-travel customer care, including handling of complaints and customer feedback, claims for compensation and lost property.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- how the Bidder's initiatives overall will contribute to meeting the relevant NPS and QuEST benchmark trajectories; and
- their proposed Passengers' Charter, including their Delay Repay scheme.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- Bids which demonstrate that the Bidder will achieve a particularly high standard of excellence in customer service and care; and
- proposals for commercial or technical innovations that are likely to bring benefits to the wider UK rail industry and the customers and communities it serves including through making a positive contribution to industry standards and best practice, and/or improving the long-term franchise value. Proposals may include funding, researching, developing or trialling innovative services or solutions.

5.7.9 **Promoting equality and meeting the needs of disabled people and others with reduced mobility**

(A) REQUIREMENT

The Department requires a Franchisee who will:

- promote equality, including ensuring continuous compliance with the requirements of the Equalities Act 2010, which

places a duty on providers of public services, including station and train operators, to give due regard to equality issues and to provide reasonable adjustments;

- consult with disabled people and others with reduced mobility to understand their needs and priorities, both in relation to existing facilities and where enhancements are planned;
- ensure continuous compliance with the Disabled People’s Protection Policy (“**DPPP**”), including:
 - ensuring they follow the Code of Practice;
 - providing appropriate staff training in disability awareness;
 - participating in the Passenger Assist scheme managed by ATOC, including any improvements proposed; and
 - providing a free-of-charge assisted persons’ helpline;
- measure and monitor, on an ongoing basis, the Franchisee’s performance in providing a high standard of service for disabled people and others with reduced mobility, using feedback to drive improvements.

(B) EVIDENCE THAT BIDDERS SHOULD PROVIDE

There are no additional information requirements beyond the minimum evidential requirements set out in **paragraph 5.1.4**.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder’s proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- Bids which contain proposals that demonstrate they go beyond the statutory equality duties and/or provide significant enhancements to customer service for disabled people and others with reduced mobility, with strong evidence that these proposals address customers' priority areas for improvement.

Bidders should note that, where a proposed initiative in another delivery plan sub-component (for example a station enhancement scheme) includes elements that generate particular benefits for disabled people and others with reduced mobility, those elements will be taken into account in the scoring of that other sub-component. The scoring of this "Promoting equality" sub-component will take account of initiatives that generate such benefits but which do not contribute to meeting or exceeding the requirements of other sub-components.

5.7.10 **Security, crime and anti-social behaviour**

(A) REQUIREMENT

The Department requires a Franchisee who will implement initiatives to meet the personal security and CCTV-related NPS and QuEST benchmark trajectories, reduce the incidence and fear of crime and anti-social behaviour at stations and on trains and ensure a proportionate level of counter-terrorist protective security, including by working with the British Transport Police (having entered into a Police Services Agreement under the Railways and Transport Safety Act 2003) where appropriate to:

- assess and regularly review the security and crime risk across the Franchise;
- implement systems to control and minimise safety and security incidents on trains and at stations, including deterring and addressing instances of vandalism and graffiti in relation to trains, property, stations and car/cycle parks;
- maintain and where appropriate supplement existing Secure Stations and Park Mark accreditations and CCTV systems; and

- ensure that new CCTV equipment is compatible with British Transport Police systems.

(B) EVIDENCE BIDDERS SHOULD PROVIDE

In addition to the minimum evidential requirements set out in **paragraph 5.1.4**, Bidders' responses shall cover as a minimum:

- how their plans for station and on-train staffing, including the role played by all front-line staff, will support the achievement of the Requirements set out above.

(C) SCORING

For meeting the above Requirements, Bidders will achieve an Evaluation Score of 4 in line with the scoring matrix in **Section 7** (Evaluation Criteria and Methodology). Without prejudice to **paragraph 5.1.6** above, specific indications about how the Requirements may be exceeded (subject to the quality and suitability of the Bidder's proposals addressing the relevant issue and the other requirements of the relevant plan and the sufficiency and credibility of supporting evidence) are set out below:

- Bids which demonstrate that they will secure a significant reduction in the incidence and fear of crime and anti-social behaviour on the network, with a particular focus on those places and times where they are currently most prevalent.

6. Section 6: Detailed bid submission requirements – financial

6.1 Introduction

This section describes the detailed financial information which Bidders must include in their Bids. In summary, these are:

- a Financial Model and supporting Operational Models (together the “**Models**”) prepared in accordance with the requirements described in **paragraph 6.4** (Financial and Operational Model requirements);
- the submission of populated Financial Model Templates in accordance with the requirements described in **paragraph 6.4.6** (Financial Model templates);
- a Record of Assumptions prepared in accordance with the requirements described in **paragraph 6.5** (Record of Assumptions);
- an Operating Manual prepared in accordance with the requirements described in **paragraph 6.6** (The Operating Manual),

(the Models, the Record of Assumptions and the Operating Manual being collectively the “**Modelling Suite**”);
- evidence that the Models have been reviewed in accordance with the requirements described in **paragraph 6.7** (Model Review and Audit);
- a paper describing the Bidder’s financial structure and funding prepared in accordance with the requirements described in **paragraph 6.8** (Financial Structure and Funding); and
- a response relating to modelling change and Record of Assumptions as described further in **paragraph 6.9** (Modelling Change).

The information submitted pursuant to this **Section 6** (Detailed Bid Submission Requirements – Financial) will be evaluated in accordance with the evaluation criteria and methodology described in **Section 7** (Evaluation Criteria and Methodology).

Any information submitted which does not comply with the requirements of this section may be treated as being non-compliant.

6.2 General Requirements

The Department will retain farebox revenue risk for the TSGN franchise and therefore has specific modelling requirements for this franchise. Within the Data Site the Department has included a Revenue Model populated with base LENNON data (2012/13), and applies WebTAG-compliant exogenous forecasting to the Department's April 2013 EDGE inputs. Bidders are required to adopt this model as the basis for calculating the impact of any revenue initiatives it proposes to include within its submission. For the avoidance of doubt, any incremental farebox revenues forecast will not be included within the financial evaluation as detailed in **Section 7** (Evaluation Criteria and Methodology), however the costs associated with those initiatives will be required to be included in the Bidders submission and will be included in the financial evaluation. The value of farebox revenue initiatives will be reflected within the Quality Score as and to the extent detailed in **Section 7** (Evaluation Criteria and Methodology).

6.3 Errors in Model and/or Record of Assumptions

The Department reserves the right to seek clarification in any form or by means of clarification meetings with any or all of the Bidders to assist in its consideration of a Bid.

Bidders are required to satisfy themselves as to the technical accuracy of all Modelling Suite items prior to submission. Where any Modelling Suite items are found to contain an error, the Department reserves the right to, either:

- evaluate the Model(s) and/or the Record of Assumptions as received, in which case the Bidder shall bear the risk of errors within those Modelling Suite items and of any impact that this may have on the evaluation carried out in accordance with **Section 7** (Evaluation Criteria and Methodology);
- correct the error itself following clarification from the Bidder in accordance with **paragraph 4.7** (Process Following Bid Submission) of this ITT or require the error to be corrected, and then evaluate the Modelling Suite in accordance with **Section 7** (Evaluation Criteria and Methodology); or

- treat the Bid as being non-compliant.

6.4 Financial and Operational Model Requirements

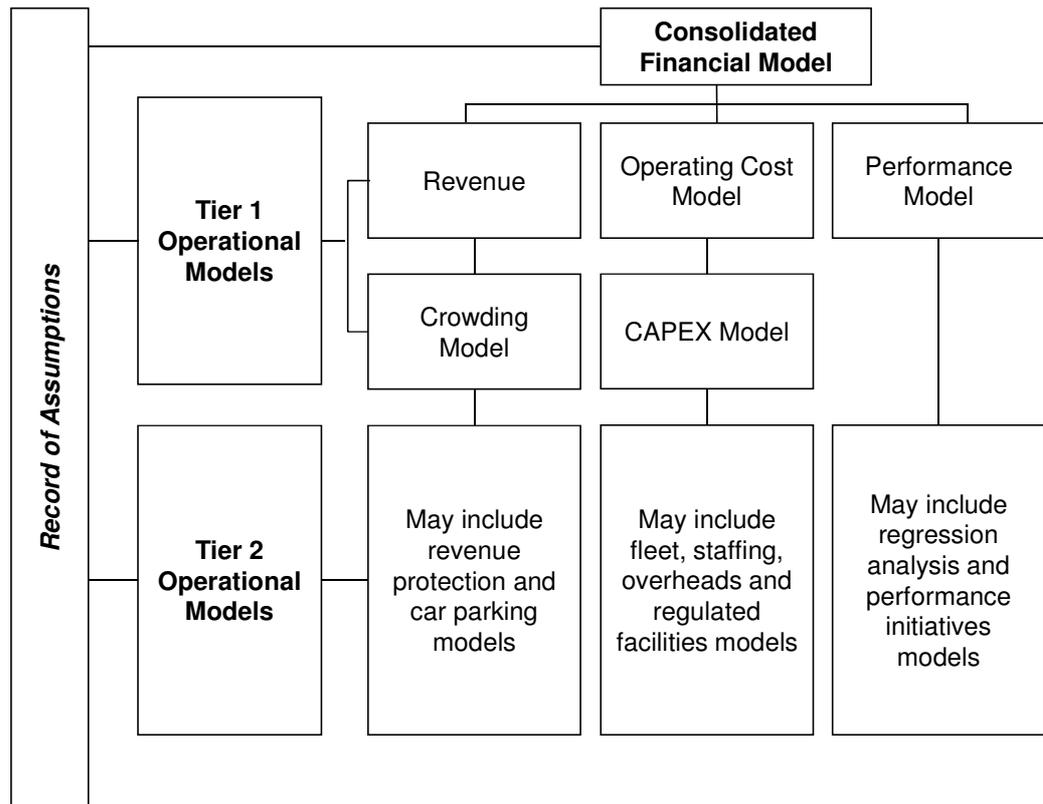
6.4.1 General

Bidders are required to submit, and include as part of their Bid, the Models that meet the requirements described in **Section 4** (Explanation of Requirements for Bid Submission and Overview of Process Following Bid Submission) and this **Section 6** (Detailed Bid Submission Requirements – Financial). The Financial Modelling Suite must demonstrate the financial consequences of the Bidder's business and operational plans over the Franchise Term (including the potential extension period).

6.4.2 Structure of the Models

An example of how the Department anticipates that models may be structured is illustrated below. However, it is for the Bidders to determine the most appropriate structure based on the requirements of this ITT. Models should clearly show the impact of each required timetable change as set out in **Appendix A**. Bidders should be aware that despite the Department retaining farebox revenue risk Bidders are required to submit a revenue model. Bidders should be aware that incremental farebox revenue will be evaluated through the Quality Score, however any costs associated with securing the incremental revenue should be included within the Financial Model and will be included within the pricing assessment. The templates allow for the incremental revenue and costs (including any relevant capital costs which must be amortised through the profit and loss account) to be separately identified for each initiative proposed. For the avoidance of doubt any incremental costs associated with revenue initiatives should be included within the relevant operating costs category included within the submission.

Bidders are required to include within their Record of Assumptions a map illustrating the content and structure of the Models to aid the Department's understanding.



The above diagram is illustrative of the structure the Department would expect from bidders although bidders can incorporate elements of the Tier 2 models into the Consolidated Financial Model where appropriate. The minimum review standards that apply to each group of models are described in **paragraph 6.7** (Model Review & Audit). In developing the Models, Bidders should be aware that the Department requires transparency on the inclusion and pricing of its costs associated with complying with its obligations under the TRSP Documents.

Any changes to the Models after Bid submission as a result of the clarification process described in **paragraph 4.7** (Process Following Bid Submission) of this ITT or otherwise, will need to be clearly logged and traceable, including an audit trail in the relevant Model itself, using the template version control sheet.

6.4.3 The Financial Model

Each Bidder is required to submit a Financial Model which:

- includes the calculations that are required to produce outputs for inclusion in the Franchise Agreement and Funding Deed (as set out in the financial templates provided to Bidders

through the Data Site and listed at **paragraph 6.4.6** (Financial Model Templates) below (the “**Financial Model Templates**”). Outputs from the Financial Model Templates will be used to populate the following:

- Franchise Payments (the Appendix to Schedule 8.2 (Annual Franchise Payments) of the Franchise Agreement);
- levels of Parent Company Support, bonding and Season Ticket Bond values (Funding Deed and Schedule 12 (Financial Obligations and Covenants) to the Franchise Agreement); and
- profit share tables.

These outputs should change automatically following the running of any sensitivity or revised inputs. However, the Financial Model should have the functionality to freeze any Profit Share Thresholds (where appropriate) and the Annual Franchise Payments so as to allow simulation of profit sharing by changing ancillary revenue and cost or other sensitivities. The Financial Model should also be developed to allow:

- the sensitivities detailed in this section to be run without any structural changes being required;
- TGN/LSER and Southern to be input separately until March 2016, thereafter the Financial Model does not require inputs to be provided separately for TGN/LSER and Southern, however if Bidders wish to retain inputs separately this is acceptable. Bidders should provide within the Record of Assumptions details of any economies of scale in their costs and how they have been applied to both the separated and consolidated inputs (where appropriate);
- the Department to simulate drawdowns of the Parent Company Support (“**PCS**”) as required by the Financial Risk assessment described in **paragraph 7.6** (Evaluation of Financial Robustness). In particular:

- where, after the application of risk adjustments in each year of the Core Franchise Term as part of the Financial Risk assessment, the financial ratio set out in the Ratios sheet of the Financial Model Template is breached, the Financial Model must allow the Department to simulate drawdowns of PCS either in full (i.e. where, despite drawdown of the full amount of PCS, such financial ratio is still breached) or to the extent required to ensure that such financial ratio is no longer breached. This dynamic funding calculation (“**DFC**”) functionality must be transparent in the way it is modelled and documented in the Operating Manual and will be evaluated in accordance with **Section 7** (Evaluation Criteria and Methodology);
- the DFC must simulate the drawdown and repayment (as appropriate) of the PCS funds committed under the terms of the Funding Deed in circumstances where risk adjustments are applied to the Financial Model in accordance with **Section 7** (Evaluation Criteria and Methodology);
- the DFC must work in conjunction with the requirement to freeze Annual Franchise Payments and Profit Share Thresholds as outlined above; and
- the PCS must be fully repaid (where maintenance of the financial ratio set out in the Financial Model Template permits) only in accordance with the Franchise Agreement and the Funding Deed;
- accurately executes the calculations as designed, and provides confidence in its robustness and ability to price Change;
- provides a sufficient level of usability to allow Change scenarios to be run in a reasonable timescale;

- provides an appropriate level of granularity for populating templated outputs, and is sufficiently transparent to show Changes clearly; and
- is sufficiently flexible to form the required basis for the pricing of Change with only minor alterations being made to the model's structure.

In addition, Bidders must in relation to their Financial Model:

- show the impact of service changes at each required Timetable Change as set out in **Attachment A**;
- have an index switch to allow the user to apply or remove the effect of RPI and AWE so as to view the Financial Model Templates in both nominal and real terms. The Financial Model submitted should be set to nominal;
- adopt an absolute sign convention in constructing their Financial Model, such that all revenues and assets are positive and all costs and liabilities are negative. An exception to this rule has been included in elements of the Financial Model Templates which allow certain costs to use positive numbers e.g. the calculation of PCS and the NPV calculations; and
- ensure that their Financial Model is self-contained within a single Excel Workbook. The Financial Model should be presented in annual terms, with year-ends coinciding with the Department's 31 March accounting year end (as demonstrated within the Financial model Templates), except in the case of the part-year periods.

The model should also be capable of running sensitivity tests to enable the Department to consider changes in:

- ancillary revenue and initiatives;
- staff costs;
- operating costs, rolling stock charges and infrastructure charges;

- interest rates & financing costs; and
- levels of underlying inflation.

The Department may run additional sensitivities on the Bidders Financial Model and reserves the right to request Bidders to run such additional sensitivities to confirm the results are consistent and to test the robustness of the Bid to operational risks. Instructions on the running of the above sensitivities should be included within the Model User Guide. For the avoidance of doubt the sensitivities outlined above will be used to assist the Department when undertaking the Financial Risk assessment set out in **paragraph 7.6** (Evaluation of Financial Robustness).

6.4.4 **Profit Sharing**

Profit share levels and thresholds are as per the Franchise Agreement (Schedule 8.1 (Franchise payments)).

6.4.5 **Operational Models**

Each Bidder is required to submit with its Bid the following Tier 1 models and supporting materials:

Revenue model: Template Exogenous Forecasts

- a Revenue Model that builds on that released by the Department to Bidders which has been pre-populated with base LENNON data (2012/13), and applies WebTAG-compliant exogenous forecasting to the Department's April 2013 EDGE inputs. Uniform fares increases of RPI+1 are also assumed, although the model can be populated with 3 alternative fares strategies, linked to PDFH fares elasticities. The Department's TSGN revenue forecasting model is disaggregated into 10 active ticket categories and 23 active flow groups. The latter are then mapped to the Service Groups carrying demand;
- as described in the Department's Record of Assumptions (available to Bidders) the market segmentation reflects PDFH flow-types and ticket categories, and has greater spatial granularity as London is approached. Additional

market segmentation would add to model size without improving 'fit' with PDFH;

- the Department has modelled the effects of KO2 timetable options but the estimated revenue impacts are not retained within the revenue model released to bidders;
- Bidders' should consider whether/which future timetable changes on other TOCs warrant inclusion in MOIRA1 analysis; and
- although the TSGN demand effects of (a) rebuilding London Bridge station and (b) new Class 700 units are largely exogenous, bidders are invited to consider complementary endogenous initiatives, and to provide overall estimates of revenue and demand uplifts. The Record of Assumptions should present a division between exogenous and endogenous impacts of Class 700s and the rebuilt London Bridge station, with a full explanation of the forecasting methodology used for each, drawing on PDFH/WebTAG wherever possible.

Revenue modelling: Endogenous Revenue Forecasting

Bidders will use their own endogenous modelling, either within the supplied revenue model with additional worksheets linked to the existing endogenous Management Initiative (“MI”) tabs, or with inputs pasted straight into those tabs from offline modelling. It is permissible to build some endogenous effects into the template and to model others in offline models. The latter will need to be submitted with the Bid, and the technical underpinnings of all endogenous forecasting will need to be described fully in the Record of Assumptions. Endogenous growth should be evidenced by Delivery Plans with clear referencing between Excel modelling, the Record of Assumptions and associated Delivery Plan text.

If any input parameters in the Excel-based endogenous modelling are derived from bespoke statistical analysis, a separate methodological note should be submitted as an appendix to the Record of Assumptions.

Endogenous intervention categories that bidders may wish to model for revenue (and demand) purposes might include:

- station improvement proposals (apart from London Bridge);
- rolling stock improvements (apart from Class 700);
- operating performance (punctuality/reliability);
- differential changes to real fares, in terms of:
 - cross-elasticity impacts;
 - yield management – to grow demand where/when load factors are low, and to ‘smooth peaks’, and
 - regulatory ‘baskets’.
- marketing campaigns; and
- revenue protection initiatives.

The list above should not be seen as prescriptive, and Bidders would be expected to consider opportunities to grow revenue in particular markets; e.g. to/from airports in line with Delivery Plan requirements.

Incremental farebox revenue, journeys, and passenger miles associated with each Bidder initiative require transfer to the revenue model provided by the Department for exogenous growth to be applied within the common market segmentation structure. Therefore, where bidders use separate modelling – also expected to be in MS Excel 2010 format – the output will need to populate the revenue model endogenous template using mapping between stations and RIFF zones / flow-groups.

There are berths (input interface templates) for 40 endogenous ‘management initiatives’, 30 of which can be active in any one scenario. In populating these berths, initiatives can/should be aggregated where common underlying modelling calculations are applied (e.g. a similar intervention at 2+ locations). To maximise flexibility, the input format for endogenous effects caters for either year-on-year growth factors for journeys/yield or additive numbers for journeys/yield. The latter allow modelling of a new ticket type, for example, where there is zero base demand.

The Revenue Model should explicitly disaggregate the revenue effects associated with the relevant Delivery Plan sub-components listed in

Table 5.1.2 in **Section 5**. That is, in populating the template ‘MI Tabs’, initiatives under different Delivery Plans should not be aggregated.

MOIRA and Crowding Modelling

For modelling the effects of timetable changes on demand and farebox revenue, MOIRA (for clarity, this means MOIRA1) should be used. MOIRA1 can also provide estimates of train-by-train loadings outside the weekday peak periods, indicating where off-peak capacity may need realigning with demand. Mapping between stations, RIFF zones and flow-groups will be made available to bidders via the TSGN datasite, so that all MOIRA1 analysis proceeds on a standardised basis, and can be transferred into the template revenue model. This is relevant for other endogenous modelling as well.

In order to assist with the modelling of crowding, in terms of both demand suppression and individual train loadings, DeltaRail is recalibrating ‘CMS Passengers’ for TSGN. However, it is not a requirement to adopt this approach.

Outputs from CMS Passengers may assist with modelling train-by-train loadings in the weekday peak periods, and associated suppressed demand. An alternative approach can be used as long as compliance is maintained with WebTAG guidance. We specifically draw attention to paragraph 4.2.10 of WebTAG unit 3.15.4 (August 2012):

<http://www.dft.gov.uk/webtag/documents/expert/unit3.15.4.php>

Which notes that “practitioners can choose their own approach to modelling crowding as long as it is consistent with PDFH 5.0 recommendations.”

The interface of the crowding modelling with the revenue model, including reporting of train-by-train loads, should be Excel-based, as with all Operational Models.

Other Tier 1 Models

In addition to the Revenue Model described above bidders are also required to submit:

- a crowding model that is clearly linked to the Revenue Model and any initiatives proposed, showing train-by-train loadings and estimated demand suppression (drawing on output from MOIRA1 and CMS Passengers, if desired). The crowding model should include a schedule of daily services and stops, with the relevant service code, expected rolling stock formation diagram and seat and standing capacity, covering individually each service for which crowding could have a material impact;
- an operating cost model that should produce inputs to the Financial Model to the level of disaggregation required by the Financial Model Templates. Any further disaggregation is at the discretion of the Bidder;
- 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. Bidders should link their projections of 'Average Minutes Lateness' to the revenue modelling, adding new input and calculation tabs in the template model, or pasting revenue and demand uplifts straight into a MI berth. Any offline modelling linking from Average Minutes Lateness to farebox revenue and demand will need to be submitted with the Bid, in line with all other endogenous farebox revenue modelling. The performance model should also include details of any calculations relating to the various performance regimes included within the Franchise Agreement; and
- a capital expenditure/capital funding model, showing the detailed investment plan for each material incidence of funding of infrastructure, other works and schemes that

support the Bidder's proposals and that reflects the precise details of their own funding arrangements.

Ancillary Revenue modelling

Together the Operational Models should have the capability to forecast the Ancillary Revenue section of the Financial Model, to the level of disaggregation required by the Financial Model Templates. Given that many of the items within this section are secondary to forecasts generated by the revenue and operating cost models, Bidders may choose to provide this capability within the Financial Model, or to employ an additional Tier 1 Operational Model, for some, or all, ancillary revenues. Ancillary Revenue items which might be expected to grow with farebox income may be shown within the template revenue model in added worksheets, after populating their base 2012/13 values (and titles) in the 'Other Revenue' tab, using Long Form Report values.

However, it is for bidders to decide upon their approach to forecasting each of the ancillary revenue items including income from: parking; light maintenance; station services; advertising; staff secondments (etc); property letting; and catering. The Draft Franchise Agreement provides further detail.

Bidders are required to detail the approach adopted in their Record of Assumptions and this will form part of the evaluation of the Modelling Change Requirement carried out in accordance with **Section 7** (Evaluation Criteria and Methodology). The Operating Manual should explain where ancillary revenues can be found in the submitted models, with any opportunities for sensitivity testing clearly signposted.

Comprehensive description of endogenous revenue forecasts

The Record of Assumptions should clearly set out the economic theory underpinning all sources of endogenous farebox revenue and demand growth, linking wherever possible to WebTAG or PDFH. Where PDFH guidance is weak (e.g. marketing), bidders would be expected to provide robust bespoke evidence, ideally based on analysis of past experience, and reflecting 'diminishing returns' etc.

The Record of Assumptions should be sufficiently detailed to allow a robust assessment of the incremental revenues associated with each

initiative without recourse to Delivery Plans. The Record of Assumptions should concisely summarise each initiative, showing associated incremental income streams by year, the totals and the Net Present Values of each. For each initiative, this should be followed by a detailed description of the theoretical/empirical underpinnings of the associated incremental revenues, including relevant sections of PDFH and WebTAG or any bespoke TSGN analysis. Where bespoke effects applied by Bidders differ from PDFH benchmarks, the Record of Assumptions should provide a full explanation.

The value of each initiative in terms of incremental income should be presented in the Record of Assumptions in addition to the Financial Model Templates. To facilitate a like-for-like comparison of the value of Bidders' initiatives, the annual impact, totals and Net Present Value of each initiative should be presented in isolation (i.e. as a record of the difference over the Department's exogenous growth where uniform RPI+1 / PDFH4,0 fares effects are to be considered within exogenous growth, and hence switched 'on' for this exercise). However, for non-timetable interventions, the timetable impacts should be activated as well as all exogenous effects, to allow for management initiatives designed specifically to complement submitted timetables.

The Record of Assumptions should separately explain, in sufficient detail, how growth in the various types of ancillary income has been forecast.

6.4.6 **Financial Model Templates**

The Department requires that the output from the Models follow the Financial Model Templates that will be made available in the Data Site and Bidders should incorporate these Financial Model Templates into their Financial Model. The Financial Model Templates have been developed to be consistent, where possible, with the information detailed in the Long Form Reports. This is to assist Bidders in using that information and to ensure comparability of responses. The Bidders should therefore use the relevant revenue and/or costs captions within the templates provided, if bidders require to use additional revenue and/or cost captions they should use the spare rows provided within each of the templates and clearly label the costs and revenues which have been included in any spare rows within the Financial Model Templates. The inputs to the Financial Model Templates are required to be

completed separately for TGN/LSER and Southern until March 2016, thereafter the relevant costs and revenues can be consolidated into a single Thameslink franchise, however if Bidders wish to keep these costs separate for the term of the franchise this is acceptable. Bidders should use the captions provided for TGN to populate the consolidated franchise and use any spare rows where descriptions in the Financial Model are not provided.

Each Bidder is required to submit with its Bid completed copies of the Financial Model Templates. The following table sets out the worksheets contained in the Financial Model Template and a brief summary of each worksheet's content and status.

Table 6.4.6: Summary of Template Structure & Contents

Sheet	Content	Status
Template Cover	Properties, legend	Bidder free to use/update
Template Control	Contains real/nominal switch for 161 template calculations, option flag, print and group/ungroup macros	Use functionality but do not alter structure.
Version Control	Version control record	Populate but do not alter structure
Templated Inputs		
Timeline	Define franchise timeline and part year adjustments	Populate blank column headers but do not alter structure
Indices & Rates	Repository of indices and rates	Populate but do not alter structure
Line Items	Master definition of line items	Bidder may populate spare line items denoted by square brackets
Templated Outputs		
Passenger Revenue	Template for forecasts of selected option	Populate but do not alter structure
Ancillary Revenue	Template for forecasts of selected option	Populate but do not alter structure
Staff	Template for forecasts of selected option	Populate but do not alter structure
Other Opex	Template for forecasts of selected option	Populate but do not alter structure
Other Staff Costs	Template for forecasts of selected option	Populate but do not alter structure
RS Charges	Template for forecasts of selected option	Populate but do not alter structure
Network Rail Charges	Template for forecasts of selected option	Populate but do not alter structure
Performance	Template for forecasts of selected option	Populate but do not alter structure
TOCCapex	Template for forecasts of selected option	Populate but do not alter structure
One Off Expenses	Template for forecasts of selected option	Populate but do not alter structure
Revenue Initiatives	Template for forecasts of selected option	Populate but do not alter structure
Financial Statements		
P&L1	Template for forecasts of selected option	Populate (row 332 and below) but do not alter structure
P&L2	Template for forecasts of selected option	Contains formulae, do not alter

	Content	Status
P&L3	Template for forecasts of selected option	Contains formulae, do not alter
CF	Template for forecasts of selected option	Populate but do not alter structure
BS	Template for forecasts of selected option	Populate including Opening Balance in column AG, but do not alter structure
Output Calculations		
FAA	Production of tables for the Appendix to Schedule 8.2 of the Franchise Agreement (feed from Financial Statements and Bidder model)	Populate (highlighted rows only) but do not alter structure
NPV	NPV of Franchise Payments calculation (feed from Financial Statements)	Contains formulae, do not alter
FO&C	Schedule 12 Financial Ratio, Performance & Season Ticket Bond calculations (feed from Financial Statements)	Populate (highlighted rows only) but do not alter structure
Parent Company Support/ Bonding	Calculation template for PCS, including sizing of Variable PCS and the PCS bonding requirement	Contains formulae, do not alter

The Financial Model Templates provided allow for Bidders to provide a summary of the incremental revenues associated with each initiative together with the incremental costs (including the amortisation of capital costs) that the Bidder has included. The templates require separate reporting of incremental revenues and costs for each initiative, over the Department's exogenous growth. This should commence with the (GJT and ORCATS) impacts of future timetables, but it is necessary to allow for multiplicative interaction between all sources of growth. However, to facilitate high-level comparison of Bids, the incremental revenues and costs of each intervention should be ordered as per the bullet-point list of endogenous sources of growth in Section 6.4.5; i.e. starting with station-related initiatives and ending with revenue protection. Any other sources of endogenous growth can follow revenue protection.

The Financial Model Templates include periods for 2012 and 2013 which represents the years prior to the commencement of the new franchise. Bidders are required to populate these columns with the base data extracted from the Long Form Reports and used as the basis of their submissions rolling forward. Bidders should also include within the Record of Assumptions an explanation for how these costs have been extracted and applied to its Bid.

The franchise will commence running for a part year from 14 September 2014 to 31 March 2015. In order to accommodate the timed introduction of the different elements of the TSGN franchise the templates have been structured to allow the constituent parts to be separately identified. The relevant worksheets in the Templates provide an extra column where Bidders should derive the part year element from the full year columns. Bidders are required to provide their pricing for the potential two year extension period. These prices are expected to be the prices for the last year of the Core Franchise Term (before the extension period) rolled forward (these would be adjusted in accordance with and to the extent provided by the Franchise Agreement for indexation). Any differences from the final year of the Core Franchise Term should be fully justified by reference to the particular provisions of the Bidder's Bid and explained in the Record of Assumptions. Any indexation assumptions applied which are not consistent with the adjustments provided for through the Franchise Agreement should also be fully set out. Although as per **paragraph 7.9** these figures will not form part of the NPV included in the value of "P" for the purposes of the evaluation, failure to provide a fully justified and credible explanation to the satisfaction of the Department for any differences in the roll forward from the last year of the Core Franchise Term will be deemed to be non-compliant with the requirements of this ITT.

The Financial Ratios set out in Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement are incorporated in the Financial Model Templates and are based on outputs contained in the templated financial statements. Bidders should take note of the drafting of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement in completing the Financial model Templates.

Bidders are permitted to expand the level of detail provided within the Models beyond the minimum requirements of the Financial Model Templates. In populating the Financial Model Templates, Bidders:

- must ensure that the addition of any further information must be done in such a way as to remain consistent with the format of the Financial Model Templates and that the level of detail provided is sufficient to give full transparency of all components of costs and revenues;

- must note that the spare rows provided in the Financial Model Templates can be used to accommodate additional detail. Deleting or inserting rows or columns to the Financial Model Templates is not permitted and may result in the Bid being treated as non-compliant;
- may use the two blank columns inserted between the flag/labelling columns and the first modelled year as they see fit. The intention is that these columns will assist in the transfer of historic data to the Financial Model;
- must ensure that the outputs in the Financial Model Templates are linked to the input/calculation 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 which are also linked to the Record of Assumptions and the Delivery Plans;
- may either add worksheets to the Financial Model Templates or copy the Financial Model Templates into their own Models. In either case, Bidders are required to ensure that the named ranges defined in the Financial Model Templates are preserved;
- must ensure that the format of the profit and loss account, cash flow statement and balance sheet are set out in the manner stipulated by the Financial Model Templates;
- where Third Party Contracts are being used to deliver services details of these contracts and associated costs including, where appropriate, the relevant contracts should be provided as an Appendix to the Record of Assumptions; and
- note that any types of revenues or costs that it wishes to include under a catch all heading of 'Other' should not exceed £250,000 (in September 2014 prices) in any given year and in such cases the Record of Assumptions should clearly identify such costs through detailed descriptions. 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'.

6.4.7 **Generic Model requirements and assumptions**

Bidders must ensure that their Models comply with the requirements outlined below. The generic model requirements are:

- the Models should be presented in Microsoft Excel 2010 format with workings and formulae intact (i.e. non input cells should not be 'hard-coded' with values);
- 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;
- the Department wishes to receive models that are efficient in their operation and use of memory. A maximum file size of 75MB is permitted, and smaller excel work books are encouraged. Any work book taking up more than 75MB of disk space will be treated as being non-compliant unless a derogation is granted in accordance with the process set out in **paragraph 6.4.8** (Derogations);
- Bidders are to avoid the use of macros in order to aid model transparency. The use of macros should be limited to areas where their use adds 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 within the Operating Manual;
- in order to aid transparency, use of the INDIRECT and OFFSET functions are prohibited, except where a derogation has been granted in accordance with the process set out in **paragraph 6.4.8** (Derogations);

- the Models submitted by Bidders must be in line with best practice in accordance with the requirements set out in **paragraph 6.7** (Model Review and Audit) and employ the accepted principles of “separation”, “consistency”, “integrity” and “linearity”, unless derogation has been granted in accordance with the process described in **paragraph 6.4.8** (Derogations) below;
- 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, Bidders may use different formulae in respect of the following:
 - to allow a different approach to the treatment of forecasts before the franchise commences (i.e. 14 September 2014), part years and any extensions as laid out in the Financial Model Templates; and
 - to allow units, indices and other useful modelling ‘flags’ to be included in the columns to the left of the first modelled year.

Bidders do not need to seek derogation from the Department should the Models deviate from best practice in either of the two cases described above;

- the Financial Model Templates should be submitted in PDF format. Bidders are required to integrate the Financial Model Templates into their Financial Model as the template outputs would form the basis for financial evaluation. No hard copies of Models are required, however Bidders should ensure that all sheets can print in a readable manner without any additional formatting being required and consistent page breaks being applied across each sheet;
- cross-links between the Models should not be formed using direct references. Rather outputs from one Model should be

copied to a dedicated paste area in the other, with the origins and destinations of transferred data clearly identified within the Models. All Operational Models that support the inputs to and calculations within the Financial Model are required to be submitted, and it is anticipated that the full suite of Models will be maintained and updated together, and submitted simultaneously as required to support any Change arising during the Franchise Term;

- the Models should be presented in annual terms, with year-ends coinciding with the Department's 31 March accounting year-end (as demonstrated on the Financial Model Templates), except in the case of the part-year periods;
- the calculation of any NPV's should assume mid-year cashflows;
- Bidders should include as part of their submission an estimate of the periodic profiling of farebox revenues over a full year by period to allow the setting of the periodic settlement plan for the first year. This profiling will be used to forecast the timing of payments to be applied to the forward looking forecast;
- Bidders should model receivables from commission as Ancillary Revenue and payables for commission as a cost. The Financial Model Templates are structured in such a way to allow this;
- the Models should provide detail and transparency on the Franchisee's costs in fulfilling its obligations under the TRSP Documents. This should include detail on the resourcing and ongoing costs of the Bidders Programme Office to implement the TRSP and the TLP as required under Delivery Plan 3 (Successful Delivery of the Thameslink Programme);
- the Models should provide detail and transparency on the impact of each required Timetable Change as set out in **Attachment A**;

- the Model will be required to be able to quickly and efficiently calculate the financial impact of any changes to Track Access Agreements in moving from Control Period 4 (“CP4”) to Control Period 5 (“CP5”) in order to aid the modelling of change although bidders should note the requirements set out in **paragraph 6.4.9** (Generic Bidding Assumptions) relating to the assumptions to adopt on Track Access Agreement changes;
- the Models should be designed to enable Changes to be modelled accurately and transparently during the Franchise Term. This will need to be demonstrated through the worked examples described at **paragraph 6.6.1** (Worked Examples); and
- in line with the Financial Model Templates, Bidders should include amounts in respect of the provision of the Delay Repay scheme within the cost base as a cost, and not as a negative revenue.

6.4.8 Derogations

The Department may grant derogations from the modelling requirements including in the following three areas:

- model size;
- use of OFFSET and INDIRECT functions; and
- Modelling Best Practice Confirmation.

Applications must be made in writing to the Department within 20 working days of the publication of the ITT at the latest. It is not expected that derogations will be necessary.

Model size

The Department will consider applications to exceed the 75MB workbook size limit where it is demonstrated that adherence to this limit generates significant inefficiencies, or materially reduces the level of confidence in the resulting forecasts.

Use of prohibited functions

The Department will consider applications for use of the OFFSET and INDIRECT functions where Bidders can demonstrate:

- the use of these functions generates significant savings in model run times and use of disk space or otherwise significantly assists the efficient pricing of Change; and
- the use of these functions is clearly explained and documented in the Operating Manual and Record of Assumptions.

Modelling Best Practice

The Department will consider applications to relax the requirements of the Modelling Best Practice Confirmation on an individual basis, and considers that derogations may be more appropriate for elements of Tier 2 Operational Models, at the underlying input/assumption interface.

6.4.9 **Generic Bidding Assumptions**

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

- the Franchise will commence on 14 September 2014;
- the TSGN franchise financial year commences on 1 April of each full operating year;
- the Expected Delivery Date for each Class 700 Unit is as set out in the Contract Programme for the provisional acceptance of that Unit. The Contract Programme is set out in Schedule 9 of the MSA. The terms “Expected Delivery Date”, “Unit” and “Contract Programme” each have the meanings given to them in the MSA;
- financial forecasts are to include calculations of the tax and VAT liabilities of the subject company in accordance any applicable tax law. Complete integrated tax computations should be included in the Financial Model and any group, consortium or other form of relief or sale of losses should be clearly stated within such model;

- Bidders are to adopt either UK GAAP (incorporating any relevant transitional arrangements to FRS101 or FRS102 should the Bidder not choose to early adopt) or IFRS but the accounting basis chosen must be disclosed, consistent and once selected cannot be changed;
- the units to be used in each Bid submission are clearly set out in the Financial Model Templates provided;
- Bidders should assume an annual marketing spend of £12.5 million in September 2014 prices for all full years of the franchise from year 3. During the transitional phase in years 1 and 2 bidders should assume £3 million and £11.5 million respectively. For the final part year of the franchise bidders should assume a marketing spend of £6 million;
- the default prices stated in the Financial Model should be nominal but when viewed in real terms, by way of the switch detailed above, which sets the assumed RPI and AWE rates to zero, outputs should be deflated to 30 September 2014 prices;
- the Franchise Payment table set out in the Appendix to Schedule 8.2 of the Franchise Agreement (Figures for Calculation of Franchise Payments) to the Franchise Agreement should be completed in 30 September 2014 prices;
- Annual RPI and AWE assumptions will be made available to Bidders in the Data Site and shall apply from 1 April 2015 and annually thereafter. Bidders should adopt their own RPI and AWE assumptions between 14 September 2014 and 31 March 2015 inclusive and such assumptions should be clearly stated in the Record of Assumptions;
- the real discount rate to be applied is 3.5 per cent per annum;
- NPVs of the revenues, costs and Franchise Payments will be discounted back to 30 September 2014;

- the FCC Track Access Agreement will be transferred to the Franchisee via the Start Date Transfer Scheme to be effected by the Department in accordance with terms of the Conditions Precedent Agreement. From July 2015 the Franchisee will (as required in paragraph 1 of Schedule 6.4 of the Franchise Agreement) enter into an integrated Track Access Agreement which will enable it to perform its roles and responsibilities in respect of both the FCC/LSER and Southern franchise services. Bidders shall assume that the integrated Track Access Agreement charging is the sum of the existing FCC TAA and the Southern TAA Fixed Track Access Charges;
- SE services transfer in on 21 December 2014 and then out on 2 January 2018 and Bidders shall accordingly assume that there are no changes to FTAC arising due to inclusion and exclusion of these services;
- Bidders should assume that Southern will recruit 12 trainee drivers to accommodate the Thameslink Rolling Stock requirements at Three Bridges, including train movements and testing. This should include a proportion of drivers that will enable qualified and experienced drivers being sent to Germany for the Siemens testing facility work required. Bidders should assume that Southern will provide the drivers required to undertake TRSP obligations at Three Bridges;
- there will be no changes to the Track Access Contract and charging methodologies as a result of any reviews conducted by ORR during the Core Franchise Term or between the date of issue of this ITT and the Franchise Start Date. The Department recognises that the ORR will likely announce the outcome of its CP5 Periodic Review prior to the Franchise Start Date. However, given the expected timing of the CP5 Periodic Review, Bidders must use CP4 rates in their Bids. For the avoidance of doubt, the Department reserves the right, pursuant to Section 1.9 of this ITT, to require Bidders to use CP5 rates in their Bids, in which case the Department will also publish further instructions to Bidders;

- the findings of the Department’s Fares and Ticketing Review are due to be published shortly. Bidders should prepare their bids on the basis of existing policy. However the Department reserves the right, pursuant to Section 1.9 of this ITT, when the Review is published, to mandate that Bidders prepare their bids on the basis of that new policy. If that is the case, the Department will also publish further instructions to Bidders;
- for calculating Franchise Payments the methodology should be applied consistently on an annual basis, in accordance with the Franchise Agreement; and
- profit share levels and thresholds are as per the Franchise Agreement (Schedule 8.1 (Franchise payments)).

6.4.10 **HLOS Phase 2 Core Unit Bidding Assumptions**

As a consequence of the timing of the procurement of the HLOS Phase 2 Core Units (116 vehicles) by Southern and its role as owner in that procurement pending any refinancing, Bidders are to use the following assumptions in relation to the HLOS Phase 2 Core Units in preparing their Bids:

- the assumptions for testing, operation and maintenance in accordance with the document in the Data Site entitled “HLOS2 Main Document_final.doc”, shall apply during the period up to the Combined Effective Date;
- Bidders are free to operate and maintain in a manner different to this following the Combined Effective Date, if they see fit;
- because the rolling stock has not yet been financed, the Data Site includes details of the rolling stock costs which should be assumed;
- Secretary of State Risk Assumptions are contained in the Franchise Agreement in respect of variances from these costs; and

- in accordance with the terms of the Franchise Agreement, Bidders should assume that the vehicles will have been financed by the Combined Effective Date and the transfer or novation by that date of the Relevant HLOS Phase 2 Agreements.

6.5 Record of Assumptions

Each Bidder is required to submit with its Bid a Record of Assumptions which:

- is submitted in Microsoft Word format;
- contains all financial and operational assumptions used in the Models and shall explain and discuss the inputs of each Model, including the base unit cost for each input. Where contracted variable unit costs have the potential to change as a result of Change (e.g. maintenance contract charges which vary between mileage bands), Bidders are required to include the full range of potential unit costs of their anticipated contracted agreements within the Record of Assumptions;
- should provide detail and transparency on the costs and assumptions associated with each required Timetable Change and the integration of Southern and SE services;
- should provide detail and transparency on the Franchisee's costs and assumptions in fulfilling its obligations under TRSP Documents;
- includes a description of accounting policies, especially in relation to capital investment, pensions, and taxation assumptions;
- includes a table setting out the percentage of total ancillary revenues, other operating costs and rolling stock costs (totals in real terms over the Franchise Term) that are earned from or paid to headquarters, group or other Affiliates (as defined in the Franchise Agreement) including the services to which such revenues and costs relate;
- includes separately the costs involved and assumptions made in relation to pension contribution rates, both employer and employee;
- if the Bidder proposes investment with a return which exceeds the life of the Franchise, includes any costs and revenues (farebox and

ancillary, separately) that accrue in relation to that investment should be explicitly set out in the Record of Assumptions laid out for:

- the period from investment until franchise end; and
- the period from franchise end until end of asset life including the basis for determining the asset life;
- contains a level of detail and a granularity that justifies and explains the data presented in the Models;
- clearly set out the rationale underlying the assumptions and the methodologies adopted;
- provides a satisfactory level of usability in that linkages to the Models are clear and the narrative provides the user with sufficient information to assess the financial impact of price or volume changes within a reasonable timeframe;
- provides details of any financial benefits included within the Bid arising from any Alliance with Network Rail Bidders are not to include any financial benefits from any deep Alliance (i.e. that requires a change to the industry regulatory framework and hence third party approval) within their Bid. Any proposals for Alliancing with Network Rail may be subject to risk adjustment in accordance with the principles of **Section 7** (Evaluation Criteria and Methodology) and **Appendix 3** (Risk Adjustment Process);
- the narrative is enhanced by the use of tables which may be directly traceable to the Models, and arriving at an estimate of the financial impact of a change in prices or volumes is aided by the quality of the narrative;
- where changes in the Financial Model are attributable to Bidder Initiatives, the reasons for such shall be reflected in the Record of Assumptions. The Financial Model Templates include the format in which initiatives should be presented;
- Bidders remain required to fully evidence the details behind their Initiatives in their response to **Section 5** (Detailed Bid Submission Requirements – Delivery Plans). However, Bidders shall include in their Record of Assumptions a brief narrative of each Initiative that

references and explains the data presented in the Financial Model Templates;

- as described above, the Operational Models should have the capability to forecast the Other Revenue section of the Financial Model, to the level of disaggregation required by the Financial Model Templates. Bidders may choose to provide this capability within the Financial Model, employ an additional Tier 1 Operational Model, or develop an alternative methodology. Bidders are requested to detail the approach adopted in their Operating Manual or the Record of Assumptions; and
- has sufficient explanatory technical detail, including description of Initiatives, to avoid need for the assessment of incremental farebox revenues to refer to Delivery Plans.

The Record of Assumptions should separately identify and explain any incremental revenue Initiatives, including modelling assumptions and supporting technical evidence.

Bidders should be aware that if there are capital costs associated with any initiatives that these costs should be included as an annual cost (i.e. depreciation) and not as the upfront capital cost. All initiatives should be regarded a standalone, however if any initiative is dependent upon another initiative details of such dependencies must be highlighted in the Record of Assumptions.

In justifying the cost and revenues estimated for any revenue initiatives Bidders must include the relevant aspects of its proposals within the relevant Delivery Plans forming part of its submission.

6.6 The Operating Manual

Each Bidder is required to submit with its Bid an Operating Manual which:

- is in Microsoft Word format;
- includes a description of each Model, its structure and capability including all endogenous (farebox) revenue forecasting, as either added within the Department's template revenue model or used to populate the latter's endogenous input interfaces within the MI worksheets;

- clearly explains the method by which the Bidder's Models the switch(es) select the case of the different scenarios;
- includes an explanation of the flow of data through the Financial Model and the interfaces with the Operational Models submitted. This should be presented diagrammatically with supporting narrative as appropriate;
- includes a description of the purpose and operational characteristics of each worksheet and how it interacts with the Models;
- includes instructions on how to input data, select assumptions and calculate the financial outputs;
- includes instructions on operating the various switches used within the model;
- includes a table setting out the percentage of total other revenues, other operating costs and rolling stock costs (totals in real terms over the Franchise Term) that are earned from or paid to headquarters, group or other Affiliates;
- includes a detailed description of how to perform the sensitivity tests on the model as required by the Department and instructions on running them on the submitted models;
- 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; and
- is an accurate and plain-English document that facilitates a reasonable level of understanding of the functionality of the Bidder's Models, including how they interface and are interdependent with other Models. Screen shots and narrative provide the user with sufficient information to assess the content, purpose and functionality of the Models.

6.6.1 **Worked Examples**

The Operating Manual should also include five worked examples of Change (“**Worked Examples**”) as set out below. The Operating Manual should contain a detailed description of the required changes to the inputs to the Models and the rationale for such changes alongside a clear description of how the Models have been used to produce the Worked Examples. This should include reference to how Bidders have calculated their revised margin on this franchise after such Change. The Worked Examples should breakdown the elements that lead to the change in the Franchise Payment. The Financial Model is not required to include a switch to allow these Worked Examples to be selected. The Worked Examples to be included should be priced on the basis that they are specified in the ITT rather than changes that occur at some future point in time. They are:

- Worked Example (A) – maximum regulated fare basket increases for 2016 decreases to RPI+0 from RPI+1. All other policies remain the same including caps on individual prices within baskets and fare rises for other years. (Bidders should include the impact of the price change on levels of demand). Bidders should note that the Department wishes to understand the impact on non-farebox revenue and operating costs under such a scenario;
- Worked Example (B) – an increase and decrease of 5% to Track Access Charges following the move from CP4 to CP5;
- Worked Example (C) – TRSP is delayed by 6 months from the programme set out in the MSA;
- Worked Example (D) – Delay in KO2 achievement from December 2018, by a year; and
- Worked Example (E) – Delay to the completion of ERTMS Level 2 on the East Coast Mainline to beyond the end of the TSGN franchise period.

The Bidder must ensure that the Worked Examples:

- provide a clear and detailed account of the assumptions and processes employed in pricing Change, including:
 - details of the individual steps to be followed to make the change; and
 - identification of the Models impacted by the change (i.e. financial, revenue, crowding, fares etc), including a process flow diagram;
- trace the effect of a revised input through the Financial Modelling Suite, providing an audit trail from output Franchise Payments back to input changes;
- include a commentary on the rationale for the inclusion/exclusion of each variable within the scope of the Change, demonstrating the reasonableness of the revisions; and
- the level of change in the Financial Model outputs is commensurate with the level of input changes.

In addition to providing the Worked Examples above (which shows the impact of the Change on the franchise as Bid), Bidders are asked to explain how they would demonstrate the financial impact of a Change to the franchise in-life, where the Bidder believes the baseline inputs for the franchise as it is being operated at the time of the Change differ from the inputs in the original financial model at the time of the Bid.

To do this, Bidders are asked to assume that the policy change described in Worked Example (A), above, was announced in 2015 but that the Franchisee at that time did not believe the number calculated in the Worked Example was the correct adjustment. The Department would like Bidders to demonstrate what evidence it might use to substantiate its position and how it would engage and share information with the Department to agree and contract the Change. This evidence may include downloads from ticketing and/or accounting systems, recent evidence of the relevant price elasticity of demand or other, more qualitative, information.

The Bidder’s approach to Change must demonstrate to the Department that the Modelling Suite will result in a transparent and efficient contracting of future Changes.

6.7 Model Review and Audit

Bidders must note that the Models submitted with their Bid will have been, or will during evaluation be, reviewed or audited in accordance with the following requirements:

Table 6.7: Model Review & Audit Summary Requirements

	Independent Modelling Best Practice Confirmation	Model Audit	Calculation Review	Technical Review
Financial Model	✓	✓		✓
Tier 1 Operational Models	✓		✓	✓
Tier 2 Operational Models	✓		Fares model where submitted ✓	✓
Timescales and Requirements	Confirmation provided at Bid Submission	Model Audit Report following Department instruction	Completed in parallel with Financial Model Audit following Department instruction	Completed by the Department as part of its evaluation process

The Financial Model will be subject to a full Model Audit as described in **paragraph 6.7.2** (Model Audit).

The Department recognises that the accounting elements of the Model Audit are not relevant to the Tier 1 Operational Models, and therefore requires a review of the calculations only, to be conducted by the same party as the Model Audit, in accordance with the process described in **paragraph 6.7.3** (Calculation Review).

Bidders are required to satisfy themselves as to the technical accuracy of all Models prior to submission, noting the allocation of risk with respect to errors within the Models described in **paragraph 6.3** (Errors in Model and/or Record of Assumptions). Bidders should state whether independent technical reviews have

taken place and may include evidence of those reviews as annexes to the Record of Assumptions.

6.7.1 **Modelling Best Practice Confirmation**

Each Bidder must provide with its Bid an independent Modelling Best Practice Confirmation report on all sections of the Models, co-addressed to the Department and the Bidder, taking into account any derogations obtained in accordance with the process described in **paragraph 6.4.8** (Derogations). The Best Practice Confirmation is not considered to be an audit of the Models.

Bidders are not expected to have a Modelling Best Practice Confirmation report for the Department provided Revenue Model. The template has been designed for ease of understanding/use, and to minimise file size. As recognised in liaison with external auditors, this has meant a small number of known instances of non-compliance with best practice, when the latter is strictly defined. Bidders should assume an automatic derogation for existing areas of non-compliance in the revenue template supplied. As detailed in **paragraph 6.4.5**, bidders are required to “use their own endogenous modelling, either within the supplied revenue model, with additional worksheets linked to the existing endogenous (“MI”) tabs, or with inputs pasted straight into those tabs from offline modelling”. The latter will need to be submitted with the Bid, and described fully in the Record of Assumptions. Any such endogenous modelling, however submitted, will need to be subject to a Modelling Best Practice Confirmation.

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 only 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 should 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;

- linearity of calculation flow, (e.g. that there are no circular references); and
- macros, where required, their function should be clearly explained.

The Modelling Best Practice Confirmation must also provide confirmation that the 75MB size limit has been adhered to, and that the INDIRECT and OFFSET functions are not used except where derogations are granted.

6.7.2 **Model Audit**

Following Bid submission and prior to contract award the Department will request one or more Bidders to obtain an independent audit of all sections of the Financial Model (the “**Model Audit**”). The Model Audit shall be prepared for the benefit of the Department 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 Department’s acceptance (not to be unreasonably withheld) of their choice of independent model auditor and the Department’s agreement to the definition of the Financial Model for determining the scope of the audit. The Department will expect to receive the audit report within ten working days of it being requested of the Bidder.

The Department 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, including the conversion of real to nominal values;
- whether the Financial Model has been developed in a well structured manner to acceptable standards;
- the calculations contained in the Model are arithmetically correct and the results are reliable, accurate, complete and consistent with the assumptions contained in the Model;
- whether the tax charge, liabilities and payments calculated by the Financial Model, on the basis of 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 Financial Model and the Operating Manual and Record of Assumptions appear materially consistent with current understanding of UK GAAP/FRS/IFRS;
- 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; and
- whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Financial Model.

Bidders are required to satisfy themselves as to the technical accuracy of all Models prior to submission, noting the allocation of risk with respect to errors within the Models described in **paragraph 6.3** (Errors in Model and/or Record of Assumptions) above.

6.7.3 **Calculation Review**

The independent party conducting the Model Audit will also conduct a review of the calculations employed in the Tier 1 Operational Models. The Calculation Review will be conducted to the same standard as the Model Audit, but will exclude the technical elements of this process relating to taxation and accounting practices. The Department requires the review to confirm:

- whether the Tier 1 Operational Models have been constructed appropriately so as to materially achieve the objective that they were designed to meet insofar as its logical integrity under the Bid assumptions and input data is concerned;
- whether the Tier 1 Operational Models have been developed in a well-structured manner to acceptable standards;

- the calculations contained in the Tier 1 Operational Models are arithmetically correct and the results are reliable, accurate, complete and consistent with the assumptions contained in the Models; and
- whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Tier 1 Operational Models.

6.8 Financial Structure and Funding

Each Bidder is required to submit a Financial Structure and Funding document which includes the information detailed below.

Bidders shall:

- show that the Required PCS and any Additional PCS has been provided in accordance with the requirements set out **paragraph 6.8.1** (Parent Company Support);
- 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;
- provide precise details of its own funding arrangements, the exact nature of relationships with any funding partner(s) or underlying financial securities provided by third parties, risks to its ability to meet its funding commitments and how risks will be mitigated;
- provide details of the providers of the Performance Bond, Season Ticket Bond and PCS Bond including term sheets from the Bond Provider(s) in order to demonstrate that the requirements of the Franchise Agreement and the Funding Deed have been or will be met;
- include a statement from the relevant Bond Provider accepting the form of the Performance Bond as set out in the Franchise Agreement;
- include a statement from the relevant Bond Provider accepting the form of the Season Ticket Bond as set out in the Franchise Agreement;

- include a statement from the relevant Bond Provider accepting the form of the PCS Bond as set out in the Funding Deed;
- demonstrate how on-going working capital requirements, as forecast in the Financial Model, will be funded;
- include for each initiative proposed in the Bid, which has a funding source outside of working capital (or groups of commitments if appropriate), 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 (including intra-group or intra-company 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;
- include an explanation of the basis under which they procure rolling stock from the ROSCOs, the detailed basis of the accounting treatment of associated charges (explaining in particular whether the leases are treated as operating or finance leases and why) and the detailed tax treatment of these charges (explaining in particular the application if relevant of the long funding lease rules contained in Chapters 6 and 6A of Part 2 of the Capital Allowances Act 2001;
- include a letter from its financial adviser(s) confirming:
 - 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;
 - the risks to the Bidder's ability to meet its funding commitments have been identified and mitigated; and

- that the calculated financial ratios are calculated in accordance with the Franchise Agreement requirements;
- 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;
- provide details and assumptions for interest earned on cash deposits; and
- include a statement of funding available to the Franchisee from the Start Date and any assumptions around the transfer of season ticket or advance ticket purchases from the incumbent.

6.8.1 **Parent Company Support**

Bids for the TSGN Franchise must be supported by a level of PCS.

The successful Bidder and its parent will be required to enter into the Funding Deed with the Department. The Funding Deed will set out the parent's obligation to make the PCS available. Bidders should include within its submission details of the Parent Company or Companies that will enter into the Funding Deed described above.

Without limiting the remainder of this **paragraph 6.8.1** (Parent Company Support), the amount of PCS which Department requires Bidders to provide under the Funding Deed (“**Required PCS**”) will be calculable by Bidders by reference to their Financial Models. The method of calculation is set out in the Financial model Template and is as follows:

Required PCS = F – V

Where

F equals £50,000,000 being (“**Fixed PCS**”); and

V equals 5% of the total over the Franchise Term of (a) minus (b) below being (“**Variable PCS**”). (For the avoidance of doubt the calculation of a-b below is expected to result in a negative figure which when applied to the formula above will increase the size of the Required PCS):

- (a) for each corresponding year of the franchise the total operating costs plus Franchisee profit margin Bid less

Ancillary Revenue (in nominal terms and expressed as a positive integer) excluding any extension thereof pursuant to Schedule 18 of the Franchise Agreement and payments by way of profit share due to the Department pursuant to paragraph 3 of Schedule 8.1 of the Franchise Agreement per the Bidders Financial Model; and

- (b) for the corresponding year of the franchise the figures presented below:

Year ending March	Value of (b) (Nominal Prices £000 s)
2015	209,778
2016	903,860
2017	1,165,129
2018	1,316,588
2019	1,431,671
2020	1,468,822
2021	1,504,831
2022	722,799

- provided that for each year where (a) is greater than (b), V shall be deemed to be zero. These calculations will be performed for each year of the Core Franchise Term and the total annual values aggregated over the Franchise Term.

Bidders may propose a level of Parent Company Support in excess of Required PCS (any such excess being “**Additional PCS**” or “**Specific Purpose Additional PCS**”). Additional PCS or Specific Purpose Additional PCS must be advanced by the Bidder’s parent company in accordance with the terms of the Funding Deed.

Bidders will be required to procure, in accordance with the Funding Deed, a bond from a third party financial institution with a relevant credit

rating in an amount equal to 50% of the aggregate of the Required PCS and any Additional PCS excluding the value of any Specific Purpose Additional PCS, collectively (“**Bonded PCS**”). For the purpose of this paragraph, “relevant credit rating” means either a credit rating of:

- A- (or better) by Standard and Poor’s Corporation or Fitch Ratings Limited in respect of long term senior debt; or
- A3 (or better) by Moody’s Investors Service Inc. in respect of long term senior debt.

Specific Purpose Additional PCS means Additional PCS proposed by a Bidder for the purpose of:

- working capital; or
- to fund investments or capital expenditure to be made by the Franchisee,

as specifically identifiable within that Bidder’s Financial Structure and Funding Plan and Modelling Suite. The Department is not willing to pay for, and Bidders should not include in their Modelling Suites, any costs (including financing or similar costs) in relation to Additional PCS which is not Specific Purpose Additional PCS.

Where a Bidder has purported to attach Additional PCS to working capital, investments or capital expenditure for the purpose of meeting the definition of Specific Purpose Additional PCS and after clarification, the Department is unable to reasonably determine that such Additional PCS is identifiable as working capital, investment or capital expenditure, then such Additional PCS shall be deemed to fall outside the definition of Specific Purpose Additional PCS for the purpose of correctly calculating the value of Bonded PCS and the Department reserves the right to either:

- require Bidders to obtain the third party bond that corresponds to the correct value of Bonded PCS; or
- deem the Bid to be non-compliant.

Bidders should be aware that if the Additional PCS is used during the Franchise Term or any time thereafter, costs associated with this PCS will be the Bidders responsibility.

6.9 Modelling Change

The Department requires each Bidder to submit with its Bid the following items:

Table 6.9: Modelling Change submission requirements

No.	Item	Requirements
1.	Worked Examples and approach to Change	Each Bidder will include within the Operating Manual submitted with its Bid, the Worked Examples and details of its approach to change prepared in accordance with the requirements described in paragraph 6.6.1 (Worked Examples) of this ITT.
2.	Record of Assumptions and Operating Manual	Each Bidder will include within its Bid a Record of Assumptions prepared in accordance with the requirements described in paragraph 6.5 (Record of Assumptions) of this ITT and an Operating Manual prepared in accordance with the requirements described in paragraph 6.6 (The Operating Manual) of this ITT.
3.	Suitability of Financial Model for implementing Changes	Each Bidder will include within its Bid a Financial Model prepared in accordance with the requirements described in paragraph 6.4 (Financial and Operational Model Requirements) of this ITT.
4.	Suitability of Operational Models (including integrity of the Financial Modelling Suite) for implementing Changes	Each Bidder will include within its Bid Operational Models prepared in accordance with the requirements described in paragraph 6.4 (Financial and Operational Model Requirements) of this ITT.

In providing these items bidders should be aware of the requirements in **paragraph 6.9** (Modelling Change Requirements).

The Department will, as part of the evaluation carried out pursuant to **Section 7** (Evaluation Criteria and Methodology), assess whether the Bidder has met all of the requirements as specified in the column headed ‘Minimum Pass Requirements’ in **Table 7.5** (TSGN Minimum Requirements), in respect of each of these four items. This will be on a pass/fail basis against each of the four items as described in **paragraph 6.9** (Modelling Change).

The Department recognises that there are considerable time, cost and resources often deployed by the Department and Franchisees in the contracting and management of Change throughout the franchise life. The contracting of suitable

Financial and Operational Models and supporting documentation will support endeavours to improve the efficiencies around contracting Change.

The Department reserves the right to negotiate with one or more Bidders, prior to signing of the Franchise Agreement, to improve the transparency, granularity and usability of the Models and Record of Assumptions in areas which it believes would be beneficial to the management of the franchise as outlined above.

7. Section 7: Evaluation criteria and methodology

Foreword

Through this franchise competition the Department is seeking to procure a Franchisee for the TSGN Franchise. In doing so, the price offered by Bidders to meet the Department's Specification is an important, but not the only, factor/criterion to be taken into consideration. The Department considers it appropriate to adopt a scoring system that reflects both financial and non-financial factors.

This change has necessitated the development of a new process for evaluating and scoring Bids which is broadly consistent with the approach used on other large public procurements but which is, by definition, untried in passenger rail franchise competitions run by the Department. Given that Bidders are unfamiliar with the new process, the Department has shared both its thinking and its approach on scoring and evaluation with Bidders as this has developed. Feedback received from Bidders has helped to refine the final arrangements presented in the ITT reflecting the Department's judgement taking account of the comments made.

Section 5 (Detailed Bid Submission Requirements – Delivery Plans) sets out in detail, for each sub-component, the criteria which Bids will have to meet to score 4, representing a Bid which meets the requirements of the Department's Specification. It also provides an indication of the areas where Bidders may seek to exceed the Department's requirements in order to achieve a score of more than 4 and up to 7. As described in **paragraph 5.1.6**, the ITT does not prescribe the requirements for these higher scores because the Department wants to encourage innovation by Bidders. A tightly prescribed approach could have the twin effect of inhibiting innovation and conditioning Bidder responses. However, without seeking to constrain innovation in any way, the Department has described how scores above 4 could be achieved in **paragraph 7.4.3** (scope to achieve scores higher than 4). Evaluators will therefore exercise professional, evidence and experience based judgement in scoring Bids. Scores will be moderated in order to quality assure this process and achieve consistency of scoring as described in **Paragraph 7.4.4** (Moderation of Evaluation Scores).

In order to combine price/cost and quality, the Department has decided to adopt the formula $P+nQ$ (or $P-nQ$). This is presentationally different to the approach commonly adopted in the UK and elsewhere in the EU in other procurements of

assigning a relative weight to financial and non-financial considerations based on the best price Bid and the maximum available quality score, although in mathematical terms the effect of these approaches to combining price/cost and quality is similar, with some key differences discussed below.

The decision to adopt this approach reflects the Department's considered view that the P-nQ formula is superior to other methods in situations where the financial value of Bids may vary widely (as has been the case on previous franchise competitions). This applies particularly to competitions where the Bid is based on a premium/subsidy which is a net figure and intrinsically more volatile than a standard gross cost-based Bid.

With a P-nQ formula the value assigned to n is potentially significant in determining the outcome of the competition. Setting this value of "n" involves an element of judgement by the Department and, rather obviously, that judgement needs to be made before Bids are prepared. In the case of TSGN, this judgement has been informed by analysis including an assessment of sample schemes that might be proposed by Bidders; the amount of cost that the Department would be prepared to sacrifice in order to secure a high quality Bid; the range within which the proportion of overall score assigned to quality would be expected to lie; and feedback from Bidders, who were consulted on possible values of "n". The Department took into account feedback that the first proposed value was too low to induce Initiatives to improve quality rather than to focus on cost.

Through consultation on "n" along the way in its drafting, and declaring the value it finally ascribes to n in the ITT, the Department has made its approach on price/quality transparent to all.

It is normal under the relative weighting methodology for the maximum score available for quality to represent a fixed proportion of the overall score, for example 70% price and 30% quality. This cannot be the case when the overall score is calculated as P-nQ as the quality proportion will vary depending on the price Bid. This is precisely the characteristic which makes the approach flexible enough to handle a wide range of potential prices submitted in Bids. However, based on the analytical work undertaken, it is still the Department's expectation that the price will represent a greater proportion of the overall score than quality.

Another key aspect of the process is the Financial Robustness Test. In order to have confidence that the winning Bid meets the Department's requirements for financial robustness, it is necessary for the Department to, if necessary, carry out risk adjustments on Bids as described in **Paragraph 7.6** (Evaluation of Financial

Robustness) and **Appendix 3** (Risk Adjustment Process). The Department will risk adjust where it considers that there is a material risk of a materially different financial outcome, for example where there is insufficient evidence to support costs, Ancillary Revenue and capital or where an error has been made.

7.1 Introduction

Subject to the terms of the ITT including without limitation:

- the Department's rights set out at **paragraph 3.9** (Right to Reject Bids and Non-Compliance Statements);
- the Department's rights to terminate or amend the terms of the procurement as set out at **paragraph 1.9** (Updates and termination); and
- **paragraph 3.14** (EC 1370/2007).

the TSGN Franchise will be awarded to the Bidder who submits the most economically advantageous tender (“**MEAT**”).

7.2 Definition of MEAT for the Competition

The Bidder submitting the most economically advantageous tender shall be determined in accordance with this section.

The Department, having evaluated Bids, will rank them for the purposes of selecting the Franchisee.

The Department will treat a Bid as being non-compliant if:

- the Bid has unacceptable deliverability risk, meaning that it fails to achieve one or more of the thresholds specified in **paragraphs 5.1.11, 5.1.12 or 5.1.13** of **Section 5.1** (Introduction); and/or
- the Bid has unacceptable financial risk (see **paragraph 7.6**. (Evaluation of Financial Robustness) below).

Subject to **paragraph 7.1** (Introduction) above and this **paragraph 7.2**, the winning Bid will be the Bid which achieves the lowest Combined Deliverability and Funding Score (CDFS), except as described below if the difference between the lowest CDFS and the CDFS of any other Bid(s) is less than 25 points.

The CDFS for each Bid shall be calculated as follows:

$$\text{CDFS} = P - (n \times Q)$$

where

P is a score equivalent to the NPV in millions of the Annual Franchise Payments due from the Department to the Bidder as set out in the Bid (i.e. it will be a positive number and higher values represent worse results for the Department), as defined in **paragraph 7.9** (Price Evaluation). This will be rounded to the nearest integer (for example £1,234,567,890 NPV will receive a P score of 1,235).

Q equals the Quality Score described in **paragraph 7.4** (Quality and Deliverability Evaluation), expressed as a score out of 100. This will be rounded to two decimal places using the standard mathematical rules (for example 67.1234 will be rounded down to 67.12 and 67.3850 will be rounded up to 67.39).

n equals 33.

Example selection of the winning Bidder

n = 33 for this example competition

Bidder 1: P = 5,000; Q = 55

Bidder 2: P = 5,200, Q = 70

The total CDFS for each Bidder will be:

Bidder 1: $5,000 - (33 \times 55) = 3,185$

Bidder 2: $5,200 - (33 \times 70) = 2,890$

The winning Bidder would be Bidder 2 as it achieves the lowest total CDFS.

In the event that the difference between the total lowest CDFS and the total CDFS of any other Bidder is less than 25 points, the following rules shall apply. In this case the following approach will be used to exclude Bids and identify the winner:

- **Stage 1:** Any Bid with a total CDFS score that is 25 points or more above the lowest total CDFS will be excluded from this part of the process. The remaining Bids will be deemed “Stage 2 Bids”;
- **Stage 2:** If the difference between the highest Quality Score and the second-highest Quality Score on Delivery Plan 2 amongst the Stage 2 Bids:

- is at least 6 Quality Score points, the winning Bid will be the Stage 2 Bid that achieved the highest Quality Score on Delivery Plan 2; and
- is less than 6 Quality Score points, then any Stage 2 Bid(s) with a Quality Score of 6 or more below the highest Stage 2 Bid Quality Score on Delivery Plan 2 will be excluded. The remaining Bids will be deemed “Stage 3 Bids”.
- **Stage 3:** If the difference between the top Quality Score and the second-highest Quality Score for Delivery Plan 3 amongst the Stage 3 Bids:
 - is at least 6 Quality Score Points, the winning Bid will be the Stage 3 Bid that achieved the highest Quality Score on Delivery Plan 3; and
 - is less than 6 Quality Score Points, then any Stage 3 Bid(s) with a Quality Score of 6 or more below the highest Stage 3 Bid Quality Score on Delivery Plan 3 will be excluded. The remaining Bids will be deemed “Stage 4 Bids”.
- **Stage 4:** The winning Bid will be the Stage 4 Bid that achieved the lowest value for P (without reference to $n*Q$).

Bidders should note that the maximum Quality Score is 100 and therefore the maximum value of ($n*Q$) is 3,300. This is the maximum score that a Bid can obtain in relation to quality, whatever the NPV of that Bid or the winning Bid. Since the size of P is not known until Bids are received, it is not possible to specify in the ITT a fixed weighting in percentage terms between price and quality.

7.3 Non Compliant Bids

Where a Bid is found to be non-compliant, the Department may:

- evaluate the Bid;
- seek additional information or clarification from the Bidder; and/or
- exclude the Bid from the evaluation process.

The Department may take account of the effect of non-compliances in all relevant aspects of its evaluation (including, without limitation, the scoring of Delivery Plans and the adjustment of cost and Ancillary Revenue forecasts for the purpose of

evaluating the financial robustness of the Bid). In the context of and having regard to the particularly complex nature of the TSGN franchise proposition and the Department's duty to treat all Bidders fairly, the Department may (but shall not be obliged to) additionally ask the Bidder to specify the financial (Franchise Payments) impact on its Bid of the removal of the non-compliance (confirming that the Bid may be accepted as amended by such removal) and be entitled to take account of that impact in the evaluation. Ultimately the Department reserves the right to consider the Bid non-compliant and exclude the Bid from any further evaluation and thus the Competition.

7.4 Quality and Deliverability Evaluation

7.4.1 Evaluation of Bid Delivery Plans

The Department will evaluate the Delivery Plans against the marking framework set out in **Table 7.4.2** below, and assign each Delivery Plan an Evaluation Score, which will be converted into a Quality Score as described in **paragraph 7.4.2** (Scoring methodology). The Delivery Plans have been allocated weightings set out in **Table 7.4.1** below. The Executive Summary will not be scored.

The sub-components for each Delivery Plan have been weighted to give Bidders clarity as to their relative impact on the evaluation. The sub-component Evaluation Scores will be aggregated in accordance with the weightings set out in **Table 7.4.1** in order to give the score for the relevant Delivery Plan.

The Department will commission reports in relation to particular sub-components from Network Rail and Passenger Focus. The Department will be using these reports to consider the suitability and deliverability of the Bidders' relevant sub-components and their consistency with the requirements set out in this ITT. Network Rail and Passenger Focus will not evaluate or score any sub-components.

In assessing whether the Bidder's sub-components meet or exceed the Department's requirements, the Department will take into account where appropriate the quantum of farebox revenue generated by the Bidder's Initiatives.

For this purpose, the assessment will include consideration of whether the farebox revenue forecasts are credible, which will include an

assessment of whether the forecasts have been constructed using industry best practice and/or guidelines and/or are supported by sufficient evidence. The Department will also take into account possible impacts on the revenue of other franchised TOCs, if the Bidder proposes to run services over and above the TSR which would abstract revenue and may lead to either a claim for compensation or to a reduction in premium / increase in subsidy at the time the relevant franchise for any such TOC is let.

However, there will not be an explicit direct link between the Evaluation Score awarded and the quantum of farebox revenue proposed, and the Department’s assessment of the farebox revenue impacts of the Bidder’s Initiatives will be one of the matters which the Department takes into account in its overall assessment of each relevant sub-component. Further detail on this assessment of Bidders’ farebox revenue forecasts is provided in **Appendix 3**.

The Department’s assessment of Bid Delivery Plans may also identify areas for potential risk adjustment as part of the financial robustness test described in **paragraph 7.6** (Evaluation of Financial Robustness).

Table 7.4.1: Evaluation Matrix Plan Weightings

Delivery Plan Weighting	Sub component / weighting within Delivery Plan
Delivery Plan 1 – Franchise Management (7.5%)	Leadership and franchise management 25%
	Mobilisation 10%
	Franchise integration 20%
	Managing industry partnerships 30%
	Environment and sustainability 15%
Delivery Plan 2 – Train Service Delivery (40%)	Train services 45%
	Rolling stock 45%
	Delivering train service performance 10%

Delivery Plan Weighting	Sub component / weighting within Delivery Plan
Delivery Plan 3 – Delivering the Thameslink programme (15%)	Delivery of the Thameslink programme 20%
	Introduce the new Class 700 vehicles 20%
	Depot operation and integration 10%
	Operational concept for 24 trains per hour 30%
	Thameslink programme integration 10%
	Mitigation for any changes in the Thameslink programme 10%
Delivery Plan 4 – Marketing, Fares, Ticketing and Revenue Protection (15%)	Marketing 20%
	Fares policy 30%
	Ticketing, smart ticketing and ticket retailing 40%
	Revenue protection 10%
Delivery Plan 5 Improving the Customer Experience (22.5%)	Engaging with customers and prospective customers 7.5%
	Passenger experience metric 5%
	Provision of journey information to customers 12.5%
	Access to stations and door-to-door journey experience 10%
	Stations 30%
	Trains 12.5%
	Helpful and responsive customer service 12.5%
	Promoting equality and meeting the needs of disabled people and others with reduced mobility 5%
Security, crime and anti-social behaviour 5%	

7.4.2 Scoring methodology

Delivery Plans will be assessed at a sub-component level and awarded an Evaluation Score on the basis of whether, in the judgement of the evaluators, Bidders meet or exceed or fail to meet the requirements of the specification set out in the ITT, on the basis that the marking framework in **Table 7.4.2**.

Intermediate scores may be awarded along the scoring line.

Table 7.4.2: TSGN Marking Framework

Evaluation score	Definition
0	No evidence provided or on the evidence provided the evaluators conclude that the Bidder will NOT meet the requirements of the Specification.
1	The evaluators have fundamental concerns from the evidence that, overall, the Bidder will NOT meet the requirements of the Specification.
2	The evaluators have material concerns from the evidence that, overall, the Bidder will NOT meet the requirements of the Specification.
3	The evaluators believe from the evidence that, overall, the Bidder will meet the requirements of the Specification with minor concerns.
4	The evaluators believe from the evidence that, overall, the Bidder will meet the requirements of the Specification.
5	The evaluators believe from the evidence that, overall, the Bidder will slightly exceed the requirements of the Specification.
6	The evaluators believe from the evidence that, overall, the Bidder will significantly exceed the requirements of the Specification.
7	The evaluators believe from the evidence that, overall, the Bidder will significantly exceed the requirements of the Specification in all material respects.

Where a sub-component involves a number of requirements, the Evaluation Score for the sub-component reflects the overall score for those requirements taken together. There will be a single score for each sub-component.

A Delivery Plan will be non-compliant and the Department reserves the right to eliminate the Bidder from the Competition if either:

- a Delivery Plan fails to achieve the minimum threshold overall Evaluation Score for that Plan specified in **paragraph 5.1.11**; or
- where a minimum threshold Evaluation Score for an individual sub-component is specified in **paragraph 5.1.12**, the sub-component fails to achieve this Evaluation Score; or
- the Delivery Plan fails to meet an individual requirement, and the relevant part of Section 5 states expressly that failure to meet that requirement may or will result in that Bid being non compliant.

In evaluating sub-components, concerns may be minor, material or fundamental and the specification may be slightly or significantly exceeded, in each case in the judgement of the evaluators, and for a number of reasons, which may include without limitation those referred to in **paragraph 5.1.7** and:

- the quality or appropriateness of any initiative or the proposed outcomes;
- the sufficiency or credibility of the evidence provided;
- the demonstration of ability to implement these outcomes; or
- the description of resources and delivery timescales.

In evaluating sub-components, the Department may take into account any relevant information submitted with the Bid including, without limitation, the Operational Models, the Record of Assumptions, and technical data such as the working timetable.

Submissions will be scored in the round. Where evaluators judge that there are areas of concern in relation to any sub-component, they may take into account areas where the requirements have been exceeded in respect of that sub-component to arrive at an overall score for that sub-component. In those circumstances, this means that the score may be higher than the score which would otherwise be indicated by the degree

of concern attributed by the evaluators to the relevant sub-component. Equally, the score may be lower than the score which would otherwise be indicated by the degree to which the requirements of the Specification have been exceeded.

7.4.3 **Scope to achieve scores higher than 4**

The requirements set out in the relevant (A) of section 5 for each sub-component can be met at varying levels. For example the requirement in **paragraph 5.6.3** Delivery Plan 4 ticketing sub-component “promote revenue growth through the franchise by providing modern flexible ticketing and arrangements for ticket purchase” allows scope to exceed the requirements.

Likewise, some of the evidence that Bidders are asked to provide in the relevant (B) of section 5 for each sub-component can lead to responses that demonstrate variations in confidence in deliverability, (for example in **paragraph 5.3.3**. Delivery Plan 1 integration sub-component “details of key risks expected during the integration that would prevent the requirement from being met and appropriate mitigation measures”) or can demonstrate variations in quality, for example in **paragraph 5.4.3** Delivery Plan 3 introduction of the new Class 700 vehicles sub-component “provide an Industrial Relations Plan specifically relating to the introduction of new technology and operating procedures”. This also provides scope to fully meet or exceed requirements.

The relevant (C) of section 5 for each sub-component gives illustrative examples of Initiatives which could enable requirements to be exceeded, so that the sub-components may receive an Evaluation Score greater than 4. Initiatives may exceed the requirements to a varying extent, for example in **paragraph 5.6.1** Delivery Plan 4 ticketing sub-component, “a plan to convert the majority of season ticket holders and other frequent travellers on to smart tickets within a demonstrably achievable timeframe”.

A Bidder may therefore exceed requirements for a particular sub-component, and therefore achieve an Evaluation Score of more than 4, by:

- meeting some requirements in (A) to a higher standard than required;

- providing higher quality evidence to meet the requirements set out in (B) so that the Department considers the Initiative in the Bid to be of greater quality or more likely to be delivered; and/or
- committing to deliver additional Initiatives (which may or may not overlap with those set out in (C)), which align with the requirements set out in the relevant sub-component and supported by credible implementation plans.

Paragraph 5.1 sets out factors that will be taken into account in making a judgement about whether a Bidder is likely to fully meet or exceed requirements, and **Paragraph 7.4.2** sets out the scoring methodology that the Department will apply.

Set out below is further guidance about when sub-components may score higher than 4. This guidance is not an exhaustive description of how a sub-component may score higher than 4. Different combinations of Initiatives, evidence and characteristics of Initiatives may lead to a score higher than 4 depending on the sub-component.

On that basis and by way of illustration only:

- a sub-component might score 5 where, in addition to meeting the requirements to score a 4, all of the following criteria are met:
 - all of the Initiatives to meet the requirements in (A) are judged to be credible and deliverable, with some of the Initiatives being supported by evidence of successful implementation elsewhere underpinning cost estimates; and
 - some of the Initiatives demonstrate third party support where relevant; and
 - some of the Initiatives have the potential to enhance the long term value of the franchise where relevant; and
 - one or more Initiatives are proposed which generate additional benefits for passengers and/or additional

revenue (where applicable), and in each case align with the requirements set out in the relevant sub-component and are supported by credible implementation plans.

- a sub-component might achieve an Evaluation Score of 6 where, in addition to meeting the requirements to score a 4:
 - all Initiatives to meet the requirements in (A) are judged to be credible and deliverable, with the majority of the Initiatives being supported by evidence of successful implementation elsewhere underpinning cost estimates; and
 - the majority of Initiatives demonstrate third party support where relevant; and
 - some of the Initiatives have the potential to significantly enhance the long term value of the franchise where relevant; and
 - one or more Initiatives are proposed which (if appropriate in combination) deliver significant additional benefits for passengers and/or significant additional revenue (where applicable), and in each case align with the requirements set out in the relevant sub-component, and are supported by credible implementation plans.

In addition, a sub-component will achieve an Evaluation Score of 7 where, in addition to meeting all of the criteria described above for an Evaluation Score of 6:

- in combination, the Initiatives significantly exceed the requirements set out in the relevant sub-component in all material respects; and
- the sub-component is outstanding and there are no concerns in any respect.

The descriptions above of how a sub-component might achieve an Evaluation Score of 5 or 6 assume that there are no concerns in any

respect about the Initiatives covered by the relevant sub-component. Where there are concerns in some respects about a sub-component but the Specification is exceeded in some respects, an overall score will be given taking into account both the areas of concern and the areas in which the Specification is exceeded, in accordance with **paragraph 7.4.2**.

As stated in **paragraph 7.4.2** intermediate scores may be awarded along the scoring line.

7.4.4 **Moderation of Evaluation Scores**

The Department will undertake a process of moderation of scoring and of checking of scores against the methodology and the table of Evaluation Scores set out in this **paragraph 7.4**.

Each evaluator will undertake their evaluation of the sub-components, and will allocate Evaluation Scores. Their individual scores and a narrative to explain each score will be entered into AWARD.

These Evaluators will then meet to agree and moderate Evaluation Scores to reach a consensus Evaluation Score for the sub-component they have scored. Where consensus is not possible the score will be determined by the Project Director or their nominee. The moderation may need, without limitation, to challenge and test the scoring, ensure the moderated consensus Evaluation Score represents a thorough and objective analysis, and that the consensus Evaluation Score is consistent with the approach to evaluation described in this ITT. The moderation process may involve comparison of Bid scoring to ensure consistency of approach.

The Project Director will appoint a facilitator and a record keeper to manage this process.

AWARD will be used to record this process.

7.4.5 **Conversion of Evaluation Scores to Quality Scores**

Evaluation Scores for each Delivery Plan will be converted into Quality Scores on a linear scale as shown in **Table 7.4.5** below.

The overall score for quality and deliverability (the “Quality Score”) will be the aggregate of the Quality Scores for each Delivery Plan, based on their weighting set out in the first column (Delivery Plan Weighting) of **Table 7.4.1**. The Quality Score is component “Q” in the formula set out in **paragraph 7.2** (Definition of MEAT for the Competition).

Table 7.4.5: TSGN Conversion of Evaluation Scores to Quality Scores

Evaluation Scores	Quality Score
0	0.00
1	14.29
2	28.57
3	42.86
4	57.14
5	71.43
6	85.71
7	100.00

Quality Scores are not restricted to whole numbers if this is necessary to reflect the Evaluation Score. As such, the Quality Score will be applied pro-rata on the same basis as the Evaluation Score. For example an Evaluation Score of 6.25 would receive a Quality Score of 89.28.

7.5 Modelling Change Requirements

The requirements for Modelling Change will be marked on a pass/fail basis and will not contribute to the Bidder’s Quality Score. The assessment will be on a pass/fail basis against each of the four items in **Table 7.5**. Bidders must pass each of the four items separately in order to be compliant. A Bidder will fail against this requirement if, after clarification, the Department has more than minor concerns that any of the requirements have not been met.

Table 7.5: TSGN Minimum Requirements, Modelling Change

Sub criteria	Minimum Pass Requirement
1. Assessment of worked examples and approach to Change	<p>A pass score will be awarded where the following requirements are met:</p> <ul style="list-style-type: none"> • The response to demonstrating the Worked Examples provides a clear and detailed account of the assumptions and processes employed in pricing Change • The response to worked examples traces the effect of a revised input through the Modelling Suite, providing an audit trail from output Franchise Payments back to input changes • The worked examples includes a commentary on the rationale for the inclusion/exclusion of each variable within the scope of the Change, demonstrating the reasonableness of the revisions • The level of change in the Financial Model outputs is commensurate with the level of input changes • The Bidder’s approach to Change is expected to facilitate the transparent and efficient contractualisation of future Change
2. Suitability of Record of Assumptions and Operating Manual	<p>A pass score will be awarded where the following requirements are met:</p> <ul style="list-style-type: none"> • The RoA contains a level of detail and a granularity that justifies and explains the data presented in the Models. • The rationale underlying the assumptions and methodologies adopted are clearly set out • The Record of Assumptions provides a satisfactory level of usability – linkages to the Models are clear and the narrative provides the user with sufficient information to assess the financial impact of price or volume changes within a reasonable timeframe • The narrative is enhanced by the use of tables which may be directly reconciled with the Models, and arriving at an estimate of the financial impact of a change in prices or volumes is aided by the quality of the narrative • As required in Section 6 where the Financial Model Templates detail changes in outputs associated with Bidder Initiatives the justification for these are reflected in the Record of Assumptions

Sub criteria	Minimum Pass Requirement
	<ul style="list-style-type: none"> • The Operating Manual provides an accurate and plain-English document that facilitates a reasonable level of understanding of the functionality of that Bidder’s Models, including how they interface and are interdependent with other Models. Screen shots and narrative provide the user with sufficient information to assess the content, purpose and functionality of the Models
<p>3. Suitability of Financial Model for implementing Changes</p>	<p>A pass score will be awarded where the following requirements are met:</p> <ul style="list-style-type: none"> • The Financial Model accurately executes the calculations as designed, and provides confidence in its robustness and ability to price Change • The Financial Model provides a sufficient level of usability to allow Change scenarios to be run in a reasonable timescale • The Financial Model provides an appropriate level of granularity for populating template outputs, and is sufficiently transparent to show Changes clearly • The Financial Model is sufficiently flexible to form the required basis for the pricing of Change with only minor alterations being made to the model’s structure
<p>4. Suitability of Operational Models (including integrity of the modelling suite) for implementing changes</p>	<p>A pass score will be awarded where the following requirements are met:</p> <ul style="list-style-type: none"> • The Operational Models accurately execute the calculations as designed, and provide confidence in their robustness and ability to price Change • The Operational Models provide a sufficient level of usability to allow Change scenarios to be run in a reasonable timescale • The Operational Models are coherent, in that the different Models, including the Financial Model, interface and work together effectively • The Operational Models provide an appropriate level of granularity for generating Financial Model inputs, and are sufficiently transparent to show changes clearly • The Operational Models are sufficiently flexible to allow the pricing of Change with only minor alterations being made to the model structures

For the avoidance of doubt:

- the pass/fail assessment of Modelling Change shall not contribute to a Bidder's Quality Score;
- assessment of item 2 in **Table 7.5**, relating to the suitability of a Bidder's Record of Assumptions and Operating Manual, will not be limited to consideration of the suitability of these documents when applied to Worked Examples but, rather, will consider the suitability of these documents across the entirety of the Bid;
- assessment of items 3 and 4 in **Table 7.5**, relating to the suitability of the Models, will not be limited to consideration of the suitability of the Financial and Operational Models when applied to Worked Examples but, rather, will consider the suitability of the Models across the entirety of the Bid; and
- assessment of item 4 in **Table 7.5**, relating to the suitability of the Operational Models, will not include the revenue and crowding models, except with respect to Ancillary Revenue, and to the extent that these models provide inputs to the Financial Model.

7.6 Evaluation of Financial Robustness

The Department will undertake a financial robustness test ("Financial Robustness Test") in accordance with this **paragraph 7.6** (Evaluation of Financial Robustness) on each Bidder's Models, except as defined at the end of this section. The purpose of this process is to enable the Department to assess whether the Bid has acceptable financial risk and it will have no other impact on the award decision. A Bid that the Department deems following and as a result of the completion of the test to have unacceptable financial risk will be deemed to be non-compliant.

In order to enable it to undertake the Financial Robustness Test, the Department will undertake a risk adjustment process which will include an assessment of the deliverability of the costs and Ancillary Revenues set out in Bids. The process for the determination of risk adjustments and the calculation of the impact of these adjustments is described in **Appendix 3**.

The Department requires that Bids remain financially robust after any risk adjustments. Further to evaluation of the Bids and the development of risk adjustments, the Department will produce a "Risk Adjusted Financial Model" for

Bidders whose Bids have been risk adjusted, based on its reasonable view of the most credible outcome. The Department will not risk adjust Bids if it concludes that the evidence that is presented in the Bid is sufficiently credible to convince it that there is not a material risk of a materially different financial outcome, taking into account all of the information available to it.

If a Bidder is projected in its Risk Adjusted Financial Model to breach the ratios (1.050) calculated in Sheet F&OC Row 84 of the Financial Model Templates ('the Financial Ratios') at any point during the Core Franchise Term, the Bid will be deemed to have an unacceptable financial risk, except as described below.

In making this assessment, the Department will take into account the total Parent Company Support (the sum of the Required and Additional PCS) committed in the Bid which the Bidder would be able to draw on in order to avoid breaching the Financial Ratios (capital requirements are discussed in **paragraph 6.8.1** (Parent Company Support)). However, there will be no opportunity for the Bidder to amend its Bid, including by making available additional finance.

A Bid will nonetheless be deemed to have acceptable financial risk if the total amount of additional PCS, over and above the Required and Additional PCS committed in the Bid, that the Department estimates would be required during the Core Franchise Term in order to avoid breaching the Financial Ratios is less than a materiality threshold. The materiality threshold will be £10 million (nominal).

The Department reserves the right to undertake aspects of the Financial Robustness Test only on one or more leading Bidder(s), as described in **Appendix 3**. This is because the undertaking of those aspects of the Financial Robustness Test will have no impact on the ranking of Bids.

7.7 **Interaction between Quality/Deliverability Scores and the Financial Robustness Tests**

The assessment of financial robustness described in **paragraph 7.6** will be informed by the review of Bidders' Delivery Plans, in addition to any other information available to the Department, including the Financial and Operational Models and the Record of Assumptions.

There is no automatic link between the scoring of sub-components and the financial risk adjustments. However, if further to review of the sub-components, the Department has concerns about an aspect of one or more of that Bidder's Initiatives, and believes that as a result there is a material risk of a materially

different financial outcome from the Bidder's financial projections, the Department may both:

- take into account any risk to the delivery of the Bidder's Initiatives in the scoring of the sub-components as described in **paragraph 7.4** (Quality and Deliverability Evaluation); and
- make a financial risk adjustment as described in **paragraph 7.6** (Evaluation of Financial Robustness) to reflect any risk to the achievement of the Bidder's financial projections.

7.8 **Impact of Review of Financing and Funding Proposals**

Bidders' financing and funding proposals, as described in their Financial Structure and Funding plan (described at **paragraph 6.8**), and their financial implications as reflected in the Bidders' Modelling Suites, will be reviewed in order to assess their robustness, deliverability and credibility.

Where the available evidence fails to provide the Department with adequate confidence that the funding or financing will be available:

- in sufficient quantum (for example, letters of support and term sheets from third party financiers do not provide reasonable confidence that the funding will be made available to the Franchisee to the extent reasonably required to substantially deliver an Initiative and/or are inconsistent with the values contained in the Bidder's Modelling Suite or other Bid documentation); or
- at the right time (for example, letters of support and term sheets from third party financiers do not provide reasonable confidence that the funding will be made available to the Franchisee at the time proposed by the Bidder in its Modelling Suite or other Bid documentation to enable the Initiative to be delivered on or by a certain date and in the manner described);

then the Department may:

- take this into account in determining the Evaluation Score for any sub-component which includes any such Initiative, to reflect the risk to delivery of that Initiative; and

- make a financial risk adjustment (in accordance with **Appendix 3**) to reflect any resulting risk to the financial robustness of the Franchise.

7.9 Price Evaluation

The price of the Bid will be evaluated using the Net Present Value (“**NPV**”) of the Annual Franchise Payments specified in schedule 8.2 of the Franchise Agreement, as calculated in Sheet NPV Cell F47 of the Bidder’s Financial Model (“**As Bid NPV**”). The price will be for the Core Franchise Term and will not include the extension period.

No adjustment will be made to the As Bid NPV used for the purpose of “P” in the selection of the winning Bidder to reflect:

- the impact of the Bidder’s proposals on the farebox revenue that may be generated by the TSGN franchise; or
- the impact of risks to the Bidder’s financial robustness. Financial robustness will be addressed through the approach described in **paragraph 7.6.** (Evaluation of Financial Robustness) above; or
- to the extent included by Bidders in their calculation of Annual Franchise Payments, payments to/from the Department that may be made under any of the performance or incentive regimes in the Franchise Agreement in respect of the Passenger Experience Metric, ticketless travel, train performance (delay, cancellations and/or short formations) and Thameslink project milestones; or
- payments to the Department that may be made under the profit share/cap arrangements in the Franchise Agreement.

8. Section 8: Further information

Further information relating to the combined franchise, for example on issues such as working with stakeholders and accessing the network can be found in the Data Site (folder 15).

Appendix 1: Glossary of terms

Term	Meaning
Access for All Programme	the Department's 'Access for All' accessibility programme;
Access for All Small Schemes Funding	the Department's 'Access for All Small Schemes' funding scheme;
Access Proposals	proposals submitted to Network Rail as part of the timetable planning process;
Additional PCS	has the meaning given to it at paragraph 6.8.1 (Parent Company Support);
Affiliates	has the meaning given to it at paragraph 1.4 (Communications) unless the context otherwise requires;
As Bid NPV	has the meaning given to it in paragraph 7.9 (Price Evaluation);
ATOC	Association of Train Operating Companies;
Automatic Ticket Gates or ATGs	the automatic ticket gates installed or to be installed at Stations;
Automatic Train Operation or ATO	the safety enhancement feature providing automatic operation of the Train Fleet;
AWARD	has the meaning given to it at paragraph 3.10 (Data Site and AWARD);
Bid	a tender submitted by a Bidder in response to this ITT;
Bidders Financial Structure	means a description of the bidders capital and funding plans together with details of any finance or parent company loans necessary to deliver the TSGN franchise obligations;
BCQ	has the meaning given to it at paragraph 3.11 (Bidder Clarification Questions) of this ITT;
Bidder	has the meaning given to it at paragraph 1.1 (Introduction);
Bonded PCS	has the meaning given to it in paragraph 6.8.1 (Parent Company Support);
Calculation Review	the review conducted in accordance with paragraph 6.7.3 (Calculation Review);
CAPEX	capital expenditure;
CMS Passengers	the forecasting software known as 'CMS Passengers' used to forecast redistribution of passengers amongst individual services on particular routes;
Competition Commission	the UK body known as the 'Competition Commission' whose role under the Competition Act 1998 as amended by the Enterprise Act 2002, is to carry out in-depth inquiries into mergers, markets and aspects of the regulation of the major regulated industries and any successor or replacement body established from time to time;

Term	Meaning																		
Configuration State or CS	<table border="1"> <thead> <tr> <th data-bbox="497 331 767 409">Configuration State</th> <th data-bbox="767 331 1370 409">Definition</th> </tr> </thead> <tbody> <tr> <td data-bbox="497 409 767 461">0</td> <td data-bbox="767 409 1370 461">Key Output 2 timetable achieved</td> </tr> <tr> <td data-bbox="497 461 767 512">1</td> <td data-bbox="767 461 1370 512">Key Output 1 timetable achieved</td> </tr> <tr> <td data-bbox="497 512 767 591">2</td> <td data-bbox="767 512 1370 591">First Class 700 rolling stock deployed into passenger service on the Thameslink routes.</td> </tr> <tr> <td data-bbox="497 591 767 669">3</td> <td data-bbox="767 591 1370 669">First Class 700 rolling stock deployed into passenger service on the GN routes.</td> </tr> <tr> <td data-bbox="497 669 767 781">4</td> <td data-bbox="767 669 1370 781">First Class 700 rolling stock placed into passenger service operation using ETCS (Level 2) in the Core Area.</td> </tr> <tr> <td data-bbox="497 781 767 893">5</td> <td data-bbox="767 781 1370 893">First Class 700 rolling stock placed into passenger service operation using ATO in the Core Area.</td> </tr> <tr> <td data-bbox="497 893 767 972">6</td> <td data-bbox="767 893 1370 972">20tph timetable achieved through the Core Area.</td> </tr> <tr> <td data-bbox="497 972 767 1048">7</td> <td data-bbox="767 972 1370 1048">24tph timetable achieved through the Core Area.</td> </tr> </tbody> </table>	Configuration State	Definition	0	Key Output 2 timetable achieved	1	Key Output 1 timetable achieved	2	First Class 700 rolling stock deployed into passenger service on the Thameslink routes.	3	First Class 700 rolling stock deployed into passenger service on the GN routes.	4	First Class 700 rolling stock placed into passenger service operation using ETCS (Level 2) in the Core Area.	5	First Class 700 rolling stock placed into passenger service operation using ATO in the Core Area.	6	20tph timetable achieved through the Core Area.	7	24tph timetable achieved through the Core Area.
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7	24tph timetable achieved through the Core Area.																		
Consolidated Financial Model	the excel financial model that consolidates and presents the outputs from the tier 1 and tier 2 operational models to demonstrate the financial consequences of the Bidder's business and operational plans over the Franchise Term, and which is further described in paragraph 6.4.2 (Structure of the Models);																		
Control Period 4 or CP4	Network Rail's Control Period 4;																		
Control Period 5 or CP5	Network Rail's Control Period 5;																		
Core Area	that part of the railway bounded by St Pancras Midland Road junction in the north and Blackfriars junction in the south. The Core Area includes St Pancras International (Low Level), Farringdon, City Thameslink and Blackfriars stations;																		
Core Franchise Term	means the term of the Franchise Agreement excluding any extension that may be called under Schedule 18 of the Franchise Agreement;																		
CP5 Periodic Review	ORR's periodic review of CP5;																		
CPAY	an arrangement operated by Transport for London under which contactless bank payment cards can be used by passengers to obtain access to public transport services in London without the requirement for purchase of a separate ticket or permission to travel;																		
Customer Report	has the meaning given to it at paragraph 5.7.2(B) (Engaging with customers and prospective customers);																		
DARWIN	ATOC's national real-time database which informs the customer information systems, amongst other services;																		
Data Site	has the meaning given to it at paragraph 3.10 (Data Site and AWARD);																		
DFO	means the Facility Owner (as such term is defined under the Railways Act) in respect of a Depot;																		
Delivery Plan	means a delivery plan described in Section 5 (Detailed Bid Submission																		

Term	Meaning
	Requirements – Delivery Plans), being: (a) Plan 1 – Franchise Management, Partnerships, Corporate, Social and Environmental Responsibility; (b) Plan 2 – Train Service Delivery; (c) Plan 3 – Successful Delivery of the Thameslink Programme; (d) Plan 4 – Marketing, Fares, Ticketing and Revenue Protection; and (e) Plan 5 – Improving the Customer Experience; and ‘Delivery Plans’ shall mean more than one of them;
Department	has the meaning given to it at paragraph 1.1 (Introduction);
DFC	has the meaning given to it in paragraph 6.4.3 (The Financial Model);
Disabled People’s Protection Policy or DPPP	means the Disabled People’s Protection Policy required by the ORR to be established and complied with by each passenger train operator and station operator;
DRACAS	Network Rail’s ‘Thameslink Data Recording and Corrective Action System’;
Driver Advisory System or DAS	a system that provides train drivers with an advisory train speed (limited by the line speed profile and maximum train speed);
Driver Only Operation or DOO	method of train operation where the vehicle is operated by a driver alone without a conductor;
EA02	Enterprise Act 2002;
EDGE	the Department’s Endogenous Demand Growth Estimator;
EFQM	European Foundation for Quality Management;
EMV	Europay, MasterCard and Visa;
ERTMS	the European Rail Traffic Management System;
ETCS	the European Train Control System, being a rail signalling, control and traffic management system;
EU	European Union;
Evaluation Score	the score awarded to a Delivery Plan or Sub Component in accordance with Table 7.4.2 ;
Executive Summary	has the meaning given to it at paragraph 5.2 (Executive Summary);
Fares & Ticketing Review	The Department’s consultation into rail fares and ticketing that commenced on 8 March 2012;
FCC	First Capital Connect Limited or the franchise operated by it, as the context may require;
FCC Only	fares provided solely for the carriage of passengers on FCC services;
FCC Track Access Agreement or FCC TAA	the FCC Track Access Agreement dated 9 February 2006 as amended;
Financial Model	a financial model prepared in accordance with paragraph 6.4.3 (The Financial Model);
Financial Model Template	has the meaning given to it at paragraph 6.4.3 (The Financial Model);
Financial Modelling	collectively the Financial Model, Operational Models, Record of

Term	Meaning
Suite	Assumptions and Operating Manual;
Financial Ratios	has the meaning given to it at paragraph 7.6 (Evaluation of Financial Robustness);
Financial Robustness Test	has the meaning given to it at paragraph 7.6 (Evaluation of Financial Robustness);
Final Risk Adjustments	has the meaning given to it in paragraph 6.6 of Appendix 3;
Financial Structure and Funding Plan	has the meaning given to it in paragraph 6.8.1 (Parent Company Support);
FOIA	Freedom of Information Act 2000;
Franchise Agreement	the TSGN Franchise Agreement attached at Attachment B ;
Franchise Process Letting Agreement or FLPA	has the meaning given to it at paragraph 1.1 (Introduction);
Franchise Signature Documents	has the meaning given to it at Table 4.3 (Structure and Format of Bids);
FRS	the UK Financial Reporting Standards set by the Accounting Standards Board;
GJT	Generalised Journey Times, being the sum of the weighted legs of a journey;
Head Lease	has the meaning given to it at paragraph 5.4.3 (Rolling Stock);
HMT	HM Treasury;
IFRS	International Financial Reporting Standards;
Industry Plan	the plan described as such as provided on the Data Site;
Initiatives	has the meaning given to it at paragraph 2.2 (Background and Context for ITT);
Inner Area	that part of the railway (including the Core Area) bounded by West Hampstead Thameslink (exclusive) and Finsbury Park (exclusive) in the north and St John's (exclusive) ¹ , New Cross Gate (exclusive) and Elephant & Castle (exclusive) in the south. The Inner Area includes St Pancras Thameslink, Farringdon, City Thameslink, London Blackfriars and London Bridge stations;
ITT	has the meaning given to it at paragraph 1.1 (Introduction);
Key Output 2 or KO2	Thameslink's Key Output 2 programme;
Key Technical Requirements for Rolling Stock	the Key Technical Requirements for Rolling Stock as published by ATOC;
KPI	key performance indicator;
Lead Operator	has the meaning given to it in the Ticketing and Settlement Agreement;
Local Economic Partnerships	partnerships created between local authorities and businesses to determine local priorities and lead economic growth;
London Thameslink	King's Cross, St Pancras, Farringdon. City Thameslink, London Blackfriars, London Bridge and Elephant & Castle terminals;
London TravelWatch	the independent statutory watchdog for transport users in London known as 'London TravelWatch';

Term	Meaning
Long Form Reports	the historical summary of the financial and operational performance of each element of the TSGN franchise, together with explanations for any movements in such financial and operational performance;
LUL	London Underground Limited;
MEAT	most economically advantageous tender;
MI	management initiative;
Model Audit	has the meaning given to it at paragraph 6.7.2 (Model Audit);
Modelling Best Practice Confirmation	the confirmation that the Models have been prepared in accordance with best practice as required by paragraph 6.7.1 (Modelling Best Practice Confirmation), subject to any derogations granted pursuant to paragraph 6.4.8 (Derogations);
Modelling Change Requirement	has the meaning given in Section 7.5;
Models	has the meaning given to it at paragraph 6.1 (Introduction);
MOIRA	the timetabling software known as 'MOIRA' used to forecast the impact of timetables on passenger revenue but not MOIRA 2;
National Rail Conditions of Carriage	the principal terms of contract between passengers and TOCs;
National Station Improvement Programme	Network Rail's National Station Improvement Programme;
NFC	near field communication;
NPS	'National Passenger Survey';
NPV	net present value;
NR	Network Rail;
OFT	the UK Office of Fair Trading;
Operating Manual	is the document that explains to the use how to use, interrogate and manipulate the Modelling Suite;
Operational Model	a financial model prepared in accordance with paragraph 6.1 (Introduction);
ORCATS	the Operational Research Computerised Allocation of Tickets to Services centralised computer system managed by ATOC;
Outer Area	Those parts of the TSGN routes that are outside the boundary of the Inner Area;
Oyster PAYG	the arrangements operated by Transport for London and in place between it and London TOCs for the acceptance of Oyster smartcards on a Pay As You Go basis for use by passengers on public transport services in London;
Parent Company Support or PCS	has the meaning given to it at paragraph 6.8.1 (Parent Company Support);
Park Mark	the Park Mark Safer Parking Scheme, an initiative of the Association of Chief Police officers aimed at reducing crime in parking facilities;
Passenger Assist	ATOC's 'Passenger Assist' scheme;

Term	Meaning
Passenger Focus	the independent public body known as both ‘Passenger Focus’ created by Government to safeguard the interests of passengers;
PCS Bond	has the meaning given to it at paragraph 6.8 (Financial Structure and Funding);
PDHF	Passenger Demand Forecasting Handbook;
PiXC	passengers in excess of capacity;
PO	Programme Office;
Police Services Agreement	an agreement entered into between a TOC and the British Transport Police under the Railways and Transport Safety Act 2003;
PQQ Process Document	has the meaning given to it at paragraph 3.15 (Change in Circumstances);
Profit Share	that profit share due to the Department pursuant to paragraph 3 of Schedule 8.1 of the Franchise Agreement;
Proposed Risk Adjustments	has the meaning given to it in paragraph 6.4 of Appendix 3 (Risk Adjustment Process);
Public Performance Measure or PPM	Network Rail's measure showing the percentage of trains which arrive at the destination on time;
Quality Score	means the score awarded to a Bidder in accordance with Table 3 (TSGN Marking Framework, Delivery Plans 1 – 5);
QuEST	Quality Experience on Stations and Trains;
Rail Technical Strategy	the Rail Technical Strategy published by the Technical Strategy Leadership Group, a cross-industry expert body facilitated by the Rail Safety and Standards Board;
Regulation	Regulation EC1370/2007;
Representative	officers, employees, agents, consultants or advisers;
Required PCS	has the meaning given in paragraph 6.8.1
RIFF	Rail Industry Forecasting Framework;
Risk Adjusted Financial Model	Has the meaning given to it in paragraph 7.6 (Evaluation of Financial Robustness);
ROSCO	rolling stock owning company;
RSSB	Rail Safety and Standards Board Ltd;
RPS	as the meaning given to it at paragraph 5.3.1 of Delivery Plan 1 (Franchise Management, Partnerships, Corporate, Social and Environmental Responsibility);
Schedule of Committed Obligations	means the schedule of Committed Obligations required to be provided by Bidders in accordance with paragraph 4.3 (Structure and Format of Bids);
SE	Southeastern;
Secretary of State	Secretary of State for Transport;
Secretary of State Risk Assumptions	the assumptions specified in Schedule 9.3 (Secretary of State Risk Assumptions) of the Franchise Agreement;
Section 54 agreement	an agreement entered into pursuant to Section 54 of the Railways Act 1993;

Term	Meaning
Secure Stations	the scheme operated by the Department and British Transport Police, aimed at reducing crime in railway stations;
SEFT Deed of Amendments	the deed of amendments required for the introduction and operation of an ITSO-Certified Smartmedia ticketing system for certain services relating to the carriage of passengers by rail;
SEFT Programme	South East Flexible Ticket Programme;
Southeastern	London & South Eastern Railway Limited or the franchise currently operated by it or services within that franchise;
Southern	Southern Railway Limited or the franchise currently operated by it or services within that franchise;
Southern Only	fares provided solely for the carriage of passengers on Southern services;
Southern TAA Fixed Track Access Charges	the fixed track access charges currently being paid by Southern;
Special Purpose Additional PCS	has the meaning given in paragraph 6.8.1 ;
Specification	the requirements of the Delivery Plans or Sub Components as set out in Section 5 (Detailed Bid Submission Requirements – Delivery Plans) (as applicable), or the relevant parts thereof (as the context may require);
State Second Pension	means the current earnings-related additional State pension;
Sub Component	those sub-components as set out in the column headed ‘Sub Component’ in the table set out in paragraph 5.1 (Introduction);
System Integrator	(i) provides assurance to the Secretary of State that the designs of the Units, the relevant upgrades to the Thameslink Network infrastructure and the operating concept and operational rules are sufficiently aligned to enable the programme outputs to be delivered; (ii) provides technical advice to the Secretary of State on both the approach to integration to be adopted and on any design or other changes which may be needed; and (iii) considers the programmes and plans of Network Rail, the TMM and the Operator and taking such action as is needed either by agreement or via the Secretary of State to align such programmes and plans with each other;
TDM	travel demand management;
Third Party Contracts	used to deliver services related to the TSGN franchise by parties out with the Parent group of companies;
Timetable Change	The process under the Network Code for changes to be made to timetables or the making of such a change as the context requires;
Timetable Change Dates	the dates under the Network Code when Timetable Changes may take place;
TLP	the Thameslink programme;
TMM	Siemens PLC;
TOC	Train Operating Companies;
Train Service Requirement or TSR	the requirements set out in Attachment A ;
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006;

Term	Meaning
Undertaking	has the meaning given to it at paragraph 5.4.2 (Rolling Stock);
Vehicle Change Process	has the meaning given to it in condition (f) of the Network Code;
Worked Examples	has the meaning given in paragraph 6.6.1 .

Appendix 2A: List of combined franchise stations

The combined Franchisee will be Station Franchise Operator at the following Stations:

Nr	Code	Name	Incumbent
1.	AAP	Alexandra Palace	First Capital Connect
2.	ARL	Arlesey	First Capital Connect
3.	AWM	Ashwell & Morden	First Capital Connect
4.	BDK	Baldock	First Capital Connect
5.	BAY	Bayford	First Capital Connect
6.	BDM	Bedford	First Capital Connect
7.	BIW	Biggleswade	First Capital Connect
8.	BFR	London Blackfriars	First Capital Connect
9.	BOP	Bowes Park	First Capital Connect
10.	BPK	Brookmans Park	First Capital Connect
11.	CTK	City Thameslink	First Capital Connect
12.	CWH	Crews Hill	First Capital Connect
13.	CRI	Cricklewood	First Capital Connect
14.	CUF	Cuffley	First Capital Connect
15.	DOW	Downham Market	First Capital Connect
16.	DYP	Drayton Park	First Capital Connect
17.	EPH	Elephant & Castle	First Capital Connect
18.	ELS	Elstree & Borehamwood	First Capital Connect
19.	ENC	Enfield Chase	First Capital Connect
20.	EXR	Essex Road	First Capital Connect
21.	FPK	Finsbury Park	First Capital Connect
22.	FLT	Flitwick	First Capital Connect
23.	FXN	Foxton	First Capital Connect
24.	GDH	Gordon Hill	First Capital Connect
25.	GPK	Grange Park	First Capital Connect
26.	HDW	Hadley Wood	First Capital Connect
27.	HLN	Harlington	First Capital Connect

Nr	Code	Name	Incumbent
28.	HPD	Harpenden	First Capital Connect
29.	HGY	Harringay	First Capital Connect
30.	HAT	Hatfield	First Capital Connect
31.	HYR	Haydons Road	First Capital Connect
32.	HEN	Hendon	First Capital Connect
33.	HFN	Hertford North	First Capital Connect
34.	HIT	Hitchin	First Capital Connect
35.	HRN	Hornsey	First Capital Connect
36.	HUN	Huntingdon	First Capital Connect
37.	KTN	Kentish Town	First Capital Connect
38.	KLN	King's Lynn	First Capital Connect
39.	KBW	Knebworth	First Capital Connect
40.	LEA	Leagrave	First Capital Connect
41.	LET	Letchworth Garden City	First Capital Connect
42.	LTP	Littleport	First Capital Connect
43.	LGJ	Loughborough Junction	First Capital Connect
44.	LUT	Luton	First Capital Connect
45.	LTN	Luton Airport Parkway	First Capital Connect
46.	MEL	Meldreth	First Capital Connect
47.	MIL	Mill Hill Broadway	First Capital Connect
48.	MOG	Moorgate	First Capital Connect
49.	MDS	Morden South	First Capital Connect
50.	NBA	New Barnet	First Capital Connect
51.	NSG	New Southgate	First Capital Connect
52.	OKL	Oakleigh Park	First Capital Connect
53.	OLD	Old Street	First Capital Connect
54.	PAL	Palmers Green	First Capital Connect
55.	PBR	Potters Bar	First Capital Connect
56.	RDT	Radlett	First Capital Connect
57.	RYS	Royston	First Capital Connect
58.	SDY	Sandy	First Capital Connect

Nr	Code	Name	Incumbent
59.	STH	Shepreth	First Capital Connect
60.	SMO	South Merton	First Capital Connect
61.	SAC	St.Albans	First Capital Connect
62.	SIH	St.Helier	First Capital Connect
63.	SNO	St.Neots	First Capital Connect
64.	SVG	Stevenage	First Capital Connect
65.	SUC	Sutton Common	First Capital Connect
66.	TOO	Tooting	First Capital Connect
67.	WBC	Waterbeach	First Capital Connect
68.	WTG	Watlington	First Capital Connect
69.	WAS	Watton-At-Stone	First Capital Connect
70.	WMG	Welham Green	First Capital Connect
71.	WGC	Welwyn Garden City	First Capital Connect
72.	WLW	Welwyn North	First Capital Connect
73.	WHP	West Hampstead Thameslink	First Capital Connect
74.	WSU	West Sutton	First Capital Connect
75.	WBO	Wimbledon Chase	First Capital Connect
76.	WIH	Winchmore Hill	First Capital Connect
77.	AGT	Aldrington	Southern
78.	AMY	Amberley	Southern
79.	ANG	Angmering	Southern
80.	APD	Appledore	Southern
81.	ARU	Arundel	Southern
82.	AHD	Ashtead	Southern
83.	AHS	Ashurst	Southern
84.	BAB	Balcombe	Southern
85.	BAL	Balham	Southern
86.	BAD	Banstead	Southern
87.	BAA	Barnham	Southern
88.	BAK	Battersea Park	Southern

Nr	Code	Name	Incumbent
89.	BLM	Belmont	Southern
90.	BRK	Berwick (Sussex)	Southern
91.	BEX	Bexhill	Southern
92.	BIG	Billingshurst	Southern
93.	BIK	Birkbeck	Southern
94.	BIP	Bishopstone	Southern
95.	BOG	Bognor Regis	Southern
96.	BOH	Bosham	Southern
97.	BXW	Boxhill and Westhumble	Southern
98.	BTN	Brighton	Southern
99.	BUG	Burgess Hill	Southern
100.	BXD	Buxted	Southern
101.	CSH	Carshalton	Southern
102.	CSB	Carshalton Beeches	Southern
103.	CAT	Caterham	Southern
104.	CHE	Cheam	Southern
105.	CCH	Chichester	Southern
106.	CHP	Chipstead	Southern
107.	CHH	Christ's Hospital	Southern
108.	CLL	Collington	Southern
109.	COB	Cooden Beach	Southern
110.	CBR	Cooksbridge	Southern
111.	CDS	Coulsdon South	Southern
112.	CWN	Cowden	Southern
113.	CRW	Crawley	Southern
114.	COH	Crowborough	Southern
115.	DLH	Doleham	Southern
116.	DKG	Dorking	Southern
117.	DMS	Dormans	Southern
118.	DUR	Durrington-on-Sea	Southern
119.	ELD	Earlswood	Southern

Nr	Code	Name	Incumbent
120.	ECR	East Croydon	Southern
121.	EDW	East Dulwich	Southern
122.	EGR	East Grinstead	Southern
123.	EWR	East Worthing	Southern
124.	EBN	Eastbourne	Southern
125.	EBR	Edenbridge	Southern
126.	EBT	Edenbridge Town	Southern
127.	EMS	Emsworth	Southern
128.	EPS	Epsom	Southern
129.	EPD	Epsom Downs	Southern
130.	ERI	Eridge	Southern
131.	EWE	Ewell East	Southern
132.	FMR	Falmer	Southern
133.	FGT	Faygate	Southern
134.	FSB	Fishbourne	Southern
135.	FSG	Fishersgate	Southern
136.	FOD	Ford	Southern
137.	GTW	Gatwick Airport	Southern
138.	GIP	Gipsy Hill	Southern
139.	GLY	Glynde	Southern
140.	GDN	Godstone	Southern
141.	GBS	Goring-by-Sea	Southern
142.	HCB	Hackbridge	Southern
143.	HMT	Ham Street	Southern
144.	HMD	Hampden Park	Southern
145.	HSK	Hassocks	Southern
146.	HHE	Haywards Heath	Southern
147.	HEV	Hever	Southern
148.	HLM	Holmwood	Southern
149.	HOR	Horley	Southern
150.	HRH	Horsham	Southern

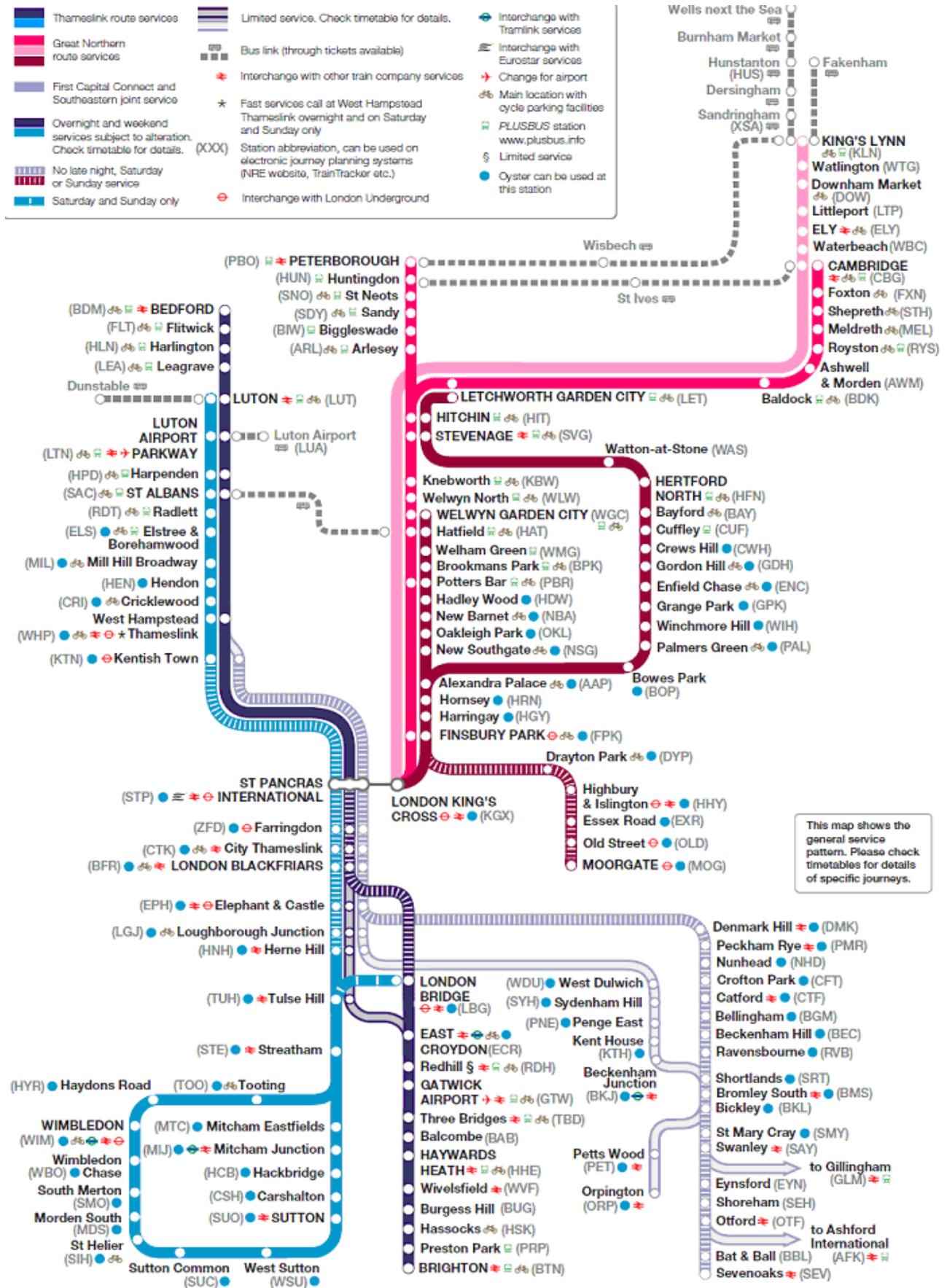
Nr	Code	Name	Incumbent
151.	HOV	Hove	Southern
152.	HUR	Hurst Green	Southern
153.	IFI	Ifield	Southern
154.	KLY	Kenley	Southern
155.	KND	Kingswood	Southern
156.	LAC	Lancing	Southern
157.	LHD	Leatherhead	Southern
158.	LIH	Leigh (Kent)	Southern
159.	LWS	Lewes	Southern
160.	LFD	Lingfield	Southern
161.	LIT	Littlehampton	Southern
162.	LVN	Littlehaven	Southern
163.	LRB	London Road Brighton	Southern
164.	MHM	Merstham	Southern
165.	MTC	Mitcham Eastfields	Southern
166.	MIJ	Mitcham Junction	Southern
167.	MCB	Moulsecoomb	Southern
168.	NVH	Newhaven Harbour	Southern
169.	-	Newhaven Marine	Southern
170.	NVN	Newhaven Town	Southern
171.	NRB	Norbury	Southern
172.	NSB	Normans Bay	Southern
173.	NDL	North Dulwich	Southern
174.	NUT	Nutbourne	Southern
175.	NUF	Nutfield	Southern
176.	OLY	Ockley	Southern
177.	ORE	Ore	Southern
178.	OXT	Oxted	Southern
179.	PMR	Peckham Rye	Southern
180.	PHR	Penshurst	Southern
181.	PEV	Pevensey and Westham	Southern

Nr	Code	Name	Incumbent
182.	PEB	Pevensey Bay	Southern
183.	PMP	Plumpton	Southern
184.	PLG	Polegate	Southern
185.	PLD	Portslade	Southern
186.	PRP	Preston Park	Southern
187.	PUL	Pulborough	Southern
188.	PUR	Purley	Southern
189.	PUO	Purley Oaks	Southern
190.	QRP	Queens Road Peckham	Southern
191.	RDH	Redhill	Southern
192.	RHM	Reedham	Southern
193.	REI	Reigate	Southern
194.	RDD	Riddlesdown	Southern
195.	RYE	Rye	Southern
196.	SAF	Salfords	Southern
197.	SNR	Sanderstead	Southern
198.	SEF	Seaford	Southern
199.	SRS	Selhurst	Southern
200.	SSE	Shoreham-by-Sea	Southern
201.	CDN	Coulsdon Town	Southern
202.	SBM	South Bermondsey	Southern
203.	SCY	South Croydon	Southern
204.	SOB	Southbourne	Southern
205.	SEE	Southeast	Southern
206.	SWK	Southwick	Southern
207.	STE	Streatham	Southern
208.	SRC	Streatham Common	Southern
209.	SRH	Streatham Hill	Southern
210.	SUO	Sutton	Southern
211.	TAD	Tadworth	Southern
212.	TAT	Tattenham Corner	Southern

Nr	Code	Name	Incumbent
213.	TTH	Thornton Heath	Southern
214.	TBD	Three Bridges	Southern
215.	TOK	Three Oaks	Southern
216.	TUH	Tulse Hill	Southern
217.	UCK	Uckfield	Southern
218.	UWL	Upper Warlingham	Southern
219.	WDO	Waddon	Southern
220.	WLT	Wallington	Southern
221.	WSW	Wandsworth Common	Southern
222.	WBL	Warblington	Southern
223.	WNH	Warnham	Southern
224.	WNW	West Norwood	Southern
225.	WVO	West Worthing	Southern
226.	WHY	Whyteleafe	Southern
227.	WHS	Whyteleafe South	Southern
228.	WSE	Winchelsea	Southern
229.	WVF	Wivelsfield	Southern
230.	WOH	Woldingham	Southern
231.	WME	Woodmansterne	Southern
232.	WRH	Worthing	Southern
233.	BEC	Beckenham Hill	Southeastern
234.	BGM	Bellingham	Southeastern
235.	CTF	Catford	Southeastern
236.	CFT	Crofton Park	Southeastern
237.	DMK	Denmark Hill	Southeastern
238.	NHD	Nunhead	Southeastern
239.	RVB	Ravensbourne	Southeastern

Southeastern stations to transfer with effect from December 2014.

Appendix 2B: Route diagram of FCC services

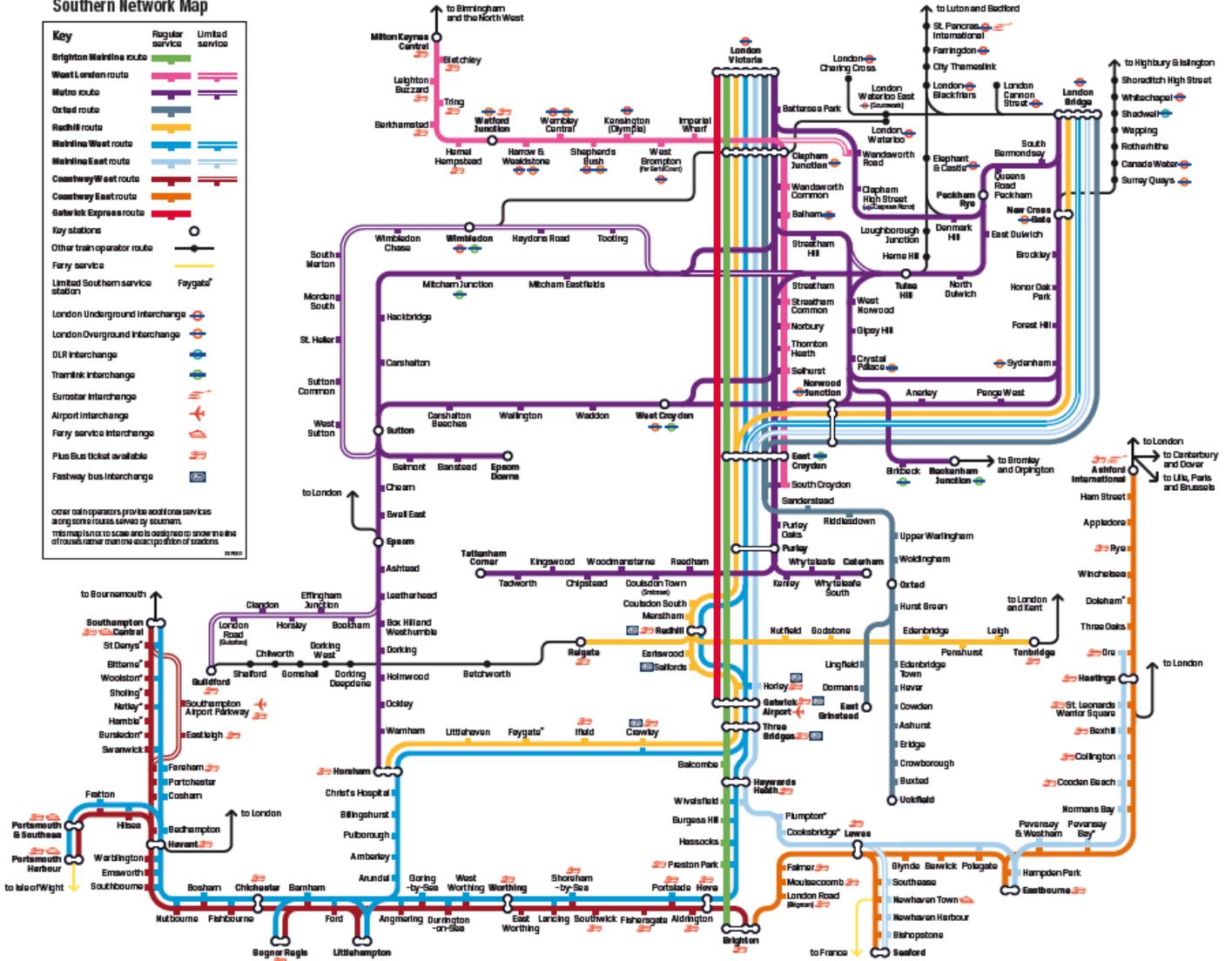


Appendix 2C: Route diagram of Southern services

Southern Network Map

Key	Regular service	Limited service
Brighton Mainline route		
West London routes		
Water route		
Oxford route		
Redhill route		
Mainline West routes		
Mainline East routes		
Coastway West routes		
Coastway East routes		
Getlink Express route		
Key stations		
Other train operator route		
Ferry service		
Limited Southern service station		Faygate*
London Underground interchange		
London Overground interchange		
DLR interchange		
Tramlink interchange		
Eurostar interchange		
Airport interchange		
Ferry service interchange		
Plus Bus ticket available		
Fastway bus interchange		

*cover only operators provide additional services along some routes served by southern.
 *this map is for scale and is not intended to show mainline of routes rather than the occupation of stations.

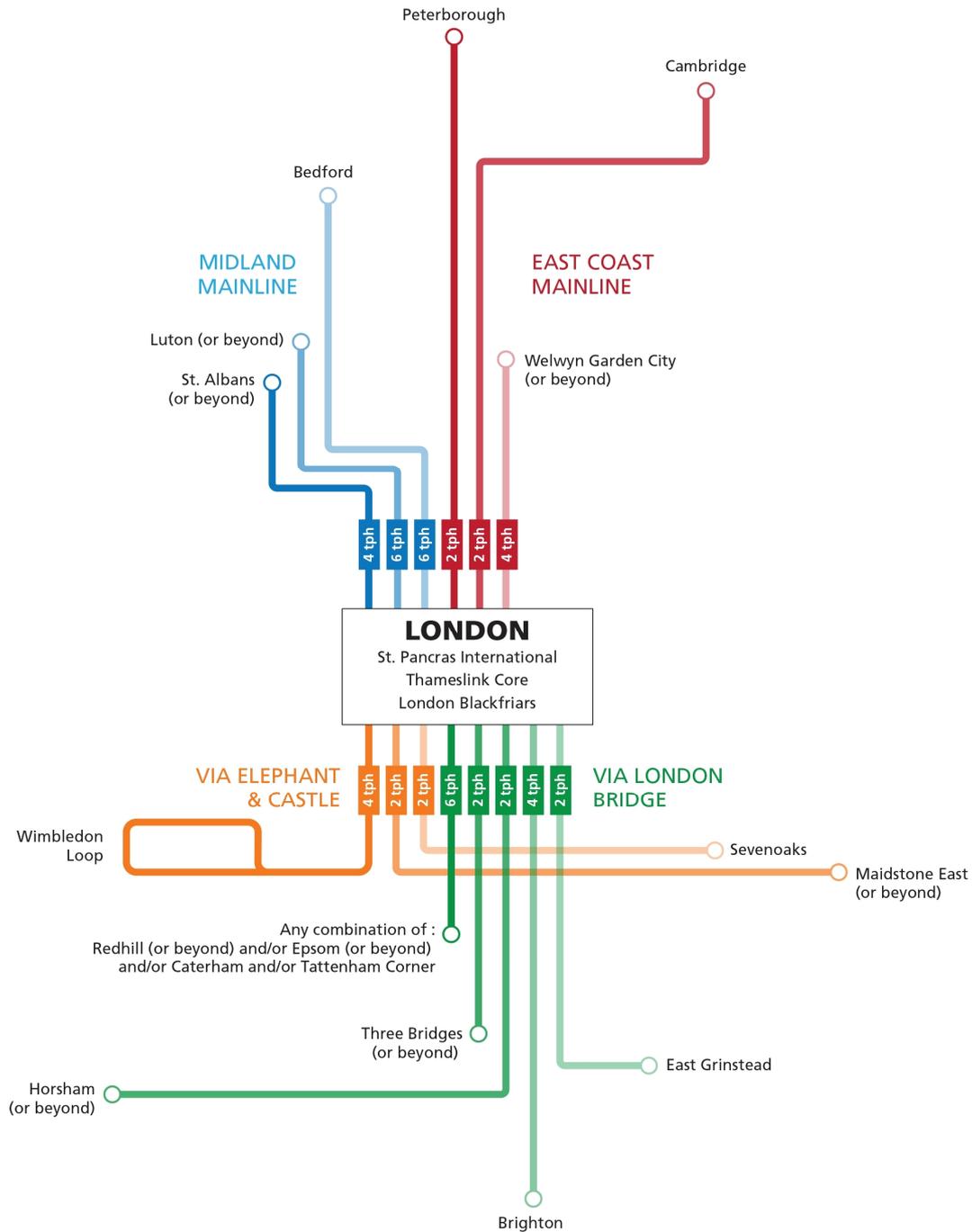


Appendix 2D: Thameslink Core TPH schematic map

Thameslink Core - December 2018

Peak Timetable

Services originating from each station



Appendix 3: Risk Adjustment Process

Introduction

1. This Appendix summarises the approach that the Department will adopt to risk adjustment of Bids.
2. All Department risk adjustments will be made on the basis of the Department's reasonable view of the most credible outcome, taking into account all of the information available to it, including existing industry / Department guidance and research, and new research and evidence put forward by Bidders where included in associated Delivery Plans, the Record of Assumptions, or other information submitted with Bids.
3. The Department will not risk adjust Bids if it concludes that the evidence that is presented in the Bid is sufficiently credible to convince it that there is not a material risk of a materially different financial outcome, taking into account all of the information available to it.
4. Guidance on how adjustments will be made can never be complete or apply to all possible situations, as it is not possible to predict in advance of Bid submission how Bidders will construct their Bids and so what issues and risks may be identified with each submission. The approach to adjustments described in this appendix is intended to provide Bidders with as much transparency as possible about how this principle will be implemented, but the key principle of the Department's reasonable view of the most credible outcome will always be the overriding factor.
5. As the Franchisee will not be at risk for passenger revenue, this will not be risk-adjusted as part of the assessment of financial robustness. However, the Department reserves the right to evaluate the revenue associated with specific Initiatives in order to inform how these Initiatives are taken into account in award of Evaluation Scores. The approach to evaluation of passenger revenue is therefore also described below.

Overview of process: Financial robustness

6. Subject to **paragraph 4**, the approach that will be followed to the assessment of financial robustness is:

- 6.1 Bidders' Financial Modelling Suites will be reviewed (including by reference to the Department's comparator model), to identify whether there are any issues in the methodology or assumptions used for the cost, Ancillary Revenue or other modelling which in the Department's reasonable view might generate a material risk of a materially different financial outcome from that projected in the Bidder's Financial Modelling Suites (upside or downside).
- 6.2 In addition to reviewing the Delivery Plans to assess the overall deliverability and quality of the Bid, the Department will identify whether it has concerns that any of the plans generate a material risk of a materially different financial outcome. Circumstances where these could arise include, without limitation, where:
- there are concerns about the operational, commercial or management arrangements set out for the franchise, and therefore concerns as to whether the franchise will require additional costs in order to deliver the Committed Obligations or other contractual obligations contained within the Franchise Agreement, or whether it will generate the expected Ancillary Revenue that has been forecast; or
 - there are concerns about the implementation strategy for a particular Initiative, and therefore there is a risk that higher costs or lower Ancillary Revenue will arise than forecast; or
 - there are concerns about whether the Ancillary Revenue or cost attributed to an Initiative is achievable, even if the Initiative is implemented successfully, because of concerns about the methodology or assumptions used in the modelling of the impact of the initiative.
- 6.3 If necessary and appropriate, the Department may seek clarification under the clarification process described in **paragraph 4.7.2.** (Engagement with Bidders and Evaluation Clarification Process).
- 6.4 Further to the reviews described above, the Department will identify the risk adjustment(s) it intends to make to that Bidder's Models ("Proposed Risk Adjustments"). The basis for such risk adjustments is described below.

- 6.5 The Department will review the consistency of Proposed Risk Adjustments individually and in aggregate.
- 6.6 Before finally determining any risk adjustment(s) the Department shall inform the Bidder of the Proposed Risk Adjustments, provided that, where the Proposed Risk Adjustments would not result in a Bidder being projected in its Risk Adjusted Financial Model to breach the Financial Ratios at any point during the Core Franchise Term, the Department reserves the right to not follow the process referred to in this **paragraph 6.6** in respect of that Bidder (on the basis that, in such circumstances, the risk adjustment process will have no impact on the outcome of the evaluation of the relevant Bidder's Bid). Where the Department informs a Bidder of the Proposed Risk Adjustments:
- it may also raise further questions in relation to the Proposed Risk Adjustments;
 - the Bidder will have 5 working days (or such longer period as the Department may specify) to respond to such questions;
 - the Bidder must only reply to the questions in its response; and
 - the Department will determine the risk adjustments ("Final Risk Adjustments") after receipt of responses or, where no responses are provided, after the date by which responses were to be provided.
- 6.7 The Final Risk Adjustments will then be run through the Bidder's Models as appropriate to produce the Bidder's Risk Adjusted Financial Model.
7. The Department reserves the right only to undertake some or all of the stages referred to in **paragraphs 6.4 to 6.7** above with respect to one or more leading Bidder(s).

Basis for determining risk adjustments: Financial robustness

8. Subject to paragraph 4, this section describes the approach to determining risk adjustments to factors other than farebox revenue, such as:
- cost forecasts;

- incentive payments (which for this purpose means any of the performance or incentive regimes in the Franchise Agreement in respect of the Passenger Experience Metric, ticketless travel, train performance (delay, cancellations and/or short formations) and Thameslink project milestones); and
 - Ancillary Revenue.
9. Where the Department identifies in its reasonable view a material risk of a materially different financial outcome from that projected in the Bidder's Financial Modelling Suites, whether with respect to cost, incentive payments or Ancillary Revenue, it may either risk adjust Ancillary Revenue, incentive payments, cost or any combination of these, as appropriate, in order to reflect its reasonable view of the most credible outcome. If appropriate, it may also take into account any risk to the delivery of the farebox revenue in its assessment of the Delivery Plans, as described in **paragraph 7.4** of **Section 7** and **paragraph 25** below.
10. Risk adjustment will take into account any risk mitigations already identified by Bidders in their forecasts and reported in the Record of Assumptions.
11. Where a Bidder includes contingency costs and/or contingency Ancillary Revenues in its Financial Model they will be removed from the Financial Model for the purpose of the risk adjustment process.
12. Where appropriate, the risk adjustment applied may be profiled by year to allow for delivery of an Initiative later in the Franchise Term than envisaged in the Bid, or for 'ramp-up' of the Initiative.
13. Risk adjustments may be either positive or negative, both individually and in aggregate.
14. To demonstrate risk adjustment, examples of risk adjustment are provided at the end of this section.

Costs

15. Risk adjustments may be made in respect of any of a Bidder's operating, financing or capital cost projections.
16. Subject to **paragraph 4**, in determining any risk adjustment, the approach which will be adopted will be as follows:

- where costs do not depend on Bidder Initiatives or management action (for example, EC4T unit rates), equivalent values will be used in the risk-adjusted forecasts for all Bidders, unless a Bidder provides credible evidence to convince the Department in its reasonable view that it will achieve a different outcome. Where relevant, the common values will be based on the Department's comparator model assumptions, unless the Department determines that there is credible alternate evidence that it should revise these assumptions; and
- where costs depend on Bidder Initiatives or management action, the Department will make a case-by-case assessment.

17. The factors that the Department will take into account may include, but shall not necessarily be limited to:

- the credibility of the delivery proposals, including resources and delivery timescales;
- any analysis provided by the Bidder to justify the methodology and assumptions that it has used; and
- any analysis provided by another Bidder with its Bid, to the extent that it is relevant and credible.

Incentive payments

18. Bidders' Financial Models should include their assumptions for payments that they may need to make to the Department, or expect to receive from the Department, under any incentive regime. Bidders should provide credible evidence to support their assumptions about incentive payments in their Record of Assumptions (with references to the Delivery Plans where appropriate).

19. Risk adjustments may be made in respect of a Bidder's projections for incentive regime payments.

20. The factors that the Department will take into account may include, but shall not necessarily be limited to:

- the credibility of the delivery proposals, including resources and delivery timescales;

- the consistency between the projections and the Initiatives described in the Delivery Plans;
- any analysis provided by the Bidder to justify the methodology and assumptions that it has used; and
- any analysis provided by another Bidder with its Bid, to the extent that it is relevant and credible.

21. As payment of the Thameslink Programme Milestone Payment depends in part on the actions of parties other than the Franchisee, for the purpose of risk adjustment the Department will assume that this payment will not be made.

Ancillary Revenue

22. Risk adjustments may be made in respect of a Bidder's projections for Ancillary Revenue such as car parking.

23. In determining any risk adjustment, the approach which will be adopted will be as follows:

- where the trend in these Ancillary Revenue lines is not within Bidders' control, the same values will be used for all Bidders. Where relevant, these values will be based on the Department's comparator model assumptions unless one or more Bidders provide relevant and credible evidence that the Department should revise these assumptions.
- where the trend depends on Bidder initiatives or management action, the Department will undertake a case-by-case assessment to determine its reasonable view of the most credible outcome, as for other Bidder Initiatives; and
- where these Ancillary Revenue lines are a function of fares revenue, they will be adjusted for consistency with the Department's reasonable view of the most credible trend in fares revenue.

24. The factors that the Department will take into account may include, but shall not necessarily be limited to:

- the credibility of the delivery proposals, including resources and delivery timescales;

- any analysis provided by the Bidder to justify the methodology and assumptions that it has used; and
- any analysis provided by another Bidder with its Bid, to the extent that it is relevant and credible.

Approach to assessment of passenger revenue

25. Bidders are required to submit a passenger revenue model and supporting crowding model. As the Franchisee will not be at risk for passenger revenue, passenger revenue forecasts will not be risk-adjusted as part of the assessment of financial robustness. However, the Department may evaluate the revenue associated with specific Initiatives in order to inform how these Initiatives are taken into account in the award of Evaluation Scores. The approach to that evaluation described in the following paragraphs is intended as a guide, but the key principle of the Department's reasonable view of the most credible outcome will always be the overriding factor.
26. Bidders' fares revenue growth forecasts will be divided into exogenous factors and Initiatives.
27. For **exogenous factors**, to facilitate comparison between Bids, Bidders must use the model provided by the Department and therefore the growth rates and elasticities included within it. Bidders should not include other exogenous factors in their forecasts. If Bidders believe that the Department has made a material omission or error in its assessment of exogenous revenue growth, this should be raised through the clarification process and, if it considers this to be necessary, the Department will advise all Bidders of new assumptions to use.
28. For **initiatives**, the Department will review the methodology and assumptions used, and where in its reasonable view there is a material likelihood of a materially different passenger revenue outcome from that projected in the Bidder's Financial Modelling Suite, will for the purpose of evaluation make adjustments on the basis of its view of the most credible outcome. This will take into account:
 - the demand forecasting guidance in PDFH v5 (except for fares, for which PDFH v4 will be used);
 - WebTAG Rail Passenger Demand Forecasting Methodology;
 - other published analysis;

- any analysis provided by the Bidder to justify the methodology and assumptions that it has used;
- any analysis provided by another Bidder with its Bid, to the extent that it is relevant and credible; and
- an assessment of whether total projected revenue growth is reasonable (taking into account the total impact of all factors and all Initiatives proposed).

Example of risk adjustments

29. This section provides examples of risk adjustments. Both the nature of the Initiatives described, and the types of adjustments set out, should be considered as illustrative only. The Department will undertake risk adjustments in accordance with the description in this Appendix and these examples should not be taken to limit how the Department will undertake this.

Example 1

30. A Bidder proposes to undertake a significant change to the current depot strategy to unlock efficiencies from the increased number of depots once Southern is within the franchise and utilise the additional resources and capacity as part of the new depots built as part of the TRSP. In addition to claiming an ongoing reduction in the cost of this activity, the Bidder claims that the revised maintenance strategy will deliver an improvement in fleet availability and the Bidder reduces the fleet size.
31. Risk adjustment could be appropriate, for example:
- the timing of implementation could be considered to be unrealistically ambitious, and the risk adjustment could result in a delay to the timing of benefits and costs;
 - the assumed reduction in fleet size through a higher fleet availability could be considered over-ambitious, and therefore risk adjustment could add in the cost extra units to ensure a realistic fleet size to deliver the Bidder's required diagrammed vehicles;
 - the volume of maintenance at particular depots is deemed unrealistic and costs are increased to ensure sufficient depot capacity for fleet

maintenance is provided, and/or maintenance income is reduced where significant work is being undertaken for other TOCs;

- the additional staff required to carry out this work could have been underestimated, in which case risk adjustment could add additional staff costs; and
- one off-transition costs could have been overlooked, for example costs in relation to training to carry out this specialist work in-house could have been omitted, in which case risk adjustment could add in cost provision for these one off items.

Example 2

32. A Bidder proposes additional rolling stock procurement in addition to the committed procurement, to replace older rolling stock. This results in improved journey quality and timetable improvements through higher speeds, and reduction in maintenance costs. Risk adjustment could be appropriate, for example:

- the timing of implementation could be considered to be unrealistically ambitious, for example if there is insufficient time for procurement and testing. A risk adjustment may be applied to reflect delays to the implementation on operating costs;
- the staffing and resources required to deliver the new rolling stock could be deemed insufficient to ensure a successful roll out of the rolling stock. A risk adjustment may be applied to reflect higher staff and contractor costs; and
- any covenants or obligations on the rolling stock being cascaded have not been accurately considered in the costs. Therefore a risk adjustment may be applied to reflect higher costs on the existing rolling stock.

33. In addition, if the scale, timing, build-up or trend in passenger revenue resulting from the rolling stock quality was considered over-ambitious, for example if the assumptions used were not consistent with PDFH, or if it was considered that there was a risk of delay to the implementation of the Initiative, the Department could take this into account in its evaluation of the relevant Delivery Plan sub-component, in accordance with **paragraph 7.4** (Quality and Deliverability Evaluation).

Example 3

34. The Bidder plans to undertake changes to staff numbers, salaries and the terms and conditions of employment.
35. If the Bidder demonstrates an inadequate process to minimise the disruption associated with this transition, and does not provide evidence that final remuneration and other benefits are consistent with wider market rates, risk adjustment may:
- increase staff costs in line with forecast economic indicators and market trends; and
 - add additional staff numbers and associated costs to mitigate risks to the ongoing deliverability of the Bidder's commitments in one or more area of the business.
36. In addition, if the Department considers that there would be a risk to the delivery of farebox revenue (for example due to industrial action), it could take this into account in its evaluation of the relevant Delivery Plan sub-component, in accordance with **paragraph 7.4** (Quality and Deliverability Evaluation).

Example 4

37. A station investment programme initiative is proposed, to improve quality of stations and access to stations for passenger at a portfolio of stations, and therefore to increase both farebox revenue and Ancillary Revenue. The scope of the programme includes creation of additional car parking, improved facilities for interchange with other modes, improved waiting room and toilet facilities, and replacing or augmenting existing facilities which are deemed to be inadequate. Risk adjustment could be appropriate, for example:
- the timing of implementation could be considered to be unrealistically ambitious, for example if there is not adequate time to achieve any planning/highway consents, and risk adjustment could delay the costs;
 - the scale, timing, build-up and / or trend in any passenger benefits could be considered over-ambitious, and risk adjustment could be made to Ancillary Revenue and incentive regime payments; and

- the capital investment assumed for the station works and/or annual maintenance cost could be considered unrealistically low and therefore risk adjustment could increase these costs.

38. In addition, if the Department considers that farebox revenue forecasts associated with the Initiative were not realistic, it could take this into account in its evaluation of the relevant Delivery Plan sub-component, in accordance with **paragraph 7.4** (Quality and Deliverability Evaluation).

Example 5

39. A revenue protection Initiative is proposed in order to meet the ticketless travel target and minimise any payments through the incentive regime. This Initiative includes purchase of new equipment which, together with additional revenue protection staff and improved processes such as revised deployment of revenue protection officers, is projected to achieve a reduction in ticketless travel. Risk adjustment could be appropriate, for example:

- the timing of implementation could be considered to be unrealistically ambitious, for example if there is insufficient time to recruit and train new staff, and therefore risk adjustment could result in a delay to the timing of costs and any impact on payments under the incentive regime;
- the scale of ongoing costs for the additional staff could be considered unrealistically low, and risk adjustment could increase these costs accordingly;
- the scale of the impact on ticketless travel could be considered over-ambitious, and risk adjustment could adjust payments under the incentive regime accordingly; and
- One off-transition costs may have been overlooked, for example staff recruitment and training costs, and risk adjustment could add in cost provision for these one off items.

40. In addition, if the Department considers that farebox revenue forecasts associated with the Initiative were not realistic, it could take this into account in its evaluation of the relevant Delivery Plan sub-component, in accordance with **paragraph 7.4** (Quality and Deliverability Evaluation).

Example 6

41. The Bidder proposes ticket office closures, to be enabled by new ticketing technology and equipment, but the rate of deployment is considered to be too ambitious. Risk adjustment may delay the envisaged level of staff reductions and add back staff costs accordingly.

Example 7

42. The Bidder assumes growth in EC4T unit rates materially lower than is considered realistic. Risk adjustment could increase these costs to reflect alternative forecasts of the trend in energy costs.

Example 8

43. The Bidder assumes significant benefits from alliancing that are not adequately justified. Risk adjustment may reduce any claimed benefits or cost savings to the extent that these are considered over-ambitious.